

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 3, 2005

In Reply Refer To:
Nicor Gas
Docket No. PR05-1-000

Hogan & Hartson LLP
555 Thirteenth Street, N.W.
Washington, D.C. 20005

Attention: Christopher A. Schindler, Esquire
Counsel for Nicor Gas

Reference: Petition for Operating Statement
Revision and Rate Approval

Ladies and Gentlemen:

1. On October 5, 2004, you submitted for filing, on behalf of Nicor Gas (Nicor), an application pursuant to Sections 284.224 and 284.123 of the Commission's Regulations to: (a) establish a new Facility-Based Priority Interruptible Storage Service (FBPIS service); and (b) revise its Operating Statement to reflect the new service and make additional clarifications. Nicor's proposal establishes a rate for its proposed FBPIS service that is derived from the rates and cost-of-service underlying the settlement in Docket No. PR02-18-000.¹
2. Nicor states that the FBPIS service is being offered as a result of system upgrades designed to improve overall reliability. Specifically, Nicor has replaced an existing compressor at its Troy Grove storage facility with a new compressor,

¹*Nicor Gas*, 103 FERC ¶ 61,031 (2003). Nicor is a Hinshaw Pipeline subject to a blanket Natural Gas Act certificate. As required by the settlement approved by the Commission in Docket No. PR02-18-000, Nicor must file a cost-and-revenue study or a rate petition to justify its existing rates or establish new rates for its blanket certificate services no later than May 1, 2005.

but has elected not to decommission the existing compressor. Instead, Nicor states that it will maintain the ability to use the older facility (the back-up compressor). The proposed FBPIS service would have priority over all other interruptible services, including its priority interruptible services, whenever Nicor projects that it intends to use the back-up compressor to support the service. As a result, Nicor revised its Operating Statement in proposed section 2.5.1 to reflect the new service. Nicor states that the proposed rates consist of a refundable prepayment² charge of \$1.8102 per MMBtu per month, and a daily commodity charge of \$0.0397 per MMBtu and are designed based on the rate structure for its existing priority interruptible rates. To reflect this higher priority, Nicor states that the proposed FBPIS service rates are designed by placing 60 percent of costs in the refundable prepayment charge (rather than 50 percent) and 40 percent of costs in the commodity rate (rather than 50 percent). Nicor states that the new service will provide shippers with another type of priority interruptible storage service, further expanding shippers' choices and flexibility. In addition, it continues, the revisions to the Operating Statement will make it more user-friendly, clarify several aspects of the rules governing interstate service from Nicor, and expand the recourse rate options available to shippers.

3. Based on our review of the petition, we find Nicor's proposed FBPIS service to be reasonable as it expands shippers' choices and flexibility. Further, we find the proposed rates to be just and reasonable because the rates are designed on the same basis, and using the same cost-of-service, as Nicor's currently effective priority interruptible storage service rates approved by the Commission in Docket No. PR02-18-000, and reasonably reflect the higher priority of this new service. This is consistent with the Commission's practice of accepting a pipeline's new interruptible service rate as a derivative of its then Commission approved cost-based storage rates.³ Further, we find it reasonable to permit Nicor to file a limited rate filing, rather than a system-wide rate filing, in light of its obligation under the settlement approved in Docket No. PR02-18-000 to file updated cost and other information by May 1, 2005, to either support its current rates, which now include the new FBPIS service rates, or file to implement new rates. Our review also indicates that the revisions to Nicor's Operating Statement

² The prepayment charge is refundable if Nicor does not provide the service.

³ See, *Kinder Morgan Interstate Gas Transmission LLC*, 95 FERC ¶ 61,479 (2001).

appear just and reasonable. Consequently, Nicor's proposed FBPIS service and rates, and the proposed revisions to its Operating Statement are accepted and approved to become effective on the date of this order, subject to the condition noted below.

4. Pursuant to the Commission's order issued in Docket No. PR02-18-000, on or before May 1, 2005, Nicor shall make an informational filing of cost and throughput data in the form specified in 18 C.F.R. § 154.313 (2004) and other information sufficient to allow the Commission to determine whether any change in Nicor's rates, including the new FBPIS service rate, pursuant to Natural Gas Act (NGA) section 5, which would apply prospectively, should be ordered. Nicor's obligation to make an informational filing shall be deemed met if, prior to May 1, 2005, Nicor makes a filing with the Commission to change its rates, including the new FBPIS service rates, under 18 C.F.R. § 284.224 (2004). This letter order does not relieve Nicor from complying with the filing requirements under Part 284 of the Commission's regulations.

5. Notice of the referenced filing was issued November 15, 2004, requiring protest and motions to intervene to be filed on or before December 6, 2004. No protests or motions to intervene were filed. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214 (2004)). Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214.

6. This letter order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713 (2004).

By direction of the Commission.

Linda Mitry,
Deputy Secretary.