
Northern Natural Gas Company

**Kansas House Committee on Energy and
Environment**

January 18, 2013

Northern Natural Gas

- In business since 1930, headquartered in Omaha, Nebraska
- Approximately 14,900 miles of pipeline in 12 states
- Five natural gas storage facilities – two LNG peaking storage facilities and three underground storage facilities – two in Kansas and one at Redfield, Iowa
- Responsible for transporting 4 percent of the delivered natural gas consumed in the U.S. in 2011
- Natural gas transportation and storage services to 78 utilities and numerous producers, energy marketing companies and industrial end-users
- Among the lowest transportation rates in the Midwest



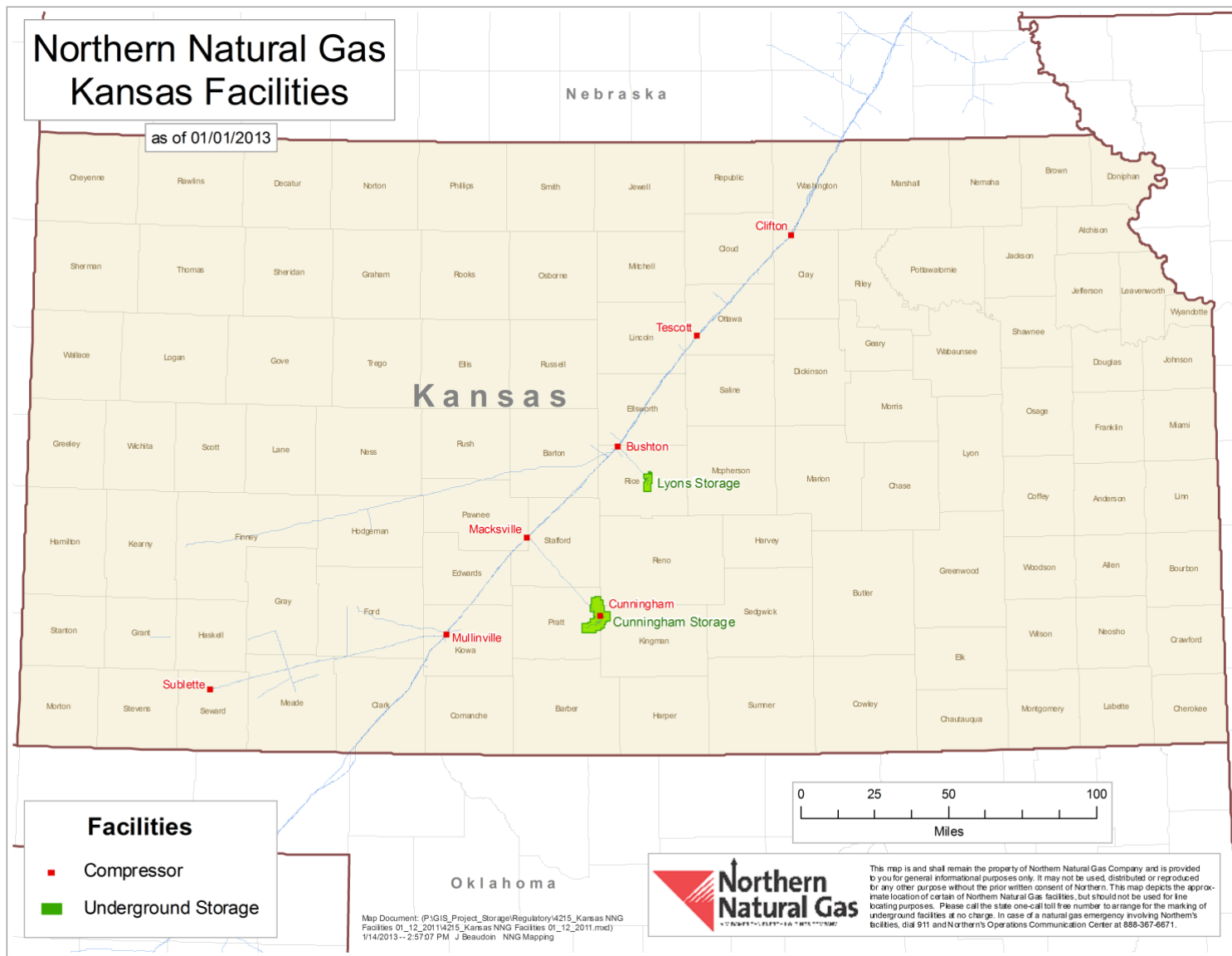
Additional Facts – Northern Natural Gas

- Northern employs approximately 840 employees in all states
- Northern's total payroll is approximately \$59.8 million
- Northern Natural Gas has approximately \$305.3 million in Kansas assets and will pay property taxes of \$13.3 million to Kansas counties for the 2012 tax year
- Northern employs 110 persons in Kansas with a total salary base exceeding \$7 million
- In the 16th Edition Mastio & Company Customer Satisfaction Survey, Northern ranked first in customer satisfaction among 16 companies in the mega-pipeline group for the fourth consecutive year and ranked second among 41 interstate natural gas pipelines included in the survey

Federally Regulated Interstate Pipelines

- Northern, like all interstate natural gas pipelines, is regulated by the Federal Energy Regulatory Commission (FERC) under Section 7 of the Natural Gas Act
- With respect to interstate natural gas pipelines, FERC
 - Approves the construction, siting and abandonment of pipeline and storage facilities
 - Is the lead agency for environmental review of projects constructed under Section 7
 - Approves the rates and conditions of service for interstate natural gas pipelines
 - Regulates the transmission and sale of natural gas for resale in interstate commerce
 - Administers accounting and financial reporting regulations and conduct of regulated companies
- Once natural gas pipeline projects become operational, safety is regulated, monitored and enforced by the U.S. Department of Transportation (DOT)
 - In many states, state agencies regulate pipeline safety on behalf of the federal government

Northern Facilities in Kansas

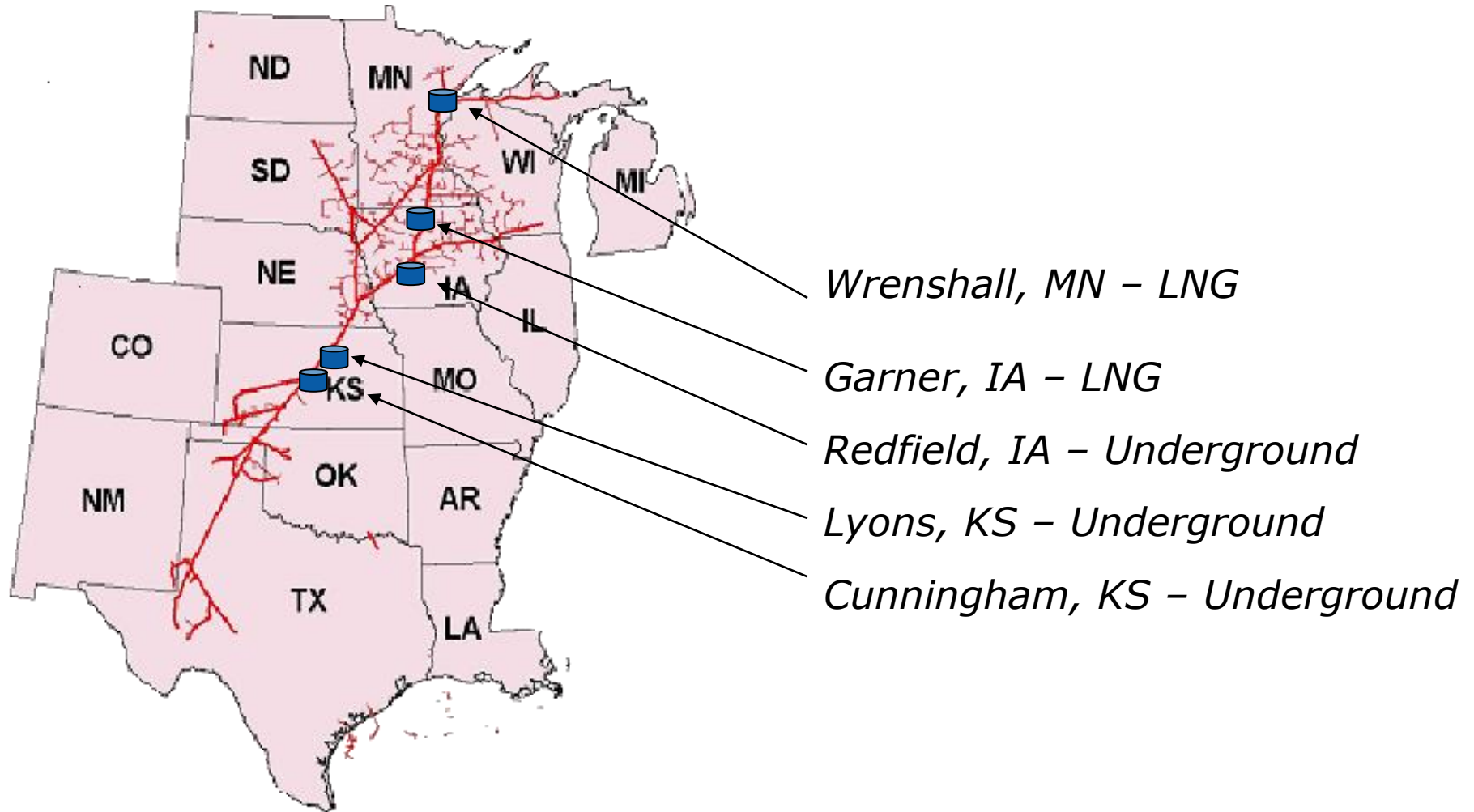


Northern Facilities in Kansas

In Kansas, Northern operates:

- Approximately 1784 miles of pipeline
- Two underground natural gas storage facilities
 - Lyons
 - First year of operation – 1975
 - 24 Bcf maximum storage capacity; max. withdrawal rate of 125,000 mcf/day
 - Cunningham
 - First year of operation – 1978
 - 62 Bcf maximum storage capacity; max. withdrawal rate of 545,000 mcf/day
- Six compressor station locations in Kansas
 - Located at Clifton, Tescott, Bushton, Macksville, Mullinville and Sublette
 - Together, there are 36 compressor units with a total of 169,760 horsepower
- Northern has approximately one-third of the existing ethanol operating production capacity in the U.S. located on its system
 - Northern serves one producer in Kansas - Reeve Agri-Energy (Garden City) – produces 12 million gallons of ethanol per year

Northern Natural Gas Storage Facilities



Storage operations

- Northern owns and operates two LNG storage facilities – one in Garner, Iowa, and one in Wrenshall, Minnesota. These facilities are used primarily for peaking
- Northern owns and operates three underground storage facilities – two in Kansas (Lyons and Cunningham) and one in Iowa (Redfield)
 - The Redfield facility is an aquifer storage facility and the two Kansas facilities are constructed from depleted oil and gas reservoirs
 - The Cunningham field is a volumetric reservoir allowing the field to provide Northern system flexibility – injection and withdrawal cycles can be changed quickly
- By offering storage services to its customers, Northern provides
 - Customers leverage for financial and physical positions
 - Service to peaking markets
 - Service to both price-sensitive and time-sensitive markets

Cunningham Underground Storage Facilities

- Third-party production of storage gas and large volumes of water caused the migration of storage gas from the Cunningham underground storage reservoir
 - After extensive expert evaluation, FERC concluded in an order issued June 2010 that third-party production of storage gas resulted in migration
 - The federal district court in Wichita agreed, granting Northern an injunction and shutting in the third-party production of the storage gas; that ruling was affirmed by the Tenth Circuit Court of Appeals
- FERC granted Northern an extension of its certificated boundaries (the Extension Area) and directed Northern to implement a Containment Plan to halt gas migration
- Northern has constructed the facilities authorized by the FERC to halt storage gas migration from Northern's Cunningham underground storage facility
 - The facilities include a new observation well, three water injection wells under a permit issued by the KDHE, two water withdrawal wells and associated surface facilities
 - The facilities went into service in December 2012
- Northern has obtained leases in 29% of the Extension Area
- The remainder of the acreage is included in a condemnation proceeding, which will result in fair market value being paid to the interest owner(s) under Kansas law