



Section 4 Rate Case Filing Northern Natural Gas Customer Call

June 16, 2025



Why is Northern Filing a Rate Case?



- Northern Natural Gas is filing this rate case due to the significant capital being invested in its pipeline system to comply with pipeline safety requirements and maintain reliability of its service to customers
- Northern's last section 4 rate case was filed July 1, 2022, in Docket No. RP22-1033, and was settled in 2023, with a Commission order approving the settlement September 7, 2023
- Northern is in the midst of a generational capital investment program to update and modernize its pipeline system
 - Northern's first pipeline began serving customers in 1930, with significant expansions in the 1940s through 1960s
 - The A-line, which is the original pipeline installed, is in the process of being abandoned (628 miles abandoned through 2025, with another 106 miles to be abandoned in 2027)
 - Other vintage pipeline and obsolete compressor units that are no longer serviced by the original manufacturer are being replaced

Asset Modernization Activity



- Northern began discussions as early as 2014 with its customers to advise of the need to modernize its pipeline system; however, Northern was unsuccessful in achieving a consensus for an asset modernization tracker
- By the end of 2034, Northern anticipates having invested \$4.5 billion in asset modernization since the program began. Northern will have invested \$2 billion by the end of 2025
- More recently, since the last rate case, and estimated through the end of 2025, Northern will have invested \$1.6 billion in asset modernization and maintenance capital that is not recovered in current rates, driving an approximately \$1.1 billion increase to rate base (27% increase from the last case)
- Northern has discussed potential interest in a pre-filed settlement with several customers to determine whether a pre-filed settlement with customers could be achieved. Feedback from these discussions, however, was not positive
- Due to continued asset modernization investment, another rate case is likely to be required within the next few years unless depreciation rates are increased to offset the investment

Section 4 Filing – Abbreviated Timeline



- Northern will file the rate case on July 1, 2025



Rate Base as of December 31, 2025



- Due primarily to asset modernization and other maintenance capital investment, Northern's rate base will have increased by \$1.1 billion since Northern's last rate case
- Northern's capital expenditures have significantly outpaced annual depreciation expense

Rate Base Items	RP25- Dec-25	Dec-22
[a]	[b]	[c]
(In millions)		
Gross Plant In Service	\$ 8,115.8	\$ 6,629.6
Accumulated Depreciation, Depletion & Amortization	<u>(1,849.9)</u>	<u>(1,541.9)</u>
Net Plant In Service	6,265.9	5,087.7
Regulatory Assets and Liabilities	(286.8)	(324.7)
Materials, Supplies and Prepayments	126.6	73.8
Accumulated Deferred Taxes	<u>(865.2)</u>	<u>(713.6)</u>
Total Rate Base	\$ 5,240.5	\$ 4,123.2
	Increase	\$ 1,117.3
	Percentage Change	27%

Increase in Cost of Service Driven Largely by Maintenance and Asset Modernization Capital



Highlights:

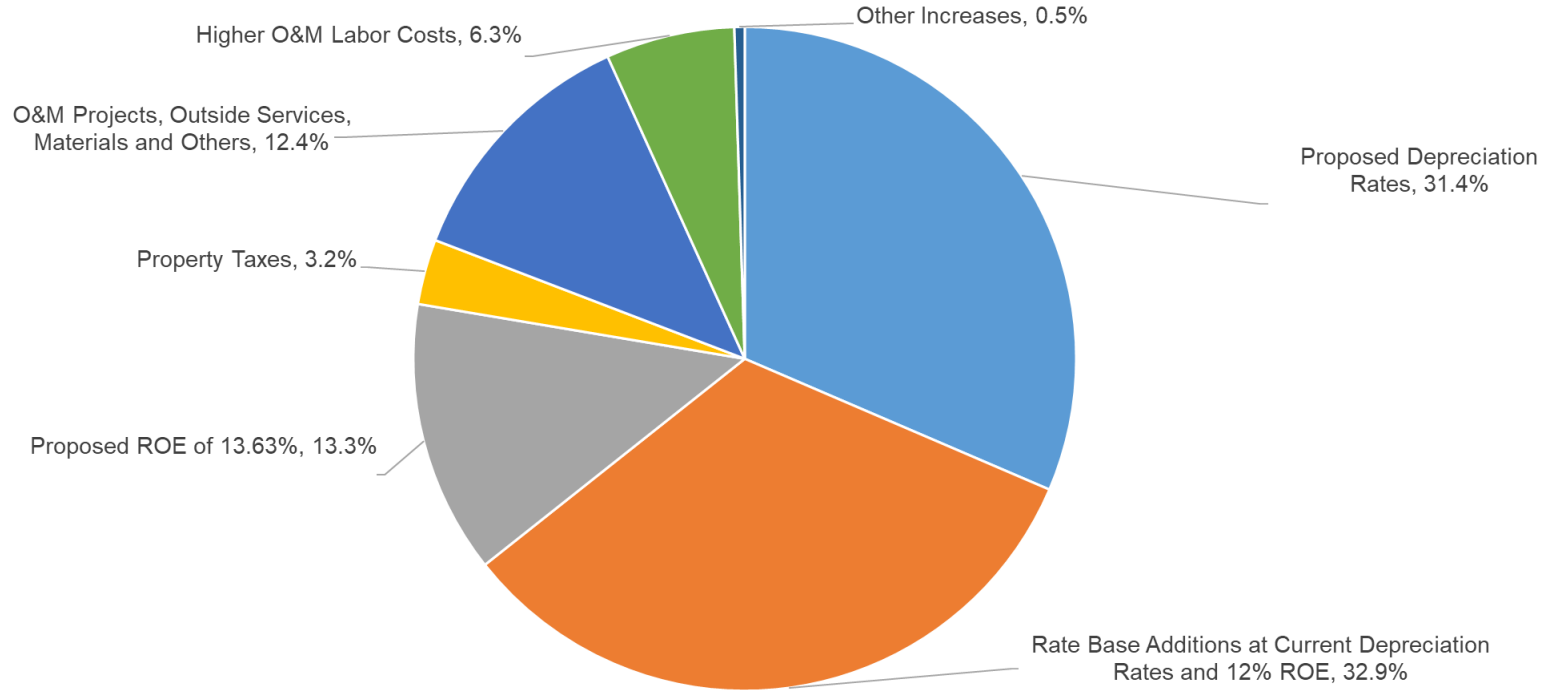
- The increased rate base due to increased capital investment accounts for \$195 million of the increase in cost of service
 - Asset modernization and other maintenance capital investment is estimated to account for \$176 million of the increase. Proposed depreciation rate increase accounts for \$170 million
- Proposed return on equity increase from 12% to 13.63% equals \$72 million

Particulars	RP25-COS Filing	2022 COS 45 Day Filing	Change	
[a] (In millions)	[b]	[c]	[d]	
O&M/A&G Expenses	\$ 430.9	\$ 329.8	\$ 101.0	\$46m O&M projects, \$34m O&M labor, \$21m Others (outside services, materials, others)
Depreciation and Negative Salvage Expense	407.8	192.0	215.9	\$170m increased depreciation and negative salvage rates \$46m plant additions
After-Tax Return	534.9	378.9	156.0	
Income Taxes	<u>156.9</u>	<u>108.4</u>	<u>48.5</u>	
Return and Taxes	691.8	487.2	204.5	\$132m increased rate base \$72m proposed 13.63% ROE
Property Taxes	91.0	73.8	17.2	Plant additions
Other	(7.2)	(9.6)	2.4	
Total Cost of Service	<u>\$ 1,614.3</u>	<u>\$ 1,073.3</u>	<u>\$ 541.0</u>	

Cost of Service Increases



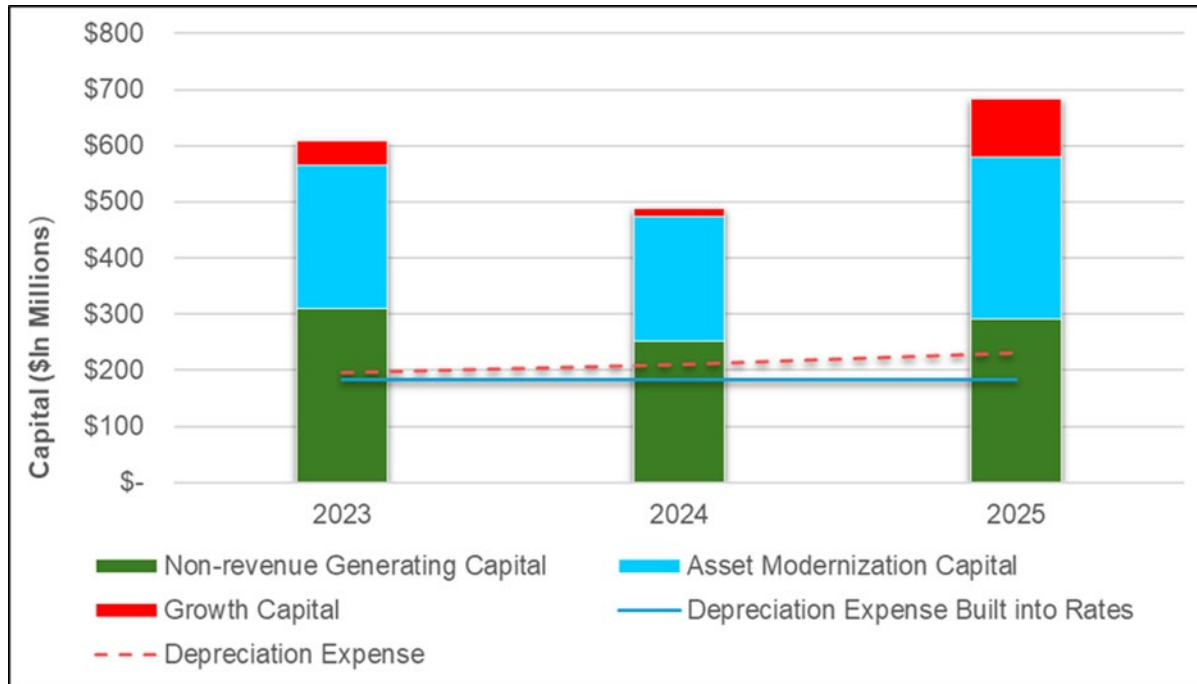
Total Cost of Service Increases: \$541 million



Maintenance and Asset Modernization Investments vs Depreciation



- Annual asset modernization and other maintenance capital investments continue to outpace annual depreciation expense built into existing rates



Capitalization and Return as of December 31, 2025



- Northern's capital structure is consistent with that authorized by FERC
 - Equity percentage is lower than recent pipeline filings that are generally at 65% or higher
- Northern's cost of capital is lower than the industry average, and the proposed ROE of 13.63% is lower than recently filed returns that are in excess of 14.0%
- Northern's A2/A- credit ratings are the highest among interstate natural gas pipelines
- Northern's overall cost of its long-term debt is 4.51%

Capitalization Items	Capitalization at Dec 31, 2025	Capitalization Percentage	Rate	Rate of Return
[a]	[b] (In millions)	[c]	[d]	[e]
Debt Capital	\$ 2,100.0	37.56%	4.51%	1.70%
Common Stock Equity	<u>\$ 3,491.3</u>	<u>62.44%</u>	13.63%	<u>8.51%</u>
Total Capitalization	<u>\$ 5,591.3</u>	<u>100.00%</u>		<u>10.21%</u>
Total Rate Base				\$ 5,240.5
After-Tax Return Allowance				
Interest Expense				\$ 88.9
Equity Return				<u>446.0</u>
Total After-Tax Return				<u>\$ 534.9</u>

Book Depreciation and Negative Salvage Rates



- Northern is filing increased depreciation and negative salvage rates
 - An increase to depreciation rates to reflect an economic life of 28 years versus a current depreciable life of 40 years for transmission assets
 - An increase to existing negative salvage rates for transmission facilities
 - New negative salvage rates for underground and LNG storage facilities

Plant Category 1/	2023 Settlement		RP25-	
	Dep Rates	NS Rates	Dep Rates	NS Rates
[a]	[b]	[c]	[d]	[e]
Underground Storage	1.25%	0.00%	3.27%	0.75%
LNG Storage	2.95%	0.00%	2.81%	0.83%
Transmission	2.49%	0.10%	3.66%	1.16%
1/ Includes plant categories for which depreciation rate changes are being proposed				

Base Case and Prospective Pro Forma Case Changes to Rate Schedules



- For the Base Case
 - Rates designed consistent with principles underlying the 2020 and 2023 Settlement rates
- For the Prospective Pro Forma Case
 - Northern is proposing a change in rate design to system-wide reservation rates
 - Northern is proposing to implement two postage stamp commodity rates for the Field Area; one for transportation within the current Mileage Indicator Districts 1-7 (Section 1) and a second for transportation within the current Mileage Indicator Districts 8-16B (Section 2)
 - Northern is proposing to discontinue Small Customer benefits that are not available to other shippers, including GS-T service

Base Case: Rates for Transmission and Storage Services



Transmission Rates	Transmission Rates					
	Winter			Summer		
	Current Rates	Proposed Rates	Percentage Change	Current Rates	Proposed Rates	Percentage Change
Reservation Rates						
Market Area						
TF12 Base	\$ 17.417	\$ 32.225	85%	\$ 9.676	\$ 17.903	85%
TF12 Variable	\$ 23.609	\$ 43.682	85%	\$ 9.676	\$ 17.903	85%
TF5	\$ 25.799	\$ 47.740	85%			
TFX	\$ 25.799	\$ 47.740	85%	\$ 9.676	\$ 17.903	85%
Field Area						
TFX	\$ 13.476	\$ 30.925	129%	\$ 7.485	\$ 17.180	130%
SMS	\$ 4.2550	\$ 7.8726	85%	\$ 4.2550	\$ 7.8726	85%
Commodity Rates						
Market Area						
TF/TFX Firm	\$ 0.0260	\$ 0.0228	-12%	\$ 0.0260	\$ 0.0228	-12%
TI	\$ 0.8742	\$ 1.5932	82%	\$ 0.3441	\$ 0.6117	78%
GS-T	\$ 1.2001	\$ 2.1952	83%	\$ 1.2001	\$ 2.1952	83%
Field Area						
TFX Firm (Rate/100 miles)	\$ 0.0103	\$ 0.0082	-21%	\$ 0.0103	\$ 0.0082	-21%
TI (Rate/100 miles)	\$ 0.2203	\$ 0.3935	79%	\$ 0.1269	\$ 0.2223	75%
GS-T	\$ 0.8740	\$ 1.9652	125%	\$ 0.8740	\$ 1.9652	125%
SMS	\$ 0.0208	\$ 0.0208	0%	\$ 0.0208	\$ 0.0208	0%

Storage Rates	Storage Rates		
	Current Rates	Proposed Rates	Percentage Change
FDD Capacity	\$ 0.6731	\$ 0.9991	48%
FDD Reservation	\$ 3.2345	\$ 4.8003	48%
Injection/Withdrawal	\$ 0.0232	\$ 0.0228	-2%
Inventory	\$ 0.1624	\$ 0.2412	48%

Pro Forma Case: Rates for Transmission Services



Transmission Rates	Transmission Rates					
	Winter			Summer		
	Current Rates	Proposed Rates	Percentage Change	Current Rates	Proposed Rates	Percentage Change
Reservation Rates						
TF12 Base	\$ 17.417	\$ 33.588	93%	\$ 9.676	\$ 18.660	93%
TF12 Variable	\$ 23.609	\$ 45.530	93%	\$ 9.676	\$ 18.660	93%
TF5	\$ 25.799	\$ 49.760	93%			
TFX 1/	\$ 25.799	\$ 49.760	93%	\$ 9.676	\$ 18.660	93%
SMS	\$ 4.2550	\$ 8.2056	93%	\$ 4.2550	\$ 8.2056	93%
Commodity Rates						
Section 3 (Market)						
TF/TFX Firm	\$ 0.0260	\$ 0.0220	-16%	\$ 0.0260	\$ 0.0220	-16%
TI	\$ 0.8742	\$ 1.6588	90%	\$ 0.3441	\$ 0.6358	85%
Section 2 (Field - Midcontinent)						
TF/TFX Firm 2/	\$ 0.0103	\$ 0.0205	na	\$ 0.0103	\$ 0.0205	na
TI 2/	\$ 0.2203	\$ 1.6573	na	\$ 0.1269	\$ 0.6343	na
Section 1 (Field - Permian)			na			na
TF/TFX Firm 2/	\$ 0.0103	\$ 0.0205		\$ 0.0103	\$ 0.0205	
TI 2/	\$ 0.2203	\$ 1.6573	na	\$ 0.1269	\$ 0.6343	na
SMS	\$ 0.0208	\$ 0.0208	na	\$ 0.0208	\$ 0.0208	na

1/ TFX percentage increase as compared to the current TFX Market Area reservation rate.

2/ Northern's current Field Area commodity rates are designed on a per 100 miles basis. Northern proposes to implement two postage stamp commodity rates in the Field Area; one for transportation within the current MIDs 1-7 (Section 1) and a second for transportation within the current MIDs 8-16B (Section 2).

Additional Information Found on Northern's Website



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- [Asset Modernization Presentation -- 2024 Update](#)
- [Maintenance Capital Plan -- April 2025](#)
- [Asset Modernization Report -- End of 2024](#)
- [Maintenance Capital Plan -- April 2024](#)
- [Asset Modernization Report -- December 2023](#)
- [Maintenance Capital Update -- December 2023](#)
- [Maintenance Capital Plan -- April 2023](#)

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Customer Communications

This section contains links to customer communications regarding the Section 4 rate case Northern plans to file on July 1, 2025.

[Customer Call - Section 4 Filing Overview](#)

Miscellaneous Regulatory Documents

This section contains links to information regarding miscellaneous regulatory documents.

No information to Display

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