UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Rockies Express Shippers,	**)**	
	)	
Complainants,	**)**	
v.	**)**	**Docket No. RP08-__ -000**
	)	
Northern Natural Gas Company,	**)**	
	)	
Respondent.	**)**	

COMPLAINT REQUESTING FAST TRACK PROCESSING
OF ROCKIES EXPRESS SHIPPERS
AGAINST NORTHERN NATURAL GAS COMPANY

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COMPLAINT REQUESTING FAST TRACK PROCESSING
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AGAINST NORTHERN NATURAL GAS COMPANY

Pursuant to Section 5 of the Natural Gas Act ("NGA"), 15 U.S.C. § 717d, imposing the duty on the Federal Energy Regulatory Commission ("Commission" or "FERC") to investigate possible violations of the NGA, and Rule 206 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.206 (2007), the Rockies Express Shippers[1] ("REX Shippers" or "Complainants") hereby file this Complaint against Northern Natural Gas Company ("Northern" or "Respondent") requesting "fast track" procedures.

I. COMMUNICATIONS AND CORRESPONDENCE

Communications regarding this Complaint should be directed to the following persons:

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II. PARTIES

Ultra Resources, Inc. ("Ultra") is a Wyoming Corporation and a wholly-owned subsidiary of Ultra Petroleum Corporation, a Yukon Territories (Canada) corporation. Ultra's principal place of business is at 363 N. Sam Houston Parkway E., Suite 1200, Houston, Texas 77060. Ultra is a producer of oil and natural gas with substantial natural gas reserves in Wyoming.

Sempra Rockies Marketing, LLC ("SRM") is a Delaware limited liability company and a wholly owned subsidiary of Sempra Global, which is a wholly owned subsidiary of Sempra Energy. SRM's principal place of business is at 101 Ash Street, HQ14D, San Diego, CA 77060.

Ultra and SRM will each be a firm shipper on the interstate pipeline facilities of Rockies Express Pipeline. Ultra and SRM have each contracted for 200,000 Dth/day of firm capacity on Rockies Express and each will be an "Anchor Shipper" under Rockies Express' Tariff.

The interconnect between Rockies Express and Northern in Gage County, Nebraska, will be a substantial receipt point (the "REX Receipt Point") on the Northern system. Ultra holds 50,000 Dth/day and Sempra holds 5,830 Dth/day of primary firm delivery point capacity at the REX interconnect with Northern. Together the REX Shippers control a substantial portion of the primary firm delivery point capacity at the Rockies Express/Northern interconnect and, therefore, have a direct interest in the allocation of primary **receipt** point capacity by Northern.

As firm shippers on Rockies Express Pipeline ("REX") and holders of primary firm delivery point capacity at the REX interconnect with Northern, the REX Shippers have a direct interest in Northern's tying of the availability of firm receipt point capacity at the REX Receipt Point to a phantom backhaul service. The REX Shippers have a direct interest in the unlawful, unjust and unreasonable charge imposed by Northern for such phantom backhaul service. Any transportation fees charged by Northern for phantom backhaul service directly impact, and reduce, the market prices that shippers on the Northern system will pay the REX Shippers for Rocky Mountain gas supplies delivered to the Northern system through REX. Payment of an additional charge of $0.3679/Dth[2] to Northern for phantom backhaul service will disadvantage the REX Shippers' gas supplies delivered to Northern's system on REX as compared to gas supplies delivered to Demarc through Northern's Field Area facilities without incurring the phantom backhaul charge.

Northern is a natural gas company within the meaning of the Natural Gas Act ("NGA") and is engaged primarily in the transportation of natural gas in interstate commerce subject to the Commission's jurisdiction. Northern is a corporation organized and existing under the laws of the state of Delaware and is a wholly-owned subsidiary of MidAmerican Energy Holdings Company ("MEHC").

III. STATEMENT OF ISSUES

1. Did Northern violate Commission policy, FERC Order No. 636, Northern's Tariff and the Natural Gas Act by failing to post the receipt point capacity for the REX Receipt Point as available for realignment of receipt point capacity by existing Northern shippers

[2] Annualized seasonally weighted, 100% load-factor equivalent rate including commodity charge. Ten-month average (Jan.-Oct. 2008) equals $0.3316/Dth. The annualized demand charge alone is $0.3167/Dth.

holding firm forward-haul transportation capacity in Northern's Market Area or for designation as a primary receipt point under Northern's MPS service?

2. Did Northern violate Commission policy, FERC Order Nos. 636 and 637, Northern's Tariff and Section 4 of the Natural Gas Act, by tying the availability of firm receipt point capacity at the REX Receipt Point to the shipper subscribing to, and paying for, new firm backhaul service?

3. Was Northern's open season fatally flawed because the "firm backhaul" capacity, in connection with which Northern posted the REX Receipt Point capacity, was not Northern's to offer?

4. Did Northern discriminate against gas delivered to Northern's Market Area through the REX Receipt Point, in violation of Section 4 of the Natural Gas Act, by subjecting such gas to limitations, *i.e.*, access to firm receipt point capacity only through backhaul service, to which similarly situated gas delivered through the interconnect with Trailblazer is not subject?

5. Is Northern's charge for backhaul service from the REX Receipt Point to Demarc unjust and unreasonable, in violation of Section 4 of the Natural Gas Act?

IV. SUMMARY OF COMPLAINT

A. FAILURE TO POST AVAILABLE CAPACITY.

In this Complaint, the REX Shippers challenge Northern's failure to post the capacity at the REX Receipt Point as available for subscription by firm Market Area shippers for use as a substitute primary receipt point by existing Northern shippers holding firm forward-haul transportation capacity in Northern's Market Area as unjust, unreasonable and unduly discriminatory, in violation of Commission policy, Sections 18 and 26 of the General Terms and Conditions ("GT&C") of Northern's Tariff and Section 4 of the Natural Gas Act. By failing to post the availability of primary receipt point capacity at the REX Receipt Point, Northern violated its firm shippers' rights to "realign" their capacity by substituting the REX Receipt Point as a new, in-path primary receipt point under the shipper's existing agreements for service in the Market Area.

B. UNLAWFUL TYING.

The REX Shippers challenge Northern's tying of the availability of firm receipt point capacity at the REX Receipt Point to the shipper subscribing to, and paying for, new firm backhaul service from the REX Receipt Point to Demarc (hereinafter, "phantom backhaul service") as a violation of Commission policy, FERC Order Nos. 636 and 637, Section 26 of the GT&C of Northern's Tariff and Section 4 of the Natural Gas Act. By subscribing 100% of the point capacity at the REX Receipt Point to backhaul service for which Northern charges its maximum tariff rates, Northern has precluded its MPS customers from utilizing their existing MPS pooling service to achieve precisely the same result at no charge. Northern's backhaul service is not a "new service," it is a pretext for circumventing the rights of Northern's MPS Customers to utilize Northern's MPS pooling service at no charge. In tying the availability of primary receipt point capacity at the REX Receipt Point to Northern's phantom backhaul service, Northern violated its Tariff and its firm shippers' rights to realign their capacity by substituting the REX Receipt Point as a new, in-path primary receipt point under the shipper's existing agreements for service in the Market Area.

Most importantly, the "firm backhaul" service, in connection with which Northern posted the availability of REX Receipt Point capacity, exists in the first instance **only because Northern segmented its capacity on the mainline between Demarc and Palmyra without authority to do so.** The segmentation Northern attempted was theoretically possible only because Northern had previously denied its Market Area shippers the right to segment their own capacity under FERC Order No. 637. Had Northern's Market Area shippers retained the same segmentation rights that firm shippers on other pipelines enjoy, the firm backhaul capacity on which on which Northern relies to satisfy its obligation to post the availability of the REX Receipt Point capacity **would not even have existed**. Simply stated, the firm backhaul service offered by Northern in its unlawful open season would not have been available for Northern's use; that capacity would and should have been controlled by Northern's firm Market Area shippers, who had already paid demand charges for the capacity.

It is true that the Commission relieved Northern of the obligation to fully comply with the Commission's segmentation policy under Order No. 637, based on Northern's representation that its Market Area system was "reticulated" and subject to bi-directional flows which made segmentation operationally impractical. However, it is equally true that the Commission's waiver cannot be construed as a license for Northern to then "segment," for its own economic benefit and at the expense of its firm Market Area shippers, those portions of Northern's Market Area system – such as the mainline from Demarc to Palmyra – where segmentation is operationally feasible. **Northern's open season was fatally flawed because the firm backhaul capacity in connection with which Northern posted the REX Receipt Point capacity was not Northern's to offer.**

C. UNLAWFUL DISCRIMINATION – TRAILBLAZER RECEIPT POINT.

Northern discriminated against gas delivered to Northern's Market Area through the REX Receipt Point, in violation of Section 4 of the Natural Gas Act, by subjecting such gas to limitations, *i.e.*, access to firm receipt point capacity only through backhaul service, to which similarly situated gas delivered through the interconnect with Trailblazer is not subject. As a consequence of Northern's unlawful tying arrangement, perpetrated through an unjust and unreasonable open-season procedure, Northern subjected firm receipts of gas delivered to

Northern at the REX Receipt Point to a phantom backhaul from the REX Receipt Point to Demarc to which firm deliveries of gas at the Trailblazer interconnect are not subject. The firm deliveries of gas received at the REX Receipt Point thereby become subject to a backhaul charge of $0.3679/Dth **to which firm receipts of gas at the Trailblazer interconnect are not subject**.

D. PHANTOM BACKHAUL CHARGE IS UNJUST AND UNREASONABLE.

As a consequence of Northern's unlawful tying arrangement, perpetrated through an unjust and unreasonable open-season procedure, Northern prevented firm shippers in the Market Area from scheduling gas received at the REX Receipt Point for transport to the downstream delivery point(s) until after the gas had first been transported in a phantom backhaul from the REX Receipt Point to Demarc. The gas never flows by backhaul (through displacement or otherwise) to Demarc. **The backhaul service Northern offered to provide through its open season is entirely a fiction.** Instead the gas will only be transported directly by forward haul on Northern's system to downstream delivery points in the Market Area.[3]

By subscribing 100% of the point capacity at the REX Receipt Point to backhaul service for which Northern charges its maximum tariff rates, Northern has precluded its MPS customers from utilizing their existing MPS pooling service to achieve precisely the same result at no charge. Northern is effectively providing a pooling service for which Northern seeks to charge its full Market Area tariff rates. Northern's $0.3679/Dth charge for this phantom backhaul (pooling) service is not cost justified, constitutes a payment for no service, and is unjust and unreasonable.

E. RELIEF REQUESTED.

The REX Shippers request the Commission to find Northern's failure to post REX Receipt Point capacity on its EBB and the tying of the availability of point capacity at the REX

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[3] Hence the characterization of the service as "phantom" backhaul service.

Receipt Point to phantom backhaul to be unjust, unreasonable and unlawful. **The REX Shippers request that Northern's open season be voided and set aside, and that Northern be directed to conduct another open season for primary point capacity at the REX Receipt Point without tying such point capacity to a requirement that the shipper subscribe to backhaul transportation service from the REX Receipt Point to Demarc.** Northern's Market Area shippers should be permitted to "realign" their firm transportation service in the Market Area by designating the REX Receipt Point as a primary receipt point. Northern's MPS customers should be permitted to designate the REX Receipt Point as a primary receipt point under the MPS Rate Schedule.

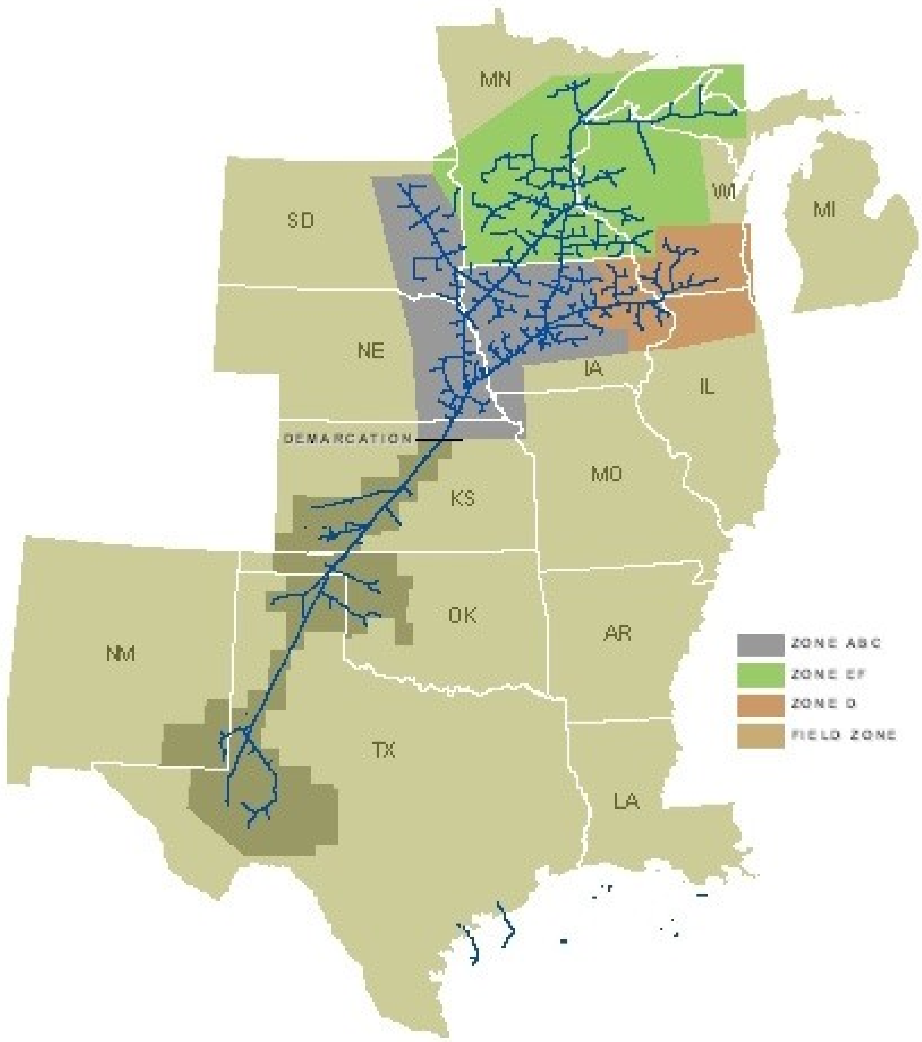
The REX Shippers request that the charge imposed by Northern for providing phantom backhaul (pooling) service be declared unjust and unreasonable.

V. COMPLAINT

A. BACKGROUND.

1. Northern's System.

Northern's system is divided into a "Market Area" and a "Field Area":



"Demarc" is located at the boundary between the Market and Field Areas on Northern's system (shown on the above Map as the line labeled "Demarcation").[4]

4 Under Northern's Tariff, Demarc is a receipt point in the Market Area as well as a receipt point in the Field Area and can also be a delivery point for either Area. *See* Northern Natural Gas Company FERC Gas Tariff, General Terms and Conditions, Section 1, Sheet No. 203. In this Complaint, we are concerned only with Demarc as a primary receipt point in the Market Area.

The planned REX Receipt Point will be located on the segment of Northern's system that runs from Demarc to Beatrice and on to Palmyra, Nebraska. This segment is located upstream from the reticulated portion of Northern's system (which begins at Palmyra) and gas flows in one direction only through the Demarc/Palmyra segment – North toward Northern's major markets in Iowa, Minnesota, including Minneapolis, and Wisconsin.

An interconnect between Northern and Trailblazer Pipeline Company (the "Trailblazer interconnect") is also located on the Demarc/Palmyra segment of Northern's Market Area system near Beatrice, Nebraska, just a short distance north of the REX Receipt Point (also in Gage County). The Trailblazer interconnect is similarly situated to the REX Receipt Point for purposes of access, allocation of capacity, rate treatment, *etc.*, under Northern's Tariff.

2. The Commission's Open-Access, Unbundling, Flexible Point-Rights And Segmentation Policies.

In Order No. 436, the Commission adopted regulations implementing open and nondiscriminatory access to interstate transportation capacity. *Regulation of Natural Gas Pipelines After Partial Wellhead Decontrol,* Order No. 436, FERC Statutes and Regulations, Regulations Preambles 1982-1985 ¶ 30,665 at pp. 31,494-495 (1985). A hallmark of these policies is nondiscriminatory access to receipt and delivery point capacity. Order No. 436 at p. 31,551. In Order No. 636, the Commission adopted unbundling policies requiring interstate pipelines to separate their various service offerings, so that shippers might access and pay for only those services that the shippers needed or desired. *Pipeline Service Obligations and Revisions to Regulations Governing Self-Implementing Transportation Under Part 284 of the Commission's Regulations,* Order No. 636, FERC Statutes and Regulations, Regulations Preambles January 1991-June 1996 ¶ 30,939 (1992); Order No. 636-A, FERC Statutes and Regulations, Regulations Preambles January 1991-June 1996 ¶ 30,950 (1992); Order No. 636-B, 61 FERC ¶ 61,272 (1992), aff'd in part and remanded in part, *United Distribution Cos. v. FERC*, 88 F.3d 1105 (D.C. Cir. 1996); Order No. 636-C, 78 FERC ¶ 61,186 (1997). Conditioning of access to points or capacity on utilization of particular pipeline services is fundamentally inconsistent with the Commission's unbundling polices that lie at the heart of restructuring. Order No. 636 at p. 30,393 ("In particular, the Commission must regulate the pipeline transportation system … in a manner that ensures that pipeline control of the transportation system – a natural monopoly – does not give a competitive advantage to pipelines …."); *see also* Order No. 636 at p. 30,426 and Order No. 636-A at p. 30,559 (standing for the proposition that pipelines must offer capacity without tying to any other conditions).

Order No. 636 also established a policy favoring "flexible point rights" and assured firm shippers the ability to modify their receipt or delivery points within the transportation path to which the shipper's firm transportation service agreement applies and for which the shipper has paid demand charges.[5] Order No. 636 at p. 30,429. The Commission emphasized that "flexible receipt and delivery points are necessary to the continued development of market centers where pipelines interconnect." *Id.* Consistent with this policy, section 284.7(b)(3) of the Commission's regulations, 18 C.F.R. § 284.7(b)(3) (2007), prohibits tariff provisions that inhibit formation of market centers.

In Order No. 637, the Commission sought to further increase competition and flexibility with respect to flexible point rights and segmentation. *Regulation of Short-Term Natural Gas Transportation Services and Regulation of Interstate Natural Gas Transportation Services*,

5 "Segmentation" is a related concept. Segmentation refers to the ability of firm capacity holders to subdivide their capacity into segments and utilize the segments for different capacity transactions. Segmentation is not directly implicated in this Complaint, although the REX Shippers believe that Northern's refusal to permit segmentation of capacity within the Demarc/Palmyra segment of Northern's Market Area system can not be justified and is unjust and unreasonable, especially when it is recognized that Northern's backhaul service is itself dependent on segmentation of capacity in Northern's Market Area.

Order No. 637, FERC Statutes and Regulations, Regulations Preambles July 1996-December 2000 ¶ 31,091 (2000); Order No. 637-A, FERC Statutes and Regulations, Regulations Preambles July 1996-December 2000 ¶ 31,099 (2000); Order No. 637-B, 92 FERC ¶ 61,602 (2000); affirmed in part and remanded in part, *Interstate Natural Gas Association of America v. FERC*, 285 F.3d 18 (D.C. Cir. 2002) ("*INGAA*"), on remand, 101 FERC ¶ 61,127 (2004) ("*Order on Remand*"), on rehearing, 106 FERC ¶ 61,088 (2004) ("*Order on Rehearing*"). In Order No. 637, the Commission required pipelines to amend their tariffs to fully implement the Commission's related flexible point and segmentation policies. Order No. 637 at p. 31,304. The Commission recognized the impracticality of establishing hard-and-fast rules applicable to all pipelines on the one hand, and the difficulty, on the other hand, of assuring that case-by-case implementation would be fully effective. Accordingly, in Order No. 637 the Commission stated that it would entertain challenges to departures from the Commission's policies in complaint proceedings. Order No. 637 at p. 31,307 ("If shippers believe that pipelines are not allocating capacity properly at interconnects, such problems can be handled individually through the complaint process."). **This is such a complaint.**

3. Northern's Tariff.

Sections 18, 26 and 29 of the GT&C of Northern's Tariff and the MPS Rate Schedule are relevant to the REX Shippers' complaint. Section 18 of the GT&C provides:

18. ELECTRONIC COMMUNICATIONS

A. Communication of Pricing and Capacity Information.

Northern has established and maintains an Internet website to comply with the requirements of contemporaneous communication of and equal and timely access to certain information to all "potential shippers" in the event Northern provides such information to an energy affiliate.

Northern's currently effective Volume No. 1 tariff, as revised from time to time, is posted on Northern's website. Therefore, Northern will not provide paper copies

> of the tariff to its customers and interested state commissions unless specifically requested to do so.
>
> In addition to general information regarding the availability and pricing of transportation services and the availability of pipeline capacity (at receipt points, on the mainline, at delivery points, in storage fields, new capacity and capacity as to which Northern has exercised its right of pregranted abandonment), Northern will post information with regard to the Right of First Refusal process, capacity release, imbalance transfers, curtailment, points available for real time nominations, points available for pooling, the open season for SBA providers and bids for capacity which becomes available at the expiration of a Throughput Service Agreement. Shipper has the option to directly post capacity release terms. Northern will also post such pricing and capacity information upon specific request by shippers and potential shippers. Additionally, Northern will post capacity wanted notices for prospective Shippers. Northern will regularly remove information as to completed transactions and other matters which have become obsolete.

Northern Natural Gas Co., FERC Gas Tariff, General Terms and Conditions, Section 18, Sheet No. 221 (attached as Appendix A).

Subparts B of Section 26 of the GT&C embody Northern's requirement to post its available capacity:

26. REQUESTS FOR SERVICE

> * * * *
>
> B. Posting and Awarding of Capacity:
>
> Northern shall post and award available capacity in accordance with this Section 26. Northern shall post weekly its available capacity on the website. Northern shall have the right to (1) post notices for solicitation of bids for particular segments of capacity for service to start immediately or in the future or (2) conduct open seasons for expansion projects including requests for incremental service at a date later than the in-service date of the expansion facilities. Any open season for capacity will be conducted for a period of no less than five and no more than sixty business days. The open season may include generally available capacity and/or capacity resulting from an expansion project. The open season notice will include the following:
>
> (a) the location of the capacity and/or proposed expansion;
>
> (b) the total quantity, if applicable; and
>
> (c) the date capacity is available and/or proposed to be available.

> Such notice may include a bid evaluation methodology and/or if the open season includes service to start at some time in the future, the bid methodology will include a net present value analysis, in which case the posting will be made at least three (3) days prior to bidding. In addition, Northern will post whether bids have been received and show the full net present value (NPV) analysis for the highest bid received, the Shippers' bids, and provide the actual calculation of the NPV with sufficient clarity to permit bidders to duplicate the results. In the event Northern receives bids for new capacity, the capacity will be allocated to the best bid.

Northern Natural Gas Co., FERC Gas Tariff, General Terms and Conditions, Section 26, Sheet Nos. 252 - 253A (attached as Appendix B).

Section 29 of the GT&C governs the methods by which Northern allocates its pipeline capacity. Specifically, Section 29 of the GT&C provides that:

> **29. ALLOCATION OF CAPACITY**
>
> (a) Scheduling
>
> Firm Throughput Services at Primary Points shall be scheduled first and shall be given the highest priority. Firm Throughput Service at Alternate Points shall be scheduled next, before interruptible volumes. Nominations received after the nomination deadline will be scheduled after the nominations received before the nomination deadline.
>
> In the event capacity must be allocated on part or all of Northern’s system, then on the respective part of Northern's system, Firm Throughput Services shall be given the highest priority for scheduling purposes. Therefore, Northern will schedule firm throughput customers’ volumes in accordance with the provisions of Section 19, “Limitations on Northern’s Obligation to Provide Firm Service” of the “GENERAL TERMS AND CONDITIONS.”
>
> Northern will use shipper-provided path priorities and rankings when making reductions during the scheduling process, when the path priorities and rankings do not conflict with other provisions within Northern’s tariff.
>
> In the event more than one firm Shipper nominates the same alternate delivery point, the point will be allocated for scheduling purposes among the firm Shippers nominating the alternate delivery point on a pro rata basis. Scheduling priority for firm service at an alternate delivery point will be before interruptible service but after firm service at a primary firm point. A Shipper using a primary point and nominating prior to the nomination deadline, will be scheduled prior to interruptible service. Shippers using alternate delivery points may bump TI Shippers at any time in

> accordance with Section 28, "Nominations" of the GENERAL TERMS AND CONDITIONS of this Tariff.
>
> To the extent that capacity remains, Northern shall schedule TI, TF overrun, TFX overrun, and LFT overrun on the basis of the nominated TI, TF overrun, TFX overrun, and LFT overrun commodity path rate. For the purpose of allocating capacity, shippers willing to pay more than the maximum tariff rate will be considered to be paying the maximum tariff rate.

Northern Natural Gas Company, FERC Gas Tariff, General Terms and Conditions, Section 29, Sheet Nos. 260A and 261 (attached as Appendix C).

Northern's Tariff contains an MPS Rate Schedule (attached as Appendix D) providing pooling service within a single Mileage Indicator District ("MID") on Northern's system. Northern assigns a MID number (1-17) to each receipt and delivery point on its system, with the Market Area being considered a single delivery point. *Northern Natural Gas Company*, "Order on Compliance with Restructuring Rule," 62 FERC ¶ 61,075, at p. 61,403 (1993). MID 17 is Northern's Market Area. Northern Natural Gas Company, FERC Gas Tariff, Sheet No. 59.

Under Section 1 of the MPS Rate Schedule, pooling service "is available to any legal entity for the pooling of natural gas within each of the Mileage Indicator Districts (MID) for subsequent firm or interruptible throughput service by Northern Natural Gas …." Under Section 2(a) of the MPS Rate Schedule, "Each MID is an individual pooling area with each MID pooling area containing one paper pooling point which can serve as a pool for all of the receipt points located within the same MID pooling area …." Section 2(k) of the MPS Rate Schedule further provides:

> A pooling point may be a primary or an alternate point for firm throughput Shippers and is also available for interruptible throughput Shippers. A MID pooling point will be considered a Primary Receipt Point for purposes of allocations at the MID pool to the extent the Shipper holds primary receipt capacity within the same MID. In the event of an allocation, Northern will allocate the MIDs pooling point(s) based upon the priority of the capacity the Shipper has contracted at the specific receipt point(s) upstream of the MIDs pooling point, in accordance with Section 29 of the

General Terms and Conditions of this Tariff.

Section 5 of the MPS Rate Schedule provides that the MPS pooling service will be provided without charge.

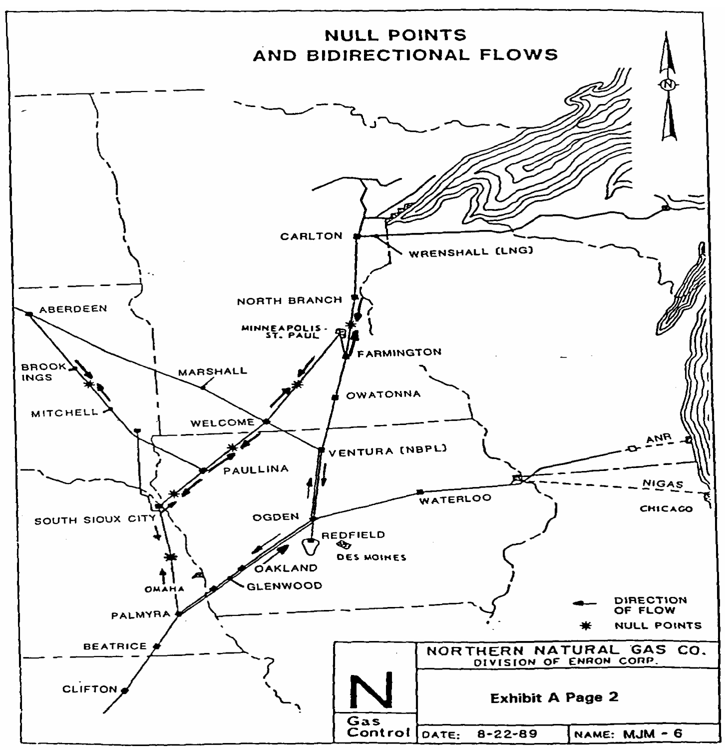
4. Northern's Order No. 637 Compliance Filings.

On July 17, 2000, Northern filed in Docket No. RP00-404-000 *pro forma* tariff sheets in compliance with Order No. 637 ("Northern's Order No. 637 compliance filing"). Northern defined its Market Area to include the area north of the demarcation line between Northern's Field and Market Areas ("Demarc") at Clifton, Kansas. Northern claimed that it was prevented from implementing segmentation in its Market Area due to the existence of bi-directional flows in the Market Area and the reticulated nature of Northern's system in the Market Area. "Order on Compliance with Order Nos. 637, 587-G, and 587-L," *Northern Natural Gas Co.*, 101 FERC ¶ 61,203, P 32 (2002) ("*Northern 637 Order*"). Northern's Order No. 637 compliance filings explained that these factors made segmentation within the Market Area operationally infeasible. Northern's segmentation policy is described in Section 56 of its tariff. *See* Northern Natural Gas Company, FERC Gas Tariff, General Terms and Conditions, Section 56, Sheet Nos. 305-305A (attached as Appendix E) and Northern's Virtual (Market Area) Segmentation FAQs attached as Appendix F. The Commission accepted Northern's explanation and relieved Northern from strict compliance with the requirements of Order No. 637 and 637-A respecting segmentation. *Northern 637 Order* at P 39.

The REX Shippers do not challenge the Commission's generic determination based upon evidence demonstrating bi-directional flows affecting the vast majority of the line segments in the Market Area. However, the Commission's generic determination provides no justification for not applying the Commission's flexible point and segmentation policies in the segment of Northern's mainline from Demarc to Palmyra **to which Northern's reticulation and bi-**

directional flow arguments do not apply. More particularly, the *Northern 637 Order* cannot be construed as authorizing Northern to offer "firm backhaul" capacity as a "new" service (the revenues from which will be retained by Northern) where that service is dependent upon Northern segmenting the very capacity to which Northern's Market Area shippers have been denied segmentation rights, despite having paid demand charges for the capacity.

Two characteristics of Northern's system relevant to this Complaint are undisputed. First, **the reticulated portions of Northern's Market Area facilities are downstream from the critical mainline segment from Demarc past the REX Receipt Point to Palmyra.** Second, gas does not flow bi-directionally in the mainline from Demarc to Palmyra. Rather, **the gas in this key segment flows only in one direction – north from Demarc to Palmyra.** These conclusions are supported by Exhibit A, set forth below, to Northern's Order No. 637 compliance filing. This Exhibit clearly shows the null points on Northern's system in the Market Area and confirms the exclusively northerly flow of gas from Demarc ("Clifton" on the Map below) past Beatrice to Palmyra.



This fact-specific and point-specific consideration was precisely what the Commission had in mind in Order No. 637 when the Commission stated, “If shippers believe that pipelines are not allocating capacity properly at interconnects, such problems can be handled individually through the complaint process.” Order No. 637 at p. 31,307. **This Complaint is filed in direct response to the Commission’s invitation and disputes Northern’s allocation of capacity at the REX Receipt Point.**

5. Northern’s Open Season

On July 7, 2007, Northern announced that it would hold an open season soliciting bids for firm receipt point capacity at its new REX Receipt Point. Northern stated in the open season notice (attached as Appendix G) that the total available REX Receipt Point capacity would be 200,000 Dth/day. The receipt point capacity was tied to firm backhaul service from the REX Receipt Point to Demarc,[6] and could not be utilized in connection with existing firm Market Area transportation service. Thus, Northern’s open season notice stated, “Northern is not accepting requests for realignment in this open season.” Northern Open Season Notice, Appendix G.

The ten-day open season began on July 9, 2007 and ended on July 19, 2007. Apparently twenty-eight shippers requested 1,346,000 Dth/day in the open season. Of the twenty-eight shippers who placed bids in the open season, seven shippers, requesting 630,000 Dth/day of aggregate capacity, bid the maximum tariff rate (annualized average of $0.3679/Dth) and were awarded a pro rata share of the 200,000 Dth/day of available receipt point capacity.[7]

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6 The receipt point capacity and backhaul service were offered for an initial term beginning approximately January 1, 2008 and ending no sooner than October 31, 2008. Northern stated that the capacity would be awarded based on Net Present Value per unit for the time period.

7 The open season itself is further proof of the unidirectional flow of gas on the segment of Northern’s mainline from Demarc past the REX Receipt Point to Palmyra. In order for

B. NORTHERN'S OPEN SEASON VIOLATED COMMISSION POLICY, NORTHERN'S TARIFF AND THE NATURAL GAS ACT.

1. Northern's Failure To Post The REX Receipt Point Capacity As Available Violated Northern's Tariff And The Rights Of Northern's Firm Shippers.

Order No. 636 requires pipelines to post available capacity, including receipt and delivery point capacity, so all shippers may have nondiscriminatory access to all receipt and delivery points within the transportation contract path for which the shipper paid demand charges. Order No. 636 at p. 30,415. The Commission requires pipelines to "timely inform all interested persons about the availability of capacity at receipt points …." *Id.*; *see also* Order No. 636 at p. 30,420 (pipeline must sell all of its available firm or interruptible capacity by posting on the Electronic Bulletin Board ("EBB")). This requirement is codified at 18 C.F.R. 284.13(d) (2007). Sections 18 and 26 of the GT&C of Northern's Tariff implement the Commission's capacity posting requirements. *See* Northern Natural Gas Company, FERC Gas Tariff, GT&C Sections 18 and 26, Sheet Nos. 221 and 252.

Northern did not post the availability of firm receipt point capacity on Northern's web site for Northern's firm Market Area shippers to designate as a primary receipt point under the shippers' existing firm transportation and/or MPS service agreements. Indeed, to the contrary, Northern's open season notice stated, "Northern is not accepting requests for realignment in this open season." Northern Open Season Notice, Appendix G. Because Northern did not post the availability of receipt point capacity at the REX Receipt Point separately from the open season for firm backhaul service, Northern violated FERC Order No. 636, Section 284.13(d) of the Commission's regulations, Sections 18 and 26 of the GT&C of Northern's Tariff, and the rights

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Northern's "firm" backhaul service to be operationally feasible, Northern must flow at least 200,000 Dth/day forward from Demarc to the REX interconnect.

of Northern's firm Market Area shippers.[8]

2. Northern's Open Season Impermissibly Tied Access To Firm Receipt Point Capacity To Phantom Backhaul Service.

Northern's open season impermissibly tied access to firm point capacity at the REX Receipt Point to use in connection with an allegedly "new" firm backhaul service in violation of the Commission's unbundling and segmentation policies and in contravention of Commission Orders prohibiting tariff provisions and practices that inhibit pooling and formation of market centers.

(a) Segmentation policy

Northern's contention that it offered the receipt point capacity in connection with a "new service" (the phantom backhaul service) does not withstand scrutiny. Northern's allegedly "new" backhaul service involved a "segmentation" of Northern's capacity on the portion of the Demarc/Palmyra mainline that lies between the REX Receipt Point and Demarc. But that backhaul capacity existed at all **only** because Northern's customers are precluded from segmenting their own firm capacity on that mainline based on Northern's previous claim that its Market Area experienced "bi-directional flows" of gas and was a "reticulated system."

Northern cannot have it both ways: Northern cannot deny its customers the right to segment their capacity on this line, for which they have paid reservation charges, and **at the same time claim that Northern may segment this very same capacity to provide its "new" firm backhaul service.** Absent a partial dispensation by the Commission from full compliance with the Commission's segmentation policies, the capacity Northern relies upon to provide the backhaul service would be controlled by Northern's firm Market Area shippers who have already

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8 For the reasons given below, Northern's "posting" of the REX Receipt Point capacity in connection with an open season for firm backhaul service fails to satisfy the requirements of Northern's Tariff, the Commission's regulations and Order No. 636.

paid demand charges for this capacity. By restricting its posting of firm point capacity at the REX Receipt Point to an allegedly "new" backhaul service, **Northern has unlawfully appropriated for its own use capacity that should properly be available to Northern's shippers and customers without charge,** either as part of their segmentation rights under Order No. 637-A or under the MPS pooling service.

By tying firm receipt point capacity at the REX Receipt Point to a phantom backhaul service **that is dependent upon segmentation** of Northern's market area capacity, while **denying firm shippers** with firm forward haul capacity on the Demarc/Palmyra mainline **the right to segment the very same capacity** for which they have already paid demand charges, Northern has violated the requirements of Order No. 637-A and the flexible point and segmentation rights of Northern's shippers. In granting Northern limited relief from the requirements of Order No. 637-A that shippers be permitted to segment their capacity to the extent operationally feasible, **the Commission did not grant to Northern a license to segment its system capacity on its own in order to collect demand charges for capacity that rightfully should already belong to its firm Market Area shippers.**

(b) Pooling service

In Order No. 636-B, the Commission prohibited tariffs provisions that "inhibit the creation and development of pooling centers . . .." Order No. 636-B at p. 62,011. By tying the availability of REX Receipt Point capacity to Northern's phantom backhaul service, Northern effectively foreclosed access to primary receipt point capacity at the REX Receipt Point to MPS customers. By subscribing 100% of the point capacity at the REX Receipt Point to firm backhaul service for which Northern charges its maximum tariff rates, Northern precluded its MPS customers from utilizing their existing MPS pooling service to achieve precisely the same result as the phantom backhaul service at no incremental charge. Northern's backhaul service is a pretext for circumventing the rights of Northern's MPS Customers.

Northern should have conducted an open season for shippers to subscribe to **point capacity** at the REX Receipt Point, which could have been utilized for forward- or backhaul transactions, rather than tying the open season for point capacity at the REX Receipt Point to subscribing to Northern's phantom backhaul service. This unlawful tying violates the fundamental precepts of unbundling implicit in the Commission's restructuring rule. *See* Order No. 636 at p. 30,426 and Order No. 636-A at p. 30,559 (pipelines must offer capacity without tying to any other conditions).

Northern has no operational basis for not allowing shippers with primary receipt point capacity at Demarc to select the REX Receipt Point as a substitute primary receipt point so that gas could be scheduled directly from that point to downstream, in-path delivery points in Northern's Market Area without being required subscribe to, and pay for, phantom backhaul capacity from the REX Receipt Point to Demarc. Nor does Northern have any operational basis for not allowing MPS customers to designate the REX Receipt Point as a primary receipt point for their MPS pooling service. There are no bi-directional flows of gas on the Northern system between Demarc and the REX interconnect. All of the gas received at the REX Receipt Point will physically flow to delivery points downstream from the REX Receipt Point.

(c) Market center policy

In Order No. 636, the Commission made clear that tariff provisions which restrain the development of market centers would not be tolerated. Order No. 636 at p. 30,428; codified at 18 C.F.R. § 284.7(b)(3) (2007). In Order No. 636-B, the Commission elaborated that pipeline tariffs must not contain rates, terms, or conditions of service that "inhibit the creation and development of . . . market centers." Order No. 636-B at p. 62,011. Further, the Commission found that market centers are inhibited when "Rate structures … require shippers to pay for substantial amounts of capacity both upstream and downstream of a market center in order to use only the upstream or downstream part of the pipeline." Order No. 636-B at p. 62,012.

Northern's tying of firm receipt point capacity to phantom backhaul service is exactly what the Commission envisioned as inhibiting the development of market centers. The Commission expressly prohibited this type of rate structure as it "amounts to tying transportation services together that are commercially distinct and is contrary to the spirit of service unbundling." Order No. 636-B at p. 62,012. The Commission also recognized that "inappropriate rates for backhauls," such as the rate Northern proposes to charge for utilization of its phantom backhaul service, "can inhibit market center development." *Id*.

As a direct consequence of Northern's actions challenged in this Complaint, a market center will be inhibited from forming at the REX Receipt Point. Gas suppliers holding firm capacity on REX have alternative delivery points to other interstate pipeline in the region, such as ANR and Panhandle Eastern. These gas suppliers may sell their gas at these points in lieu of selling their gas to markets on the Northern system. These alternate markets generally trade at a discount from Demarc of more than $0.35/Dth. Accordingly, gas suppliers on REX would prefer to sell their gas into the higher-priced markets available on Northern's system where Demarc is the pricing benchmark.

However, if market forces are allowed to operate, not all of that price margin will be captured by the suppliers; some portion will be captured in the form of lower prices paid by LDCs and other purchasers of gas on the Northern system holding firm Market Area transport capacity.[9] Thus, if a market center were permitted to form at the REX Receipt Point, gas would

[9] One cannot predict how the existing price margin between Demarc and other markets for REX gas will be distributed between the suppliers and the purchasers. Indeed the allocation is likely to change with market conditions. What can be said with confidence is that, if market forces are allowed to operate, they will not allow 100% of the margin to be captured by the gas suppliers as higher prices or 100% to be captured by purchasers in

trade at a discount from Demarc at that point.

Northern's conduct of the open season prevents the formation of a market center at the REX Receipt Point. By doing so, Northern will capture the lion's share of the market price differential in its backhaul charge, while the "gate keepers," the holders of firm receipt point capacity at the REX Receipt Point in connection with their phantom backhaul service, will seek to charge a margin equal to the remainder, if any, of the market differential. LDCs will pay the Demarc-flat price to the gatekeepers and **will not realize any of the cost savings the LDCs would otherwise realize if a market center were allowed to form at the REX Receipt Point.**

Similarly, Northern's conduct will prevent customers on the Northern system from utilizing pooling service under the MPS Rate Schedule that would have a similar economic effect – higher realized prices for suppliers and lower gas supply costs for Northern's customers. Tying 100% of the REX Receipt Point capacity to Northern's phantom backhaul service precludes Northern's MPS customers from utilizing their existing MPS pooling service to achieve precisely the same economic result as a market center, with benefits to both suppliers and customers. Northern's backhaul service improperly interferes with pooling under the MPS Rate Schedule, denying gas suppliers and gas purchasers the benefits of competition. Instead, Northern proposes to capture the market differential as monopoly rent through its maximum tariff rate for phantom backhaul service.

3. Northern's Open Season Discriminated Against The REX Receipt Point By Subjecting Firm Receipts To Backhaul Charges To Which Similarly Situated Receipts Through The Trailblazer Interconnect Are Not Subject.

Northern's open-season subjected firm receipts of gas delivered to Northern at the REX

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the form of cheaper gas supplies. Some mix, and therefore some cost savings to Northern's customers, is inevitable.

Receipt Point to a phantom backhaul from the REX Receipt Point to Demarc. However, firm receipts of gas at the Trailblazer interconnect are not subject to this same economic burden. By restricting firm receipt point access on gas delivered to Northern's Market Area through the REX Receipt Point to firm backhaul service, while similarly situated firm receipts of gas through the Trailblazer interconnect is not limited to backhaul service, Northern's open season discriminated against gas delivered through the REX Receipt Point. The firm deliveries of gas received at the REX Receipt Point were burdened by a backhaul charge of $0.3679/Dth to which not all firm receipts of gas at the Trailblazer interconnect are subject.

C. NORTHERN'S CHARGE FOR ITS PHANTOM BACKHAUL SERVICE IS UNJUST AND UNREASONABLE.

Northern charges its full "ABC" area Tariff rates for the backhaul service from the REX Receipt Point to Demarc. Shippers must pay this additional charge to "move" gas from the REX Receipt Point to Demarc through the phantom backhaul service before Northern shippers holding firm, forward haul Market Area capacity may schedule the same gas for transportation utilizing the shippers' existing firm forward haul capacity from Demarc to the shippers' delivery points. The burden of this unlawful backhaul charge falls on suppliers of gas at the REX Receipt Point or on customers of Northern purchasing the gas at Demarc.

Northern's phantom backhaul service is in reality a pooling service, not significantly different from that provided under Northern's MPS Rate Schedule. However, unlike the MPS pooling service, for which Northern is not permitted to impose any charge, under Northern's phantom backhaul service Northern will collect its full Market Area tariff rates.

In charging its full ABC area rates for the phantom backhaul service, Northern is being paid for providing a pooling service for which no charge should be imposed. Operationally, the gas never flows to Demarc **by displacement or otherwise**. The phantom backhaul transaction for which Northern conducted its open season is an artifice through which Northern is able to extract unjust and unreasonable rates. Moreover, **this "new service" is available only because Northern succeeded in denying its shippers the ability to segment this very capacity** in Northern's Order No. 637 compliance proceedings based on claims of bi-directional flows and reticulated system configuration **that do not apply to this segment** of Northern's Market Area.

Because the charge imposed by Northern for the fictitious and wholly unnecessary phantom backhaul service cannot be justified by any operational considerations and is not supported by any cost justification, the charge is unjust and unreasonable.

VI. COMPLIANCE WITH RULE 206

The following is provided in compliance with Rule 206.

1. Identify the action or inaction alleged to violate statutory standards or regulatory requirements.

See Parts V.B and V.C, supra, incorporated by reference.

Northern's failure to post REX receipt point capacity on its EBB did not provide timely access to pipeline capacity information and is therefore a violation of Section 284.13(d) of the Commission's regulations and Sections 18 and 26 of the GT&C of Northern's tariff.

Northern's tying of its open season for primary point capacity at the REX Receipt Point to utilization of that capacity with phantom backhaul service violates the Commission's unbundling, segmentation and flexible point policies set forth in Order Nos. 636, 637 and 637-A, Sections 284.7(a), 284.7(d), 284.221(g) and 284.221(h) of the Commission's regulations, Sections 18 and 26 of the GT&C of Northern's Tariff, and is an unjust and unreasonable practice in violation of Section 4 of the Natural Gas Act.

Northern's imposition of a charge for phantom backhaul service from the REX Receipt Point to Demarc (which shippers must utilize before the gas may be scheduled to move by forward haul from Demarc to the shippers' delivery points downstream from the REX Receipt Point) is unduly discriminatory as compared to receipts of gas from Trailblazer all of which are not subject to backhaul charges. Northern's open season and the provisions of Northern's Tariff on which Northern relies constitute unjust discrimination in violation of Section 4 of the Natural Gas Act.

Northern's charge for its phantom backhaul service is not cost justified, constitutes payment for a pooling service for which no charge may be imposed, and is unjust and unreasonable in violation of Section 4 of the Natural Gas Act.

Northern's Tariff fails to implement the Commission's flexible receipt point policy as developed in Order Nos. 636 and 637 with respect to the mainline segment between Demarc and Palmyra, without any operational justification. As such, Northern's Tariff violates Order No. 637-A and is unjust and unreasonable in violation of Section 4 of the Natural Gas Act.

2. Explain how the action or inaction violates statutory standards or regulatory requirements.

See Parts V. B and C, supra, incorporated herein by reference.

Northern violated Section 284.13(d) of the Commission's regulations and Sections 18 and 26 of the GT&C of Northern's tariff because Northern obstructed timely access to pipeline capacity information by failing to post REX receipt point capacity on its EBB.

Northern's open season unlawfully tied the availability of access to primary point capacity at the REX Receipt Point to the use of that capacity exclusively with phantom backhaul service, thereby violating the Commission's open-access, unbundling, segmentation and flexible point policies set forth in Order Nos. 636, 637 and 637-A, Sections 284.7(a), 284.7(d), 284.221(g) and 284.221(h) of the Commission's regulations, and Sections 18 and 26 of the GT&C of Northern's Tariff. Northern's conduct was an unjust and unreasonable practice in violation of Section 4 of the Natural Gas Act.

Northern's imposition of a charge for phantom backhaul service for gas received from REX unduly favors similarly situated receipts of gas from Trailblazer (to which a backhaul charge is not always imposed) over those from REX, constituting unjust discrimination in violation of Section 4 of the Natural Gas Act.

Northern's charge for its phantom backhaul service is not cost justified, constitutes payment for a pooling service for which no charge may be imposed, and is unjust and unreasonable in violation of Section 4 of the Natural Gas Act.

Northern's Tariff fails to implement the Commission's flexible receipt point policy as developed in Order Nos. 636 and 637 with respect to the mainline segment between Demarc and Palmyra, without any operational justification. As such, the Tariff violates Order No. 637-A and is unjust and unreasonable in violation of Section 4 of the Natural Gas Act.

3. Set forth the business, commercial, economic, or other issues presented by the action or inaction as such relate to or affect the complainant.

The imposition of an unjust and unreasonable charge for phantom backhaul service lowers the prices suppliers of gas from REX will receive and increases the prices LDCs and other purchasers of gas on the Northern system would otherwise pay for Rocky Mountain gas supplies delivered through REX.

As a direct consequence of Northern's actions challenged in this Complaint, a market center will be inhibited from forming at the REX Receipt Point. Gas suppliers holding firm capacity on REX have alternative delivery points to other interstate pipeline in the region, such as ANR and Panhandle Eastern. These gas suppliers may sell their gas at these points in lieu of selling their gas to markets on the Northern system. These alternate markets generally trade at a discount from Demarc of more than $0.35/Dth. Accordingly, gas suppliers on REX would prefer to sell their gas into the higher-priced markets available on Northern's system where Demarc is the pricing benchmark.

However, if market forces are allowed to operate, not all of that price margin will be captured by the suppliers; some portion will be captured in the form of lower prices paid by LDCs and other purchasers of gas on the Northern system holding firm Market Area transport capacity. Thus, if a market center were permitted to form at the REX Receipt Point, gas would trade at a discount from Demarc at that point.

Northern's conduct of the open season prevents the formation of a market center at the REX Receipt Point. As a result, LDCs on Northern's system **will not realize any of the cost savings the LDCs would otherwise realize if a market center were allowed to form at the REX Receipt Point.**

Similarly, Northern's conduct will prevent customers on the Northern system from utilizing pooling service under the MPS Rate Schedule that would have a similar economic effect – higher realized prices for suppliers and lower gas supply costs for Northern's customers. Tying 100% of the REX Receipt Point capacity to Northern's phantom backhaul service precludes Northern's MPS customers from utilizing their existing MPS pooling service to achieve precisely the same economic result as a market center, with benefits to both suppliers and customers. Northern's backhaul service improperly interferes with pooling under the MPS Rate Schedule, denying gas suppliers and gas purchasers the benefits of competition. Instead, Northern proposes to capture the market differential as monopoly rent through its maximum tariff rate for phantom backhaul service.

4. Quantify the financial impact or burden (if any) created for the complainant as a result of the action or inaction.

Consumers on Northern's system will suffer financially as a result of Northern's actions. Northern's imposition of a charge, that is not cost justified, for phantom backhaul service will cost consumers on the Northern system from $26.8 to $36.4 Million annually for pooling service for which they should not have to pay. The imposition of an unjust and unreasonable charge for phantom backhaul service adversely affects the prices prospective purchasers of gas on the

Northern system will pay for the REX Shippers' Rocky Mountain gas supplies delivered through REX, and may force the REX Shippers to forego selling gas to purchasers on the Northern system.

Changing delivery points is not without cost to the REX Shippers however. Selling gas through other REX delivery points would strand the REX Shippers' 200,000 Dth/day of primary delivery point capacity at the REX/Northern interconnect. The REX Shippers' utilization of other REX delivery points would be on an interruptible basis, preventing the REX Shippers from contracting to sell gas on a firm basis and denying the REX Shippers the assured revenue stream that firm contracts provide.

If the REX Shippers were to sell gas to holders of the phantom backhaul capacity on Northern because they alone have firm receipt point capacity, the REX Shippers' revenues could be reduced by $26.8 to $36.4 Million annually.

5. Indicate the practical, operational or non-financial impacts imposed as a result of the action or inaction, including, where applicable, the environmental, safety or reliability impacts of the action or inaction.

Imposition of an additional $0.3679/Dth charge for Northern's phantom backhaul service before gas delivered by REX to Northern at the REX Receipt Point may be transported under existing firm forward haul transportation capacity held by firm shippers in Northern's Market Area competitively disadvantages Rocky Mountain gas supplies delivered to the Northern system through REX as compared to gas supplies sourced through Trailblazer (to which a backhaul charge is not always imposed) as well as gas supplies from Northern's Field Area. This competitive disadvantage may force the REX Shippers to forego selling gas to purchasers on the Northern system in favor of markets at other REX delivery points. Such action would reduce competition on Northern, increase consumers' gas prices and reduce the reliability of gas supplies by reducing the diversity of gas supplies delivered to Northern's system.

6. State whether the issues presented are pending in another proceeding or forum in which the complainant is a party.

None of the REX Shippers' complaints are pending in other proceedings.

7. State the specific relief requested.

See Part VII of this Complaint, infra, incorporated by reference.

The REX Shippers request the following relief:

(a) That the Commission find Northern's failure to post REX Receipt Point capacity on its EBB is unlawful and violated Section 284.13(d) of the Commission's regulations and Sections 18 and 26 of the GT&C of Northern's tariff.

(b) That the Commission find that Northern impermissibly tied receipt point access to phantom backhaul, declare that Northern's open season violated the Commission's unbundling, segmentation and flexible point policies set forth in Order Nos. 636, 637 and 637-A, Sections 284.7(a), 284.7(d), 284.221(g) and 284.221(h) of the Commission's regulations, and Sections 18 and 26 of Northern's Tariff, and declare Northern's conduct to be an unjust and unreasonable practice in violation of Section 4 of the Natural Gas Act.

(c) That the Commission declare Northern's open season unjust, unreasonable, discriminatory and unlawful because Northern's open season discriminated against the REX Receipt Point in favor of receipts of gas from Trailblazer.

(d) **That the Commission declare the results of Northern's open season be void and order Northern to conduct another open season for primary point capacity at the REX Receipt Point without tying such point capacity to a requirement that the shipper subscribe to backhaul transportation service from the REX Receipt Point to Demarc.**

(e) That the Commission declare the charge imposed by Northern for providing phantom backhaul (pooling) service to be unjust and unreasonable.

(f) That the Commission declare Northern's Tariff unjust and unreasonable insofar as it fails to implement the Commission's segmentation and flexible point policies with respect to the segment of Northern's mainline between Demarc and Palmyra.

8. Include all documents that support the facts.

All relevant documentation to which the REX Shippers have access is included. Sections 18, 26, and 29 of the GT&C of Northern's FERC Gas Tariff are attached as Appendices A, B, and C respectively. Northern's MPS Rate Schedule, MID Pooling Service is attached at Appendix D. Section 56 of the GT&C of Northern's FERC Gas Tariff is attached as Appendix E. Northern's Virtual (Market Area) Segmentation FAQs is attached at Appendix F. Northern's Open Season Notice is attached at Appendix G.

9. State which Alternative Dispute Resolution avenues were used.

(a) Ultra utilized the FERC Enforcement Hotline. Because Northern's Tariff did not provide for segmentation of Northern's system in the Market Area, Hotline staff advised Ultra it would be necessary to file a complaint to address the issues raised in this Complaint.

On October 15, 2007, the Ultra's Vice President of Marketing and outside counsel met with senior representatives of Northern, including Northern's General Counsel, Mr. Greg Porter, and Northern's Vice President of Rates, Ms. Mary Kay Miller, at Northern's headquarters in Omaha, Neb., to review concerns relative to the open season. Northern was specifically requested to void its open season for the reasons set forth in this Complaint, *i.e.*, improper posting, unlawful tying, improper segmentation, unlawful discrimination, *etc.*, but Northern declined to do so. A draft copy of this Complaint was provided to Northern in advance of filing the Complaint with the Commission. Thereafter, on October 22, 2007, Ultra's CEO, Mr. Mike Watford, spoke by telephone with Mr. Mark Hewitt, President of MEHC, about Ultra's concerns and the Compliant. No resolution was forthcoming from that high-level discussion. The REX Shippers do not believe that further discussions with Northern without the intervention of the Commission will result in a remedy satisfactory to the REX Shippers.

(b) Alternative dispute resolution procedures under the Commission's supervision have not been used. Complainants believe that, in light of the request for expedited relief to address the January 2008 start-up date of the REX Receipt Point, appointment of a Settlement Judge could promote obtaining a timely resolution of the issues raised in this Complaint.

(c) No other ADR procedures have been used.

(d) There is no other process agreed to for resolving the complaint.

10. Form of Notice.

A form of notice is attached hereto.

11. Fast Track Procedures.

The standard processes for resolving this complaint are inadequate because the REX Pipeline will be in service as of January 2008. The REX Shippers request fast-track procedures in order that the Commission may address the REX Shippers' request that Northern's unlawful open season be set aside in sufficient time for another open season to be conducted sufficiently in advance of the scheduled commencement of delivery of gas from REX to Northern at the REX Receipt Point to permit shippers on the REX Pipeline holding firm delivery point capacity at the REX/Northern interconnect to contract on a firm basis with shippers on Northern holding firm receipt point capacity at the REX Receipt Point.

VII. RELIEF REQUESTED

For the reasons set forth above, Complainants request the Commission to initiate an investigation under Section 5 of the Natural Gas Act, and pursuant to Order No. 637 (at p. 31,307), of Northern's open season for receipt point capacity at the REX Receipt Point.

Complainants request the Commission to find Northern's failure to post REX Receipt Point capacity on its EBB unlawful and in violation of the Commission's regulations and policies.

Complainants request the Commission to find Northern's tying of receipt point capacity at the REX Receipt Point to Northern's phantom backhaul service to be unjust, unreasonable, unduly discriminatory and unlawful, and in violation of the Commission's unbundling, segmentation and flexible point policies under Order No. 636. In addition, Complainants request the Commission to declare Northern's open season unjust, unreasonable, discriminatory and unlawful because Northern's open season discriminated against the REX Receipt Point and in favor of receipts of gas from Trailblazer.

Complainants request the Commission to vacate the results of the open season and to order Northern to conduct another open season for primary point capacity at the REX Receipt Point without tying such point capacity to a requirement that the shipper subscribe to phantom backhaul transportation service from the REX Receipt Point to Demarc. Complainants request that the open season be conducted early enough to permit shippers on the REX Pipeline holding firm delivery point capacity at the REX interconnect with Northern to contract on a firm basis with shippers on Northern holding firm receipt point capacity at the REX Receipt Point.

Complainants request that the Commission declare unjust and unreasonable the charge imposed by Northern for providing phantom backhaul (pooling) service.

Complainants request the Commission to initiate an investigation under Section 5 of the Natural Gas Act respecting the failure of Northern's tariff to fully implement, without operational justification, the Commission's segmentation and flexible point policies with respect to the mainline segment of Northern's Market Area system from Demarc to Palmyra. Complainants request that Northern's Tariff be declared unjust and unreasonable insofar as it fails to implement the Commission's segmentation and flexible point policies with respect to the segment of Northern's mainline between Demarc and Palmyra.

Respectfully submitted,

ROCKIES EXPRESS SHIPPERS
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UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

The Rockies Express Shippers,	)	
	)	
Complainants,	)	
v.	)	**Docket No. RP08-__ -000**
	)	
Northern Natural Gas Company,	)	
	)	
Respondent	)	

NOTICE OF COMPLAINT REQUESTING FAST TRACK PROCESSING

(October __, 2007)

Take notice that on October __, 2007, the Rockies Express Shippers ("REX Shippers"), pursuant to section 206 of the Commission's Rules of Practice and Procedures, 18 CFR § 385.206, filed a complaint against Northern Natural Gas Company ("Northern") alleging that Northern (i) failed to post the availability of receipt point capacity at the Rockies Express Pipeline ("REX") Receipt Point on Northern, (ii) unlawfully tied access to REX Receipt Point capacity to new backhaul service which Northern was not authorized to offer, (iii) unlawfully discriminated against the REX Receipt Point and in favor of receipts of gas from Trailblazer, and (iv) imposed an unjust and unreasonable charge for backhaul service. As a remedy, *inter alia*, the REX Shippers request the Commission to void Northern's previous open season and order Northern to conduct a new open season in compliance with Northern's Tariff and Commission regulations.

The REX Shippers certify that a copy of the complaint has been served on the contacts for Northern as listed on the Commission's list of Corporate Officials.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. The Respondent's answer and all interventions, or protests must be filed on or before the comment date. The Respondent's answer, motions to intervene, and protests must be served on the Complainants.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the "eFiling" link at http://www.ferc.gov. Persons unable to file electronically should submit an original and 14 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426.

This filing is accessible on-line at http://www.ferc.gov, using the "eLibrary" link and is available for review in the Commission's Public Reference Room in Washington, D.C. There is an "eSubscription" link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please email FERCOnlineSupport@ferc.gov, or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Comment Date: 5:00 pm Eastern Time on (insert date).

Kimberly D. Bose
Secretary

CERTIFICATE OF SERVICE

I hereby certify I have served the foregoing document upon the following:

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Dated at Washington, D.C., this 24th day of October 2007.

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Nancilee Holland

APPENDIX A

Northern Natural Gas Co., FERC Gas Tariff, General Terms and Conditions, Section 18, Sheet Nos. 221-222A.

GENERAL TERMS AND CONDITIONS

18. Electronic Communications

A. Communication of Pricing and Capacity Information. Northern has established and maintains an Internet website to comply with the requirements of contemporaneous communication of and equal and timely access to certain information to all "potential shippers" in the event Northern provides such information to an energy affiliate.

Northern's currently effective Volume No. 1 tariff, as revised from time to time, is posted on Northern's website. Therefore, Northern will not provide paper copies of the tariff to its customers and interested state commissions unless specifically requested to do so.

In addition to general information regarding the availability and pricing of transportation services and the availability of pipeline capacity (at receipt points, on the mainline, at delivery points, in storage fields, new capacity and capacity as to which Northern has exercised its right of pregranted abandonment), Northern will post information with regard to the Right of First Refusal process, capacity release, imbalance transfers, curtailment, points available for real time nominations, points available for pooling, the open season for SBA providers and bids for capacity which becomes available at the expiration of a Throughput Service Agreement. Shipper has the option to directly post capacity release terms. Northern will also post such pricing and capacity information upon specific request by shippers and potential shippers. Additionally, Northern will post capacity wanted notices for prospective Shippers. Northern will regularly remove information as to completed transactions and other matters which have become obsolete.

Daily back-up records will be maintained for three years and will be accessible to customers in electronic form upon written request. Shipper shall reimburse Northern, upon billing, for any copying and mailing costs associated with such requests.

For further information relative to the website, including fees and usage charges, potential shippers should contact Northern through use of the website link "contact us" or at 1-866-810-5268.

GENERAL TERMS AND CONDITIONS

B. From time to time, Northern may also communicate information of general interest by mail to potential Shippers. A party may ensure that it falls within the definition of a "Potential Shipper" by sending a request to Northern at:

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

ATTN: Customer Service

C. Internet

Northern has established an HTML page accessible via the Internet's World Wide Web, at http://www.northernnaturalgas.com. Northern will make all pertinent website functions and information available via the Internet. The following information is posted.

1) Notices (critical notices, operation notices, system wide notices, etc.).
2) Standards of Conduct and marketing affiliate information.
3) Operationally available and unsubscribed capacity.
4) Index of customers.
5) Northern's FERC Gas Tariff (terms, conditions and rates), or general terms and conditions.
6) Agreements and forms for electronic business transactions.

D. Electronic Execution of Documents

1. Northern and a Shipper shall agree in writing to the terms and conditions of the electronic interchange of data necessary to accomplish requests and contracting for service by electronic means.

2. A Shipper may submit a Request for Service in accordance with Section 26 of the GENERAL TERMS AND CONDITIONS of this Tariff electronically. The requirement for submitting a valid Request for Service shall be deemed satisfied when accomplished by electronic means. In such event, Northern may tender a Service Agreement, and a Shipper and Northern may enter into and execute a Service Agreement, in accordance with any applicable Rate Schedule of this Tariff by electronic means, provided the requirements of the applicable Rate Schedule and any other GENERAL TERMS AND CONDITIONS of this Tariff are met.

GENERAL TERMS AND CONDITIONS

3. Northern and Shipper may enter into transactions and create binding obligations by means of electronic execution of documents under these procedures. These documents include, but are not limited to, service agreements, amendments to service agreements, capacity release transactions, operational balancing agreements, and any other agreements or forms that Northern shall make available on its Internet website (Documents). Execution of these documents under the terms mutually agreed for electronic means shall be considered in connection with any transaction, to be a "writing" or "in writing" and any such Document shall be deemed for all purposes (a) to have been "signed" (Signed Documents) and (b) to constitute an "original" when printed from electronic files or records established and maintained in the normal course of business. All parties agree not to contest the validity or enforceability of such electronic signatures under the provision of any applicable law relating to whether certain agreements are to be in writing or signed by the party to be bound thereby, provided that the signature has been made in accordance with the terms of this Tariff. Further, Signed Documents, if introduced as evidence on paper in any judicial, arbitration, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other business records originated and maintained in paper documentary forms.

APPENDIX B

Northern Natural Gas Co., FERC Gas Tariff, General Terms and Conditions, Section 26, Sheet Nos. 251 - 253A.

GENERAL TERMS AND CONDITIONS

26. REQUESTS FOR SERVICE

A. Processing Requests:

To initiate or amend service under Rate Schedules TF, TFX, LFT, GS-T, TI, FDD, PDD, IDD, SMS and MPS, a valid request must be submitted to Northern. The information required for a request is described in Section 27, "Information Required for a Request for Service," of the "GENERAL TERMS AND CONDITIONS" of this Tariff. Requests to extend a Service Agreement pursuant to the terms of the agreement do not require a valid request under this section (e.g., grandfathered rollovers, extension rights or Right of First Refusal).

All requests must be: 1) electronically submitted via Northern's Internet website; 2) faxed to the fax number posted on the website; 3) e-mailed to the e-mail address posted on the website; or 4) submitted in accordance with an open season. All requests will be deemed received only when the information is provided by one of the methods above. Requests for service will be processed in the order they are received and in accordance with the Posting and Awarding of Capacity section below. Requests submitted in an open season shall be deemed received at the same time.

For firm services, a request must include the following information for Northern to determine if capacity is available:

(a) the firm contract quantity;

(b) the Point(s) of Delivery (If the Point of Delivery is an Operational Zone, Shipper must additionally specify the firm quantity attributable to each Town Border Station (TBS) included in the Operational Zone.);

(c) the Point(s) of Receipt;

(d) the firm quantities applicable to the respective Point(s) of Receipt and Point(s) of Delivery; and

(e) the term of service.

As soon as all of the information required to process a request for firm service has been obtained, Northern shall have seven (7) Work Days to determine if capacity is available and whether the capacity will be awarded as determined in accordance with the Posting and Awarding of Capacity section below. Except as provided below, a request for firm service, or a portion thereof, will be rejected if firm capacity to render the service is not available, and Northern shall so notify the Shipper within the seven (7) Work Days provided above.

Requests received pursuant to an open season and requests that require construction of facilities will be processed in accordance with any open season notice and/or facilities agreement (including precedent agreement) entered into by the parties.

If Shipper submits a request by the fifth (5th) day of a month to amend a primary receipt or delivery point, to the extent that capacity is available, Northern will submit an amendment to Shipper such that Shipper may return the executed amendment five (5) days prior to the end of the month and then may nominate receipts from the amended point for delivery by the first of the following month. Further, in a force majeure situation, Shipper may request a change in primary receipt or delivery points pursuant to this section.

GENERAL TERMS AND CONDITIONS

Once Northern has obtained all information required for a valid request, determined that service requested is available to Shipper, and for firm service, determined that capacity is available and that Shipper has been awarded capacity, Northern shall send, for execution, to Shipper a Service Agreement or amendment. If, prior to Northern receiving all of the information required, a subsequent request for firm service is received for the same capacity, Northern will so notify the first requestor and shall provide a reasonable time limit, not to exceed five (5) business days, for the information to be provided or the request will be null and void. For agreements that impact capacity, Shipper shall have thirty (30) days from the date of tender in which to execute the Service Agreement or amendment and return it to Northern, or Shipper's request shall be deemed null and void. Northern is not required to tender a Service Agreement for service at a rate less than maximum rate.

The effective date of any Service Agreement shall be that agreed to by Northern and the Shipper and shall be set forth in the Service Agreement. The effective date of any Service Agreement may be contingent upon the receipt and acceptance of any necessary regulatory approvals and the completion of the construction of any facilities needed to provide such service.

If Northern determines that incomplete or inaccurate information has been submitted to effectuate the throughput service which causes such service to not comply with the Commission's regulations then Northern shall notify Shipper of such discrepancy within 45 days of the effective date of the Service Agreement. Shipper must respond to Northern within 5 business days; otherwise, such Service Agreement will terminate.

B. Posting and Awarding of Capacity:

Northern shall post and award available capacity in accordance with this Section 26. Northern shall post weekly its available capacity on the website. Northern shall have the right to (1) post notices for solicitation of bids for particular segments of capacity for service to start immediately or in the future or (2) conduct open seasons for expansion projects including requests for incremental service at a date later than the in-service date of the expansion facilities. Any open season for capacity will be conducted for a period of no less than five and no more than sixty business days. The open season may include generally available capacity and/or capacity resulting from an expansion project. The open season notice will include the following:

(a) the location of the capacity and/or proposed expansion;

(b) the total quantity, if applicable; and

(c) the date capacity is available and/or proposed to be available.

Such notice may include a bid evaluation methodology and/or if the open season includes service to start at some time in the future, the bid methodology will include a net present value analysis, in which case the posting will be made at least three (3) days prior to bidding. In addition, Northern will post whether bids have been received and show the full net present value (NPV) analysis for the highest bid received, the Shippers' bids, and provide the actual calculation of the NPV with sufficient clarity to permit bidders to duplicate the results. In the event Northern receives bids for new capacity, the capacity will be allocated to the best bid.

In the event a specific bid evaluation methodology has not been posted, the default methodology for the best bid will be the bid with the highest total NPV. The NPV is the discounted cash flow of incremental revenues to Northern for service. Incremental revenues are those revenues above and beyond the current revenues which Northern already receives from reservation charges being paid prior to the bid period.

Issued by: Mary Kay Miller, V.P. Regulatory & Governmnent Affairs
Issued on: June 15, 2007
Effective: June 11, 2007
Filed to comply with order of the Federal Energy Regulatory Commission,
Docket No. RP07-446-000, issued June 8, 2007, 119 FERC 61,259

GENERAL TERMS AND CONDITIONS

Northern will utilize the standard NPV calculation based on the revenue stream over the specified term (which shall not exceed twenty (20) years), discounted by the FERC interest rate to determine the highest total incremental revenues. If an alternate bid evaluation methodology is used, Northern will post the evaluation factors to be utilized along with each factor's weight. The NPV calculation shall include only revenues generated by the reservation rate or a guaranteed throughput volume and if LFT service is requested Northern will not include any revenues attributable to the potential resale of capacity on any Limited Day(s). In those cases where one or more bidders is willing to pay the maximum recourse rate, the NPV used in such cases is capped at, and may not exceed, the NPV equal to the maximum reservation rate available to recourse shippers. For purposes of NPV evaluation, the aggregate NPVs of two or more bids for contiguous service may be considered provided that the combined capacity under those bids does not exceed the maximum capacity available for bid. For purposes of bid comparisons in allocating capacity, Shippers willing to pay more than the maximum tariff rate will be considered to be paying the maximum tariff rate and for purposes of bid comparisons in allocating capacity, guaranteed throughput volume service applies only in the case of a negotiated rate. However, if bids received from a TF, TFX, and LFT Shipper(s) are equal in the bid evaluation process, capacity would be awarded to any TF and/or TFX Shipper(s) first.

To the extent necessary, Northern will allocate capacity among requests on a pro rata basis. However, any requested capacity at a point which is greater than the total capacity available at that point will be allocated as if the request was for the maximum capacity available at that point.

C. Reservation of Capacity - Expansion Projects:

Northern may elect to reserve for a future expansion project any unsubscribed capacity or capacity under expiring or terminating service agreements where such agreements do not have a right of first refusal or Shipper does not exercise its right of first refusal. Northern may only reserve capacity for a future expansion project for which an open season has been or will be held within one (1) year of the date that Northern posts such capacity as being reserved. Prior to reserving capacity for an expansion project, Northern shall first post for bid all of its available capacity on its website for at least five (5) business days before capacity will be reserved.

GENERAL TERMS AND CONDITIONS

Capacity may be reserved for expansion projects only for a 12-month period prior to Northern filing for certificate approval for construction of proposed expansion facilities, and thereafter until the effective date of any Service Agreement related to the certificate filing or the date the expansion facilities are placed into service.

If Northern reserves capacity for an expansion project, it will notify Shippers of its intent as part of Northern's posting of capacity on its Internet website. Northern's posting for reserved capacity for future expansion projects shall include the following information: (a) a description of the project for which the capacity will be reserved; (b) the total quantity of capacity to be reserved; (c) the location of the proposed reserved capacity on the pipeline system; (d) whether, and if so when, Northern anticipates that an open season for the capacity will be held or the reserved capacity will otherwise be posted for bids; (e) the projected in-service date of new facilities; and (f) on an ongoing basis, how much of the reserved capacity has been sold on a limited-term basis that would otherwise be eligible for a right of first refusal. Northern will make reasonable efforts to update the reservation posting up to the in-service date of the project to reflect any material changes in the scope of the project. The reservation posting or open season will include a non-binding solicitation for turnback capacity from Northern's existing Shippers to serve the expansion project. In the event Northern includes the solicitation for turnback capacity in the reservation posting, the reservation of capacity must be posted no later than 90 days following an open season for a project.

Any capacity reserved under this section will be made available for transportation service pursuant to Northern's GENERAL TERMS AND CONDITIONS on a limited-term basis. Northern reserves the right to limit any extension rights provided in the service agreement and pursuant to Section 52 - Right of First Refusal of the GENERAL TERMS AND CONDITIONS - commensurate with the effective date of any Service Agreement supporting an expansion project or proposed in-service date of any facilities. Any capacity reserved for a project that does not go forward for any reason shall be reposted as generally available within 30 days of the date the capacity becomes available, with the exception of capacity committed to in contracts entered into on an interim limited term basis during the period the capacity was reserved.

APPENDIX C

Northern Natural Gas Company, FERC Gas Tariff, General Terms and Conditions, Section 29, Sheet Nos. 260A-263D.

Intraday nominations from a Shipper's effective FDD, PDD or IDD accounts will be scheduled subject to the storage parameters and available throughput capacity. If feasible, nominations throughout the gas day will be recognized to the extent they can be scheduled and confirmed. For firm service any such intraday nomination may not result in Shipper exceeding its MDQ. Shipper may nominate volumes in excess of the MDQ, but such nomination would be subject to the terms and conditions of the TI Rate Schedule.

Northern shall have the right at any time to limit acceptance of an intraday nomination on a non-discriminatory basis if system integrity will be placed in jeopardy. Such limitations may include, but are not limited to, a requirement that a receipt and delivery point must be either both in the Field Area or both in the Market Area. Any such limitation shall be posted on Northern's Electronic Bulletin Board with its justification.

29. ALLOCATION OF CAPACITY

(a) Scheduling

Firm Throughput Services at Primary Points shall be scheduled first and shall be given the highest priority. Firm Throughput Service at Alternate Points shall be scheduled next, before interruptible volumes. Nominations received after the nomination deadline will be scheduled after the nominations received before the nomination deadline.

In the event capacity must be allocated on part or all of Northern's system, then on the respective part of Northern's system, Firm Throughput Services shall be given the highest priority for scheduling purposes. Therefore, Northern will schedule firm throughput customers' volumes in accordance with the provisions of Section 19, "Limitations on Northern's Obligation to Provide Firm Service" of the "GENERAL TERMS AND CONDITIONS."

Northern will use shipper-provided path priorities and rankings when making reductions during the scheduling process, when the path priorities and rankings do not conflict with other provisions within Northern's tariff.

In the event more than one firm Shipper nominates the same alternate delivery point, the point will be allocated for scheduling purposes among the firm Shippers nominating the alternate delivery point on a pro rata basis. Scheduling priority for firm service at an alternate delivery point will be before interruptible service but after firm service at a primary firm point. A Shipper using a primary point and nominating prior to the nomination deadline, will be scheduled prior to interruptible service. Shippers using alternate delivery points may bump TI Shippers at any time in accordance with Section 28, "Nominations" of the GENERAL TERMS AND CONDITIONS of this Tariff.

GENERAL TERMS AND CONDITIONS

To the extent that capacity remains, Northern shall schedule TI, TF overrun, TFX overrun, and LFT overrun on the basis of the nominated TI, TF overrun, TFX overrun, and LFT overrun commodity path rate. For the purpose of allocating capacity, shippers willing to pay more than the maximum tariff rate will be considered to be paying the maximum tariff rate.

GENERAL TERMS AND CONDITIONS

(a) Curtailment.

1) Interruptible Throughput. After volumes have been scheduled, Northern has the right to curtail receipts and/or deliveries of natural gas below the scheduled volume if the available capacity for such quantity is reduced as a result of force majeure or any operational consideration reasonably determined by Northern. Northern shall curtail all scheduled Overrun volumes and

GENERAL TERMS AND CONDITIONS

scheduled volumes under Interruptible Throughput Service Agreements on the basis of the lowest path rate first.

2) Firm Services. In the event capacity must be allocated on part or all of Northern's system, Firm Throughput Services will be the last category to be curtailed. Such curtailment shall be allocated on a pro rata basis except as provided in Section 19, "Limitations on Northern's Obligation to Provide Firm Service" of the "GENERAL TERMS AND CONDITIONS".

If Northern is experiencing a shortfall or excess in receipts which affect the operating integrity of its system, only until Northern is able to determine the Producer or Shipper who has failed to tender volumes equal to the volumes nominated and scheduled, Northern shall have the right, after providing as much advance notice as possible, to interrupt deliveries concerning the affected area as provided in the Receipt Point Supply Shortfall or Excess provisions of Section 19 of the GENERAL TERMS AND CONDITIONS of this Tariff.

(c) CARLTON RESOLUTION. Up to 250,000 MMBtu per day of gas is needed at Northern's interconnect with Great Lakes Gas Transmission Company at Carlton, Minnesota (Carlton) in order to meet firm Market Area requirements. The following tariff provisions are provided for in the Carlton Stipulation and Agreement of Settlement filed in Docket No. RP96-347 on October 28, 1996 (Settlement) and Docket No. RP01-382. Northern will reappraise the need for the 250,000 MMBtu/Day on an annual basis prior to the commencement of the heating season.

1. Allocation of Sourcing Requirement at Carlton. All firm Market Area entitlement existing as of November 1, 1996 with a term in effect through March 31, 1998, excluding Other Carlton Entitlement, entitlement of ANR Pipeline Company (ANR) and firm entitlement associated with the Coal Gasification Plant, currently in effect for the full five (5) months of the heating season (Sourcers) will be required to source volumes at Carlton in the amount shown on Schedule 1 of the Settlement, (and may be reallocated pursuant to Section 2 below).

   Carlton includes other operationally feasible receipt points that resolve the Carlton situation as determined by Northern may be utilized by Sourcers in place of Carlton.

   Other Carlton Entitlement, also shown on Schedule 1 of the Settlement, is entitlement held by shippers at Carlton above the current Carlton Resolution amount of 250,000.

   Any Sourcer may assign its rights (such as compensation) as well as its sourcing obligation to another shipper subject to notification to Northern two (2) work days in advance of such assignment.

2. Buyout. The Parties listed on Appendix B of the Carlton Settlement (Appendix B Parties) may elect to buy out of the sourcing obligation each year. The amount to be paid to buyout shall be equal to $0.083 for the heating season commencing November 1, 2001 through March 31, 2002 and $0.19 for each heating season thereafter times their daily sourcing obligation as set forth on Schedule 1, times 151 days for each Heating Season. The Appendix B Parties buying out of the obligation are required to notify Northern no later than August 1 each year. Sourcers on Schedule 1 will be updated annually for the limited purpose of reflecting any reallocation as a result of the Appendix B election using the entitlement currently stated on Schedule 1 (Schedule 1A). All dollars collected from Appendix B Parties will be reimbursed on a pro rata basis to the Sourcers and except for Appendix B Parties that have bought out, which will be as shown on Schedule 1A, based on their new Carlton Resolution Obligation as stated on Schedule 1A.

   ANR is required to pay a buyout amount equal to $0.0062 for the heating season commencing November 1, 2001 through March 31, 2002 and the Carlton Commodity Surcharge thereafter each year times its total contract MDQ of 86,512 MMBtu/Day times 151 days for each year that its contract is in effect. All dollars collected from ANR pursuant to this Section 2 will be reimbursed on a pro rata basis to the Sourcers except as provided in 4.(ii) based on their new Carlton Resolution Obligation as stated on Schedule 1, on or before June 1 of each year.

   The buyout costs described above will be billed monthly during the heating season to the respective Appendix B Party and ANR.

GENERAL TERMS AND CONDITIONS

All dollars collected in this Section 2, including dollars related to the Carlton Commodity Surcharge in Section 3 hereof, will be recorded in a separate subaccount and will accumulate interest from the date collected as prescribed by the Commission in 18 CFR 154.501(d).

3. Surcharge. The Carlton Commodity Surcharge will be $0.0175. All Market Area entitlement not identified in the Adjusted Current Peak Entitlement at Carlton on Schedule 1 (excluding Other Carlton Entitlement and ANR) including all other Market Area TF, TFX, and TI will be subject to the Carlton Commodity Surcharge. To the extent Northern is unable to charge the maximum commodity rate, Northern will discount the base commodity rate as allowed per the tariff first. Further, the Sourcers on Schedule 1 will remain Sourcers until the expiration of their contracts. Upon any rollover of such contracts, the entitlement in Schedule 1 will remain subject to the sourcing obligation and will not be subject to the Carlton Commodity Surcharge. Any entitlement for a shipper which is in addition to the entitlement reflected on Schedule 1, as well as any entitlement for an Other Carlton Shipper which is in addition to the entitlement reflected on Schedule 1 for Other Carlton Entitlement shippers, will be subject to the Carlton Commodity Surcharge.

All Carlton Commodity Surcharge dollars will be reimbursed on a pro rata basis to Sourcers based on their new Carlton Resolution Obligation as stated on Schedule 1, including Appendix B Parties that exercise the buyout provision, on or before June 1 of each year. On or before July 1 of each year Northern will file a report with the Commission detailing the amounts reimbursed pursuant to Sections 2 and 3. The amount of Northern's reimbursement to each Sourcer shall be subject to Commission review and approval. Any Northern shipper or other party shall have the opportunity, after Notice by the Commission, to intervene and protest Northern's report related to the report period, including the appropriateness of the amounts which have been collected.

GENERAL TERMS AND CONDITIONS

4. Flow Orders. Northern needs the ability to call on volumes to flow at Carlton. The following operational requirements apply during the months of November through March for each year that the Carlton Resolution is in effect to the Carlton Supplier/Shippers, Sourcers and the Other Carlton Shippers Entitlement as applicable.

An operational flow order is an order issued to alleviate conditions, inter alia, which threaten or could threaten the safe operations or system integrity, of the transportation service provider's system or to maintain operations required to provide efficient and reliable firm service. Whenever a Transportation Service Provider experiences these conditions, any pertinent order should be referred to as an Operational Flow Order.

GENERAL TERMS AND CONDITIONS

Northern has the right to require an increase or reduction of firm receipts at Carlton on a non-discriminatory basis for system integrity. The phrase, "for system integrity", means that Northern has the right to require, in resolving the Carlton problem, an increase or decrease of receipts at Carlton on a non-discriminatory basis in order for Northern to meet its contractual firm delivery obligations downstream of Farmington up to a maximum of 250,000 MMBtu/day as provided for under the Settlement. Northern will schedule the nominated volume in accordance with its tariff as further provided herein. In the event that an increase in flow is needed, Northern shall call on the volume on a pro rata basis. In the event Northern calls on the volume, Northern shall also require the Other Carlton Entitlement to flow an amount equal to the percentage of the volume Northern has called on to the Total Current Peak Entitlement on Schedule 1, times their primary receipt point capacity at Carlton. This Other Carlton Entitlement shall not be required to nominate or flow less than or more than the Shipper's market requirements and/or uses.

A Carlton Sourcer or Other Carlton Shipper with a delivery point downstream of Farmington may reduce its deliveries at that specific point and receive a concomitant reduction in its requirement to receive its specified level of volumes at Carlton provided such shipper's nomination is at an individual point/TBS level and the individual delivery point/market reduction is verifiable. To the extent a shipper has the right and utilizes zone nominations, if such shipper nominates to reduce its obligation by reducing deliveries to a qualified delivery point in the zone, all nominations for the respective zone must be at the individual point/TBS level. Verification of the market reduction will be via affidavit which may be provided by fax or electronically as part of the nomination process. In the event a shipper exercising this provision to reduce its Carlton requirements fails to correspondingly reduce its delivery point/market, such shipper shall pay a penalty of twenty-five dollars ($25.00) for each MMBtu of reduced Carlton requirement that does not have a concomitant reduction in delivery.

During the heating season, Northern will not reduce any nomination for firm receipts at Carlton for any Sourcer or Other Carlton Entitlement Shipper who has a verifiable market or use. Verification of such market or use may be provided by fax or electronically as part of the nomination process or otherwise in the daily routine.

When Northern requires an increase in firm receipts at Carlton, Northern will notify the appropriate parties to flow no later than twenty-four (24) hours prior to Northern's Timely Nomination deadline. When Northern requires a decrease in firm receipts at Carlton, Northern will notify the appropriate parties to decrease flow no later than twenty-four (24) hours prior to Northern's Timely Nomination deadline.

No Carlton Sourcer or Carlton Supplier/Shipper will be required to flow at Carlton for the purpose of allowing Northern to avoid curtailment, as defined in Northern's tariff, of TI service.

If, as a result of the operational flow requirements being invoked by Northern at Carlton, those shipper(s) for whom flow modifications were required, incur an imbalance penalty related solely to such flow change, the imbalance penalty shall be waived.

If any Sourcer releases any portion of the Volume, the Carlton flow obligation and all other obligations follow the Volume. In addition, the primary receipt point may not be modified. A Carlton Supplier/Shipper may not release its obligation.

Issued by: Mary Kay Miller, V.P., Regulatory and Customer Service
Issued on: December 23, 2002
Effective: November 1, 2003
Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. RP00-404, et al., issued November 21, 2002, 101 FERC 61,203

GENERAL TERMS AND CONDITIONS

In the event that any Sourcer or Carlton Supplier/Shipper fails to comply with Northern's flow requirements to increase or reduce firm receipts at Carlton, for any reasons other than force majeure on an upstream pipeline, such shipper shall pay a penalty of twenty-five dollars ($25.00) for each MMBtu that does not comply with Northern's flow requirements to increase or reduce. Penalty revenues shall be credited to Shippers in accordance with Section 57 of the GENERAL TERMS AND CONDITIONS of this tariff.

All parameters described above for Other Carlton Entitlement, Sourcers or Carlton Supplier/Shippers will be outside of Northern's normal scheduling and curtailment parameters.

APPENDIX D

Northern Natural Gas Company, FERC Gas Tariff, Rate Schedule MPS, MID Pooling Service, Sheet Nos. 153-155.

RATE SCHEDULE MPS
MID Pooling Service

1. AVAILABILITY:

This Rate Schedule MPS is available to any legal entity for the pooling of natural gas within each of the Mileage Indicator Districts (MID) for subsequent firm or interruptible throughput service by Northern Natural Gas Company (Northern) under the following terms and conditions:

(a) the legal entity, or Pooling Customer, has executed a MID Pooling Service Agreement (MPS Agreement) in the form contained in Northern's FERC Gas Tariff; and

(b) the pooling service shall be subject to all of the terms and conditions contained in this Rate Schedule and the "GENERAL TERMS AND CONDITIONS" under this Tariff.

2. APPLICABILITY AND CHARACTER OF SERVICE:

Subject to the provisions of this Rate Schedule MPS and the GENERAL TERMS AND CONDITIONS of this Tariff, service rendered under a MPS Agreement shall consist of the following:

(a) Each MID is an individual pooling area with each MID pooling area containing one paper pooling point which can serve as a pool for all of the receipt points located within the same MID pooling area, as set forth in (j) below.

(b) With the exceptions of Demarcation (POI 37654) and Demarcation Deferred Delivery Point (POI 62389) in MID 16B being valid receipt points for the MID 17 pooling area, a Pooling Customer can only bring receipts to a pooling point from receipt points located within the same MID pooling area.

(c) Each Pooling Customer shall be required to nominate in accordance with Section 28 of the General Terms and Conditions, receipts which will be delivered into each pooling point. The daily quantities which are nominated by the Pooling Customer from receipt point(s) for delivery into the pool must equal the daily quantities which are nominated away from the pool. A Pooling Customer on a daily basis will not be allowed to net receipts between various pooling points in order to balance its receipts and deliveries from a specific pooling point.

(d) A Pooling Customer shall be responsible for any imbalance which occurs at the receipt point between actual allocated receipt quantities and confirmed receipt nominations. For imbalance purposes, at the end of each month, MPS imbalances at all pools may be netted with any transportation contract imbalances incurred by the Pooling Customer and any remaining imbalance will be subject to resolution pursuant to Section 32 of the General Terms and Conditions.

(e) A Pooling Customer shall be responsible for any receipt point scheduling penalties which occur pursuant to Section 31 of the General Terms and Conditions.

(f) While maintaining a balance of all volumes at a specific pooling point, a Pooling Customer may transfer gas to another Pooling Customer at the same pooling point through the nomination process without incurring a transportation or fuel charge.

(g) A Pooling Customer can only sell gas at a pooling point to another Pooling Customer or to a Northern transportation shipper.

(h) A Pooling Customer may enter into multiple MPS Agreements.

RATE SCHEDULE MPS
MID Pooling Service

(i) Associated with each MID pooling area, with the exception of the MID 17-192 pool, as listed below, is a MID storage point available for service on an interruptible or firm basis in accordance with Rate Schedule IDD, PDD or FDD, respectively.

(j) The pooling points and associated storage points are as follows:

Pooling Area/MID	Pooling Point POI	Associated Storage Point POI
1	71302	71318
2	71303	71319
3	71304	71320
4	71305	71321
5	71306	71322
6	71307	71323
7	71308	71324
8	71309	71325
9	71310	71326
10	71311	71327
11	71312	71328
12	71313	71329
13	71314	71330
14	71315	71331
15	71316	71332
16A	71317	71333
16A-1707*	71450	71451
16B	37654	62389
17	71458	71459
17-192**	78623	N/A

(k) A pooling point may be a primary or an alternate point for firm throughput Shippers and is also available for interruptible throughput Shippers. A MID pooling point will be considered a Primary Receipt Point for purposes of allocations at the MID pool to the extent the Shipper holds primary receipt capacity within the same MID. In the event of an allocation, Northern will allocate the MIDs pooling point(s) based upon the priority of the capacity the Shipper has contracted at the specific receipt point(s) upstream of the MIDs pooling point, in accordance with Section 29 of the General Terms and Conditions of this Tariff.

(l) There will be no transportation, fuel or UAF charges for nominations between the Ventura deferred delivery point (POI 71460) and the MID 17-192 pool (POI 78623). There will be no transportation, fuel or UAF charges for nominations from the MID 17-192 pool (POI 78623) to the MID 17 pool (POI 71458). There will be no transportation, fuel or UAF charges for nominations from the Ventura pool (POI 78623) to the NBPL/NNG Ventura receipt point (POI 192).

* Restricted to the receipt points of POI 1707 - "Bushton Plant Outlet" and POI 71451 - "MID 16A Storage Pooling Point - 1707." For purposes of allocating this receipt point, Northern will consider as primary firm the quantity of gas nominated by Shipper up to the quantity of unused MDQ contracted as primary firm at POI 1707. All other nominations on a firm agreement will be deemed alternate.

** Restricted to the receipt point of POI 192 - "NBPL/NNG Ventura." For purposes of allocating this receipt point, Northern will consider as primary firm the quantity of gas nominated by Shipper up to the quantity of unused MDQ contracted as primary firm at POI 192. All other nominations on a firm agreement will be deemed alternate.

RATE SCHEDULE MPS
MID Pooling Service

3. OFFERING OF SERVICE:

To initiate service under this Rate Schedule MPS, a valid request must be submitted in accordance with Section 26, "Requests for Service" and Section 27, "Information Required for a Request for Service," of the "GENERAL TERMS AND CONDITIONS" of this Tariff.

4. TERM OF MPS AGREEMENT:

The MPS Agreement must be executed by the Pooling Customer prior to commencement of service.

The term of service shall be for a mutually agreeable term and shall be set forth in the MPS Agreement. If no service is rendered under a MPS Agreement for a one (1) year period, such MPS Agreement shall be terminated by Northern, unless otherwise mutually agreed.

5. RATES AND CHARGES:

No rate will be charged to a Pooling Customer for gas nominated from a receipt point for delivery to the pooling point in the same MID under this MID Pooling Service Rate Schedule; provided, however, if the gas is being nominated from a Field Fuel receipt point, then the Pooling Customer shall pay the applicable tariff fuel rate. Fuel shall be retained on nominations between a Field Fuel receipt point and the pooling point.

6. GENERAL TERMS AND CONDITIONS:

The "GENERAL TERMS AND CONDITIONS" of this Tariff, as may be revised from time to time, are hereby incorporated into and made a part of this Rate Schedule.

APPENDIX E

Northern Natural Gas Company, FERC Gas Tariff, General Terms and Conditions, Section 56, Sheet Nos. 305-305A.

56. SEGMENTATION OF CAPACITY

Segmentation may be accomplished in Northern's Market and Field Areas by submitting a request in accordance with Section 26, "Requests for Service" and Section 27, "Information Required for a Request for Service," of the GENERAL TERMS AND CONDITIONS of this Tariff.

A. MARKET AREA

1. A Shipper utilizing firm transportation service under Rate Schedules included in Northern's F.E.R.C. Gas Tariff may request, subject to the limitations set forth below, to segment its Market Area contractual firm entitlement into two segments as follows:

a. A Segmentation Point shall be established for Market Area capacity and shall be the Market Area Segmentation Point and Market Area Segmentation Deferred Delivery Point. These segmentation points are only valid for nominations on the segmented contracts. A Shipper's segmented entitlement will be separated into two separate service agreements, one for the Access Segment and another for the Delivery Segment.

b. Access Segment: The "Access Segment" shall be from the Shipper's Primary Receipt Point, excluding non-physical pooling points, to the applicable Segmentation Point. The Access Segment MDQ shall be limited to the available MDQ in the Shipper's service agreement. Alternate physical receipt points shall be available within MID 17. The Access Segment shall use the applicable Segmentation Point as its delivery point. Volumes delivered to the Segmentation Point shall not be subject to otherwise-applicable commodity rates or mainline fuel charges.

c. Delivery Segment: The "Delivery Segment" shall be from the Market Area Segmentation Point to the Shipper's Primary Delivery Point. The Delivery Segment shall be limited to the available MDQ in the Shipper's Service Agreement, and shall be subject to all applicable transportation rates and charges provided thereunder. The Delivery Segment shall use the Market Area Segmentation Point as its receipt point.

2. All nominations for both the Access and Delivery Segments must be balanced at the Market Area Segmentation Point during each nomination cycle. Shipper may exercise virtual segmentation rights for its own use by making a nomination to utilize the Market Area Segmentation Point; or by posting and releasing capacity pursuant to the terms of Section 47 of the GENERAL TERMS AND CONDITIONS. Segmented firm service agreements shall be treated as all other firm agreements under this Tariff for purposes of nominations and scheduling, except that deliveries to and receipts from the Market Area Segmentation Points shall have an alternate scheduling priority.

B. FIELD AREA -

A Shipper utilizing firm transportation service under TF and TFX Rate Schedules included in Northern's F.E.R.C. Gas Tariff may request, subject to the limitations set forth below, to segment its Field Area contractual firm entitlement.

1. Northern shall grant Field Area segmentation requests if the criteria listed below are met. If the Field Area segmentation request involves the release of capacity, the requirements of Section 47 of the GENERAL TERMS AND CONDITIONS of this Tariff must be satisfied.

2. General Criteria for Segmentation in Northern's Field Area. The following criteria for segmentation have been established to ensure that segmentation is provided to the greatest extent possible without detriment to, or degradation of, any Shipper's service.

   a. The boundary between MID 7 and MID 8, hereinafter referred to as the MID 7B Segmentation Point, shall be established for purposes of Field Area segmentation. An associated MID 7B Segmentation Point Deferred Delivery location shall also be established.

   b. Field Area segmentation will be permitted as long as the Shipper's existing contract has a primary receipt point located south of the MID 7B Segmentation Point and a primary delivery point located north of the MID 7B Segmentation Point (or vice-versa).

   c. The Shipper requesting segmentation will retain its base contract and the segmentation MDQ will be assigned to two additional segmented contracts. If the Shipper's primary receipt point(s) is south of the MID 7B Segmentation Point and the primary delivery point(s) is north of the MID 7B Segmentation Point, then one of the segmented contracts will be assigned an MDQ for the area south of the MID 7B Segmentation Point (MIDs 1-7), with primary receipt point(s) of the original contract and a primary delivery point of the MID 7B Segmentation Point, and the other will be assigned an MDQ for the area north of the MID 7B Segmentation Point (MIDs 8-16B), with a primary receipt point of the MID 7B Segmentation Point and primary delivery point(s) of the original contract. If the Shipper's receipt point(s) is north of the MID 7B Segmentation Point and the delivery point(s) is south of the MID 7B Segmentation Point, then the MID 7B Segmentation Point becomes the primary delivery point on the north segmented contract and the primary receipt point on the south segmented contract. Each segmentated contract's MDQ cannot exceed the MDQ set forth in the Shipper's original contract.

   d. Subject to contractual provisions set forth in the Shipper's original contract, the south of the MID 7B Segmentation Point segment contract will have all points in MIDs 1-7 available for nomination as alternate receipt and delivery points, and the north of the MID 7B Segmentation Point segment contract will have all points in MIDs 8-16B available for nomination as alternate receipt and delivery points. The entire path for nominations in MIDs 8-16B on the south of the MID 7B Segmentation Point segment contract will be scheduled on an interruptible basis if capacity is available. The entire path for nominations in MIDs 1-7 on the north of the MID 7B Segmentation Point segment contract will be scheduled on an interruptible basis if capacity is available.

   e. To the extent it is operationally feasible and subject to subpart 2(d), a segmented transaction consisting of a backhaul and a forwardhaul nominated to the same point will be permitted to the extent capacity is available at the delivery point. The forwardhaul and backhaul delivered to the same point can exceed the MDQ of the original agreement.

   f. All original contract provisions regarding rates apply to the segmented contracts. The reservation charge will be billed on the contract(s) as agreed to by Northern and the Shipper. The commodity rates and fuel use and unaccounted for will be billed on the contracts that have been nominated during the month.

   g. If a contract segment is released, Northern's capacity release tariff provisions will apply, including all provisions for rates and billing.

APPENDIX F

Northern's Virtual (Market Area) Segmentation FAQs

Northern Natural Gas
A MIDAMERICAN ENERGY HOLDINGS COMPANY

Virtual (Market Area) Segmentation
Frequently Asked Questions

Q. What is Virtual Segmentation?

R. FERC Order No. 637 required pipelines to permit a shipper to make use of the firm capacity that it has under contract by segmenting that capacity into separate parts for its own use or for the purpose of releasing that capacity to replacement shippers to the extent such segmentation is operationally feasible. Virtual Segmentation will be limited to Northern's Market Area only. A separate process is being established for segmentation in the Field Area.

Q. Which rate schedules is Virtual Segmentation available to in the Market Area?

R. Virtual Segmentation is available for rate schedules TF and TFX. *Note: Storage contracts cannot be segmented, but the deferred segmentation point is a valid point for Storage contracts.*

Q. What happens when a shipper requests to segment their firm entitlement?

R. Two contracts will be established when a shipper requests to segment its firm capacity, one for the **Access Segment**, one for the **Delivery Segment**.

Q. What is an Access Segment Contract ?

R. The Access Segment contract will be from the shipper's existing primary receipt point(s) (excluding non-physical pooling points) to the market area segmentation point. The Access segment MDQ shall be limited to the available receipt point MDQ in the shipper's base contract (at the point level). MDQ on the base contract will be reduced by the amount that is segmented. Alternate physical receipt points shall be available within MID 17. Since they are non-physical, MID 17 Pooling Point and MID 17 Deferred Delivery Point cannot be nominated on an Access Segment Contract. Volumes delivered to the Segmentation Point shall not be subject to otherwise-applicable commodity rates or mainline fuel charges.

Q. What is a Delivery Segment Contract?

R. The Delivery Segment contract will be from the market area segmentation point (receipt) to the shipper's existing primary delivery point(s). The Delivery segment MDQ shall be limited to the available delivery point MDQ in the shipper's base contract (at the point level), and shall be subject to all applicable transportation rates and charges provided thereunder. MDQ on the base contract will be reduced by the amount that is segmented. Alternate delivery points shall be available within MID 17. MID 17 Pooling Point and MID 17 Deferred Delivery Point cannot be nominated on a Delivery Segment Contract.

Q. What is the segmentation point?

R. POI Number 78394 has been established as the Market Area Segmentation Point and POI Number 78438 has been established as the Market Area Segmentation Deferred Delivery Point. These segmentation points are only valid for nominations on access and delivery segmented transport contracts. The Market Area Segmentation Deferred Delivery Point is also a valid point for storage contracts.

Q. Can a Shipper use alternate receipt points on an Access Segment Contract?

R. Yes, subject to the terms of the underlying transportation agreement. Any physical point within the Market Area may be used as an alternate receipt point on the Access Segment Contract, with the exception of MID 17 Pooling Point and MID 17 Deferred Delivery Point. Because Northern is offering Storage Balancing Service (SBS) for segmented contracts, the Deferred Delivery Segmentation Point can also be an alternate receipt or alternate delivery point on the Access Segment Contract.

Q. Can a Shipper use alternate delivery points on a Delivery Segment Contract?

R. Yes, subject to the terms of the underlying transportation agreement. Any point within the Market Area may be used as an alternate delivery point on the Delivery Segment Contract, with the exception of MID 17 Pooling Point and MID 17 Deferred Delivery Point. Because Northern is offerring SBS for segmented contracts, the Deferred Delivery Segmentation Point can also be an alternate receipt or alternate delivery point on the Delivery Segment Contract.

Q. Why can't a Shipper use the MID 17 Pooling Point or MID 17 Deferred Delivery Point as an alternate receipt/delivery?

R. An increase in the number of transactions that are delivered to a pooling point and then to another pooling point create duplicate complexity in the Demarc allocation process. Northern does not want to add any more complications to the Demarc allocation process, since it is critical that Northern meet the schedule quantity timeline to the customer.

Virtual (Market Area) Segmentation
Frequently Asked Questions

Q. Can the segmentation point be an alternate receipt or delivery on any transportation contract?

R. No. The Segmentation Point and the Segmentation Deferred Point are only valid for Access and Delivery Segment transport contracts. The Segmentation Deferred Delivery Point is also a valid point for storage contracts. Only Access, Delivery, and Capacity Acquired Segment contracts will be allowed to deliver gas to or receive gas from the Segmentation Point or Segmentation Deferred Point. This increase in the number of transactions that are delivered to a pooling-type of point creates another level of complexity in the already complex Demarc allocation process. Allowing non-segmented contracts to use the segmentation point would result in Shippers scheduling between the MID 17 pool and the Market Area Segmentation Point, which is not allowed. This would also increase the complexity asociated with a Demarc allocation.

Q. Can a shipper change, add, or delete points on the Access and Delivery Segment Contracts?

R. Yes. However, since capacity is required to be tracked at physical receipt and delivery points, in order to change the contract MDQ or add or delete points on the segmented contracts (Access and/or Delivery), the segmented contracts must first be rolled back into the base contract. The contract can then be amended with the applicable changes and the base contract can then again be segmented.

Q. Can a shipper negotiate the term for the segmented contracts?

R. Yes. Term is negotiable but not outside the term of the base contract. Provisions of the underlying base contract are applicable. Because capacity is only tracked on the base contract, MDQ changes and/or addition/deletion on Access and Delivery Segment contracts/points cannot be made without first amending the base contract.

Q. How does a shipper request to segment a contract?

R. Segmentation of capacity may be requested by submitting a written request, in accordance with Section 26, "Request for Throughput Service" and Section 27, " Information Required for a Valid Request" of the GENERAL TERMS AND CONDITIONS of the tariff.

Northern Natural Gas
A MIDAMERICAN ENERGY HOLDINGS COMPANY

Virtual (Market Area) Segmentation
Frequently Asked Questions

Q. Is Capacity Release applicable to segmented contracts?

R. Yes. In addition, the intraday capacity release requirements apply to segmented contracts.

Q. Can a shipper temporarily release segmented capacity?

R. Yes. A shipper can release segmented capacity on a temporary basis. Capacity may be posted and released pursuant to the terms of Section 47 of the GENERAL TERMS AND CONDITIONS in the Tariff.

Q. Can a shipper permanently release capacity on segmented contracts?

R. No. A shipper can only release segmented capacity on a temporary basis.

Q. What portions of the service requester's segmented (Access and/or Delivery) contract can be released?

R. For a Segmented Contract, a shipper can release a portion or all of the available receipt and/or delivery MDQ.

Q. For nominations and scheduling, how are Segmented firm service agreements treated?

R. Segmented firm service agreements are treated the same as all other firm agreements under the tariff for purposes of nominations and scheduling, except that delvieries to and receipts from the Market Area Segmentation Points shall have an alternate scheduling priority.

Q. What is the criteria for nominations on Access Segment Contracts?

R. The following items apply to Access Segment contract nominations:

a. The Access Segment contract's receipt(s) MDQ will be less than or equal to the original contract point MDQ.
b. The shipper may nominate from its primary receipt location(s) to the Segmentation Point or Deferred Segmentation Point.
c. The shipper may nominate alternate physical receipt locations. MID 17 Pooling Point and the MID 17 Deferred Delivery Point cannot be nominated to the Segmentation Point or Deferred Segmentation Point. Because Northern is offering SBS for segmented contracts, the Deferred Delivery

Segmentation Point can also be an alternate receipt or alternate delivery point on the Access Segment Contract.

d. The shipper CANNOT nominate any alternate (delivery) points, except the Deferred Segmentation Point. On the Access Segment contract, the shipper can only deliver to the Segmentation Point or the Deferred Delivery Segmentation Point.
e. The shipper MUST deliver to a Delivery Segment Contract (Downstream K) at the Segmentation Point.
f. Nominations must be pathed to the Segmentation Point.
g. Overrun is available for the Access Segment Contract.

Q. What is the criteria for nominations on Delivery Segment Contracts?

R. The following items apply to Delivery Segment contract nominations:

a. The Delivery Segment contract's delivery MDQ will be less than or equal to the original contract point MDQ.
b. The shipper may nominate from the Segmentation Point or Deferred Delivery Segmentation Point to its primary delivery location.
c. The shipper cannot nominate any alternate (receipt) point, except the Deferred Segmentation Point.
d. The shipper may nominate from the Segmentation Point to any alternate (delivery) point in the market area. MID 17 Pooling Point and the MID 17 Deferred Delivery Point cannot be nominated. Because Northern is offerring SBS for segmented contracts, the Deferred Delivery Segmentation Point can also be an alternate receipt or alternate delivery point on the Delivery Segment Contract.
e. The shipper must receive (Upstream K) gas from an Access Segment contract at the Segmentation Point.
f. Nominations must be pathed on Delivery Segment Contract.
g. Overrun is available for Delivery Segment Contracts.

Q. Is Storage Balancing Service (SBS) be available to the segmented contracts?

R. Yes. SBS will be limited to the Market Area Segmentation Deferred Delivery Point.

Q. Can Segmented Contracts be a part of the Storage Netting Process?

R. Yes, but Storage Neeting will be limited to the Access and Delivery Segment contracts only. A shipper cannot net Access Segment contracts with "non-segmented" transport contract types. Market Area segmentation points are not valid receipts/deliveries on non-segmented contracts.

Q. Can a shipper utilize segmented contracts for Imbalance to Storage activity?

R. Yes, but it must also select the Market Area Segmentation Deferred Delivery Point for the Imbalance to Storage activity.

Q. Can a shipper inject or withdraw from another Deferred Delivery Point to the Segemented Deferred Delivery Point through the storage agreements (without using a transport agreement)?

R. No. The Access Segment and Delivery Segment contract are the only contracts that can nominate to the Segmented Deferred Delivery Point.

Q. On which segmented contract (Access or Delivery) will the Reservation charges be billed?

R. Reservation charges associated with the segmented MDQ will be billed on the Delivery Segment Contract. Reservation charges associated with the segmented MDQ will not be billed on the Access Segment Contract.

Q. On which segmented contract (Access or Delivery) will the commodity and mainline fuel charges be assessed?

R. Transportation commodity rates and mainline fuel charges will be assessed only on the Delivery Segment Contracts. No commodity rates or mainline fuel charges will be assessed on the Access Segment Contracts.

Q. What charges will apply for deliveries to the Market Area Deferred Delivery Segmentation Point?

R. Transportation commodity rates and mainline fuel charges will be assessed for deliveries to the Market Area Deferred Delivery Segmentation Point on the Delivery Segment Contract. Applicable storage fees will also be charged for injectionand withdrawal activity at the Market Deferred Delivery Segmentation Point on the shipper's storage contract.

Q. Will penalties be assessed on segmented contracts?

R. Yes. Penalties will be calculated on segmented contracts, if applicable.

Virtual (Market Area) Segmentation
Frequently Asked Questions

Q. Will discount provisions on the base contract carry over to the segmented contracts?

R. Yes, applicable discount provisions will carryover to segmented contracts.

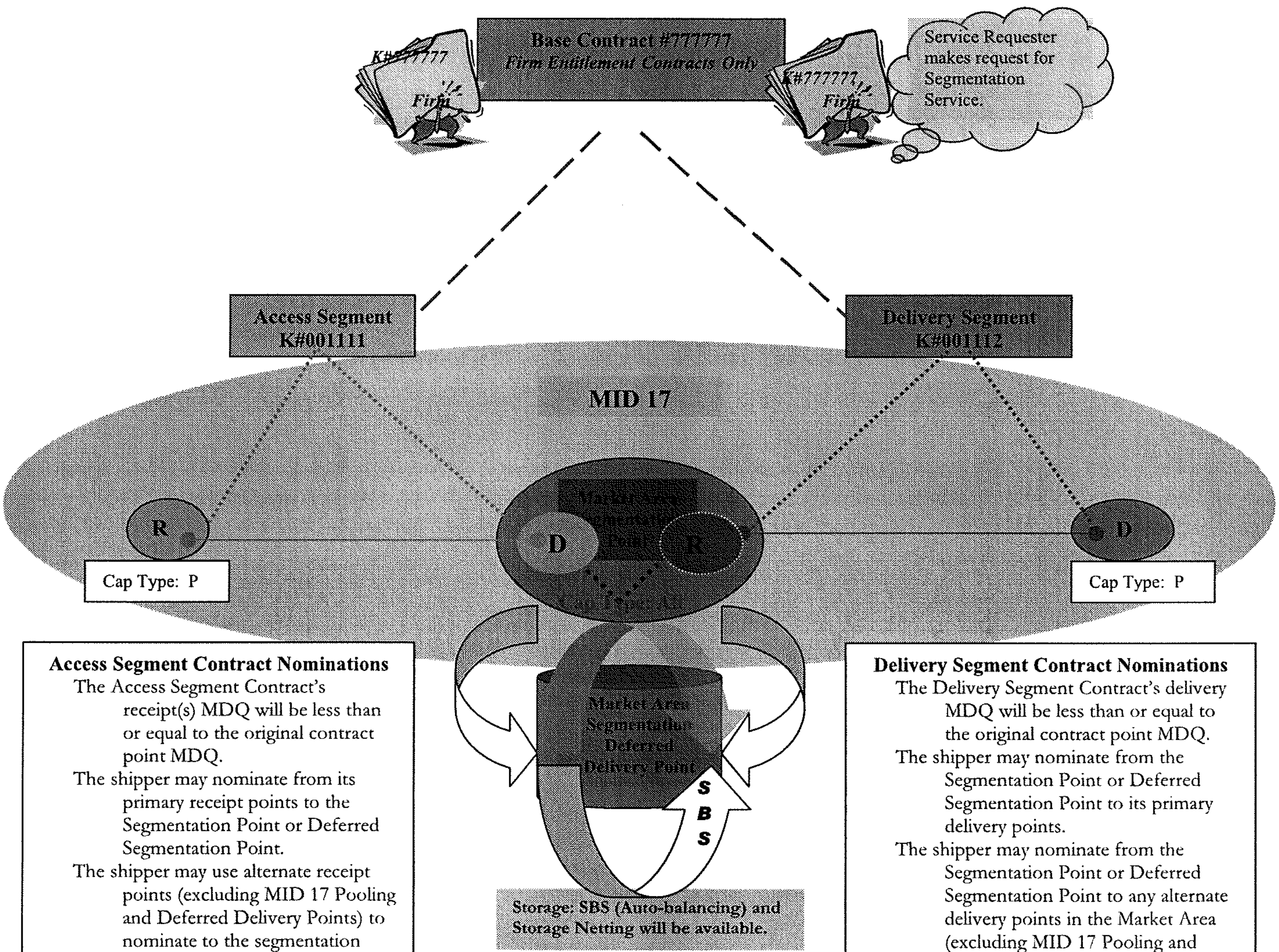
Q. How will reservation, commodity and fuel charges be invoiced if a Shipper releases capacity on the Access and/or Delivery Segment Contracts?

R. The reservation charge agreed to by the Releasing Shipper and Acquiring Shipper will be billed on the Segment Contract that has been released. If both the Access Segment and Delivery Segment Contracts have been released, the reservation charges agreed to by the Releasing Shipper and Acquiring Shipper(s) will be billed on both Contracts based on the specific details of the releases. The maximum rate that a Releasing Shipper may agree to with the Acquiring Shipper on the Access Segment Contract is the maximum applicable Market Area reservation charge. The maximum rate that a Releasing Shipper may agree to with the Acquiring Shipper on the Delivery Segment Contract is the maximum applicable Market Area reservation charge. The Releasing Shipper receives credits for the reservation charges collected on each released Segment Contract, subject to the terms of the underlying contract.

The commodity and fuel charges will be billed only on the Acquiring Shipper's Delivery Segment Contract. Northern retains the revenues associated with these charges.

Northern Natural Gas
A MIDAMERICAN ENERGY HOLDINGS COMPANY

Virtual (Market Area) Segmentation Frequently Asked Questions



Access Segment Contract Nominations

- The Access Segment Contract's receipt(s) MDQ will be less than or equal to the original contract point MDQ.
- The shipper may nominate from its primary receipt points to the Segmentation Point or Deferred Segmentation Point.
- The shipper may use alternate receipt points (excluding MID 17 Pooling and Deferred Delivery Points) to nominate to the segmentation point.
- The shipper CANNOT use any alternate (delivery) point, except the Deferred Segmentation Point. The shipper MUST deliver to a delivery segment contract (Downstream K) at the segmentation point..
- Overrun is available for Access Segment Contracts..
- No commodity rates or mainline fuel charges will be assessed on Access Segment Contracts.

NOTE: ONLYAccess, Delivery, and capacity acquired Segmentation Contracts will be allowed to deliver or receive gas from the Market Area Segmentation Point. or Deferred Segmentation Point.
REMEMBER: Nominations at the Market Area Segmentation Point must be pathed.

Delivery Segment Contract Nominations

- The Delivery Segment Contract's delivery MDQ will be less than or equal to the original contract point MDQ.
- The shipper may nominate from the Segmentation Point or Deferred Segmentation Point to its primary delivery points.
- The shipper may nominate from the Segmentation Point or Deferred Segmentation Point to any alternate delivery points in the Market Area (excluding MID 17 Pooling and Deferred Delivery Points).
- The shipper cannot use any alternate (receipt) point, except the Deferred Segmentation Point.
- The shipper must receive (Upstream K) gas from an Access Segment contract at the Sementation point.
- Overrun is available for the Delivery Segment Contract.
- Transportation commodity rates and mainline fuel charges will be assessed on the Delivery Segment Contracts.

APPENDIX G

Northern's Open Season Notice

7/9/07

Northern Natural Gas
A MIDAMERICAN ENERGY HOLDINGS COMPANY

New Rockies Express Receipt Point to Demarcation Open Season

Northern Natural Gas Company (Northern) is soliciting binding bids for firm transportation capacity from its new receipt point interconnect with Rockies Express Pipeline (REX) in MID 17 to the Demarc delivery point (POI 37654). The total available REX receipt point capacity will be 200,000 Dth/day. The service and reservation charges on Northern will begin on the later of the effective in-service date of REX – West for deliveries to Northern or the in-service of the interconnect between Northern and REX. Capacity is being offered for an initial term that begins approximately January 1, 2008 and Northern will only accept bids that have an end date of no sooner than October 31, 2008. The capacity will be awarded based on the Net Present Value (NPV) per unit for the time period of January 1, 2008 through October 31, 2008, as described below. Extension rights will be included in each contract that is awarded capacity. The extension rights will allow the shipper and Northern to negotiate a mutually agreed transportation rate for any additional term. If Northern and the shipper are unable to agree on a transportation rate, the capacity will be made available to all shippers after the initial term of the agreement.

Parties requesting service are responsible for assuring arrangements for any capacity necessary on any upstream or downstream pipeline so volumes are available for confirmation during the nomination and scheduling processes.

Open Season

The open season commences on July 9, 2007 and ends at 5:00 p.m. CCT on July 19, 2007. For your bid to be considered, it must be received by 5:00 p.m. CCT on July 19, 2007. If you have any questions, please contact your Account Manager or Ben Humann at (402) 398-7299.

Bid Procedures

1. Submit a completed Open Season Bid Form to Northern via Facsimile to Ben Humann at **(402) 398-7413**. All requests must include the requested receipt point, delivery point, volume, term and rate (all rates must include all applicable surcharges). Northern is only accepting two part rates using Northern's maximum FERC Tariff commodity rate.
2. Bids for capacity must include all months for the term that is bid and the capacity volume must be equal across the term.
3. Northern is not accepting requests for realignment in this open season; any unsold capacity will be posted as generally available after the open season process.
4. Any bid that results in an amount less than Northern's maximum FERC Tariff reservation rate over the term of the bid will be evaluated and contracted so that the discount is allocated pro rata over the term of the bid.
5. Alternate rights will be limited on any winning bids with discounted rates. If any other receipt or delivery points are used either on a primary or alternate basis, any agreed upon discounted rate will not be applicable and Northern's maximum FERC Tariff rates will apply for the remainder of the contract.
6. The capacity will be awarded to the best bid or combination of bids that result in the highest total NPV per unit of reservation revenue to Northern. This is determined by discounting the cash flow (using the FERC interest rate) generated from the transportation reservation rate multiplied by the volume for each month from January 2008 through October 2008, by bidder, and then dividing the NPV by the maximum daily contract quantity. Northern reserves the right to award the capacity in a combination of bid(s) that results in the sale of the maximum amount of capacity over the term of the open season.
7. The results will be posted on Northern's Web site and notification will be made to the winning bidder(s).
8. Please state in your bid whether or not you are willing to accept any portion of the volume requested.
9. **Northern reserves the right to reject any bid(s) less than maximum rates**.

Northern Natural Gas
A MIDAMERICAN ENERGY HOLDINGS COMPANY

Open Season Bid Form

Please submit Request to:

Northern Natural Gas Company
ATTN: Ben Humann
1111 S. 103rd St.
Omaha, Nebraska 68103
Or by Fax to: (402) 398-7413

Internal Use Only
Req# ____________

Date Received: ____________

IMPORTANT – PLEASE NOTE
This document facsimile, once offered to Northern, becomes a valid contract upon determination of a best offer during the bid process. This is not a request. Submission of this facsimile establishes a partially executed service agreement.

BID INFORMATION – Please fill in completely

Package # ____________

Delivery Point	Receipt Point	Maximum Daily Quantity (Dth/day)	Reservation Rate	Term (Months)

Conditions
1) Are you willing to accept a portion of the volume requested? ____________
2) If yes to above, enter lowest MDQ. ____________

REQUESTING SHIPPER INFORMATION

Requesting Shipper's Name: (Legal Name)

Address: ____________

Contact Name: ____________

Phone Number/Fax Number: ____________

CONTRACT AUTHORIZATION
Person authorized to submit contract offer to Northern Natural Gas Company

AGREED TO AND ACCEPTED BY: Requesting Shipper

Name: ____________

Title: ____________

Date: ____________

NORTHERN NATURAL GAS COMPANY:

Name: ____________

Title: ____________

Date: ____________

Submission Contents

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