WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 16, 2007

Mr. Royce Ramsey
Vice President
Northern Natural Gas Company
1111 South 103rd Street
Omaha, NE 68124-1000

Dear Mr. Ramsey:

On July 31-August 3, August 7-9, August 28-31, and October 9-12, 2006, representatives of the Minnesota Office of Pipeline Safety (MN-OPS), acting as an Interstate Agent for the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your records and facilities in Owatonna, North Branch, Farmington, and Carlton, MN.

As a result of the inspection, it appears that you have committed a probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The item inspected and the probable violation is:

1. §192.603 General provisions.
   (b) Each operator shall keep records necessary to administer the procedures established under §192.605.

   Additionally,

   §192.605 Procedural manual for operations, maintenance, and emergencies
(a) General. Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response. For transmission lines, the manual must also include procedures for handling abnormal operations. This manual must be reviewed and updated by the operator at intervals not exceeding 15 months, but at least once each calendar year.

Northern Natural Gas personnel were not documenting the annual review of all the procedures in the Operation and Maintenance manual.

Your personnel indicated that a program was in place to review and update the manuals and showed that 80 of the 187 procedures were updated in 2005. For 2006, approximately the same number of procedures would be updated. However, the document did not indicate that all the procedures were reviewed as required.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed $100,000 for each violation for each day the violations persists up to a maximum of $1,000,000 for any related series of violations. We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the item identified in this letter. Be advised that failure to do so will result in Northern Natural Gas Company being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to CPF 3-2007-1002W.

Sincerely,

[Signature]

Ivan A. Huntoon
Director, Central Region
Pipeline and Hazardous Materials Safety Administration