

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Sudeen G. Kelly, Marc Spitzer,  
Philip D. Moeller, and Jon Wellinghoff.

Alliance Pipeline L.P.

Docket No. CP97-168-006

ORDER AMENDING CERTIFICATE

(Issued September 18, 2006)

1. On May 9, 2006, Alliance Pipeline L.P. (Alliance) filed an application pursuant to section 7(c) of the Natural Gas Act (NGA) and Part 157 of the Commission's regulations to amend the certificate of public convenience and necessity issued by the Commission on September 17, 1998.<sup>1</sup> Alliance requests authority to increase the maximum allowable operating pressure (MAOP) of its pipeline system. This order grants the requested authorization, as discussed below.

**I. Background**

2. Alliance is a limited partnership formed and existing under the laws of the State of Delaware. Alliance owns and operates 886.8 miles of 36-inch diameter mainline pipeline and seven compressor stations. Alliance's system interconnects with its Canadian pipeline affiliate, Alliance Pipeline Limited Partnership at the United States/Canada border in Renville County, North Dakota. The combined system is designed to transport and deliver gas from the Western Canadian Sedimentary Basin in Alberta and British Columbia, Canada to the United States/Canada border and through the states of North Dakota, Minnesota, Iowa, and Illinois for processing at Alliance's affiliated Aux Sable Liquid Products LP (Aux Sable Plant) processing plant in Grundy County, Illinois. Subsequently, deliveries are made along the 13-mile segment of pipe located downstream of the Aux Sable Plant to interconnections with pipelines and distributors in the Chicago area.

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<sup>1</sup> See *Alliance Pipeline L. P.*, 80 FERC ¶ 61,149 (1997), (Preliminary Determination); and *Alliance*, 84 FERC ¶ 61,239 (1998), (Order Issuing Certificate).

## II. Proposal

3. Alliance proposes to increase the MAOP of the portion of its system upstream of the Aux Sable Plant from 1740 psig to 1935.1 psig. Accordingly, Alliance requested and received, on July 5, 2006, a waiver from the U.S. Department of Transportation – Pipeline and Hazardous Materials Safety Administration, Office of Pipeline Safety (USDOT-PHMSA) to increase the MAOP to 1935.1 psig, representing 80 percent of the pipe's specified minimum yield strength, subject to compliance with supplemental safety criteria.

4. Alliance states that the proposed increase in MAOP results in a 5.1 MMcf per day increase in the capacity of its system.<sup>2</sup> Alliance explains, however, that it receives gas only from its upstream Canadian affiliate which is fully contracted at its certificated level of 1,325 MMcf per day. While Alliance posts all available capacity on its website, and will post the proposed additional 5.1 MMcf per day, no firm transportation above the 1,325 MMcf per day level can be matched with capacity on its Canadian affiliate as required by Alliance's Rate Schedule FT-1.

5. No facilities are proposed for construction. However, development and implementation of the proposed increase in MAOP will require certain capital costs including: consulting and engineering fees, equipment component upgrades, additional linepack, and commissioning and stake holder communication costs. The total costs are estimated to be approximately \$13.3 million.

6. Alliance argues that its proposal will result in cost savings to shippers, as well as environmental benefits. Alliance states that the proposed increase in MAOP will result in more efficient operation of the system compressors which will reduce the amount of compressor fuel consumed and the consequent air emissions. Alliance also states that its fuel requirement rate is posted on a monthly basis and that estimated fuel cost savings to shippers will approximate \$11.1 million per year.

7. Alliance anticipates commencing incremental pressurization in mid-November 2006, which requires procurement of additional linepack supplies in mid-October for delivery in November. Thus, Alliance requests timely approval of its application in order

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<sup>2</sup> The existing firm (summer) transportation capacity of Alliance's system is 1,513 MMcf per day. See *Alliance*, 84 FERC at 62,213.

to permit shippers to promptly receive the benefits of cost savings and to bring about the environmental benefits of reduced compressor station emissions.<sup>3</sup>

### **III. Notice, Interventions, and Comments**

8. Notice of Alliance's application was published in the *Federal Register* on May 25, 2006 (71 Fed. Reg. 30,124). Northern Illinois Gas Company (Nicor Gas) filed a timely, unopposed motion to intervene,<sup>4</sup> comments to the application, and a request for a technical conference. Peoples Gas Light and Coke Company (Peoples Gas) filed comments but did not move to intervene. Nicor Gas and Peoples Gas are local distribution companies (LDCs) that interconnect with Alliance but are not shippers on Alliance. Alliance filed an answer to the comments and the request for a technical conference.

9. Nicor Gas is concerned that increasing the MAOP of Alliance's system will result in more liquids appearing in Nicor Gas' distribution system and requests a technical conference be held to address all parties' concerns and objectives.

10. Peoples Gas is concerned with the issue of gas quality, specifically mentioning the possibility of receiving gas with unacceptably high Btu content, excess liquids, and excess sulfur. Peoples Gas requests that the Commission condition its approval of Alliance's request on Alliance either submitting proposals for dealing with gas quality issues such as liquids fallout, interchangeability, and sulfur, or filing tariff changes to address these issues.

11. Alliance answers that the proposed increase in MAOP will not result in an increase in the level of liquids transported, nor will it result in the transportation of gas with a higher Btu content or a higher sulfur concentration. Alliance notes that the proposed increase in MAOP will be upstream of the Aux Sable Plant and that Nicor Gas and Peoples Gas receive gas downstream where no impact from the proposal is anticipated. Further, Alliance states that Nicor Gas and Peoples Gas are contractually protected from the types of gas quality concerns that they express.

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<sup>3</sup> See Alliance's letter filed on August 21, 2006.

<sup>4</sup> Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure. See 18 C.F.R. § 385.214 (2006).

#### **IV. Discussion**

12. Since Alliance proposes to amend its certificate authority to increase the MAOP of its system for the transportation of natural gas in interstate commerce subject to the jurisdiction of the Commission, Alliance's proposal is subject to the requirements of NGA section 7(c).

13. Alliance and its upstream Canadian affiliate constitute a pipeline system with all receipt points in Canada and all delivery points downstream of the Aux Sable Plant near Chicago. An increase in MAOP of the United States portion of the pipeline would create a small amount of incremental capacity, but even that amount is not usable capacity because there is no way to receive additional volumes into Alliance's system other than through the Canadian portion of the system which is unchanged by this proposal. Further, Alliance's proposed increase in MAOP will not result in alteration of the composition of the gas stream transported on its system upstream of the Aux Sable Plant and Alliance does not propose to increase the MAOP of the segment of its system downstream of the Aux Sable Plant where deliveries are made.

14. We believe the gas quality concerns expressed by Nicor Gas and Peoples Gas are baseless. Neither Nicor Gas nor Peoples Gas provided any factual support for their contentions that Alliance's MAOP proposal would increase the liquids content, heating content, or sulfur content of the gas transported. To the contrary, Alliance explained that it must meet gas quality specifications as defined by its tariff, as well as specific interconnection agreements with Nicor Gas and Peoples Gas. Moreover, Alliance's Vice President of U.S. operations stated that the increase in MAOP would not result in an increase in the historical level of hydrocarbon liquids transported through the Alliance system. Further, Alliance indicated that increasing the MAOP would have no impact on the heating value design limit approved for the Alliance system and that both Nicor Gas and Peoples Gas are contractually protected regarding BTU content. Additionally, Alliance noted that both its tariff and interconnection agreement with Peoples Gas contains limits on the sulfur content of the gas delivered into its system. Therefore, we deny Nicor Gas' request for a technical conference and Peoples Gas' request to condition approval of Alliance's proposal.

15. As noted, USDOT-PHMSA evaluated the safety aspects of Alliance's proposed MAOP increase and issued a Grant of Waiver authorizing Alliance's requested increase to its MAOP, which assures Alliance's ability to reliably and safely operate its pipeline. Further, we believe that Alliance's proposal will result in significant cost reduction and environmental benefits. Thus, we find that the authorization requested by Alliance is in the public convenience and necessity.

16. Because no construction of facilities is involved in this proposal, it qualifies for a categorical exclusion from the requirement to prepare an environmental assessment or an environmental impact statement.<sup>5</sup>

17. The Commission on its own motion, received and made a part of the record all evidence, including the application, supplements, and exhibits thereto, submitted in support of the authorization sought in this proceeding and upon consideration of the record,

The Commission orders:

(A) Alliance's certificate is amended to increase the MAOP of the United States portion of Alliance's system upstream of the Aux Sable Plant to 1935.1 psig.

(B) The request of Nicor Gas for a technical conference is denied.

By the Commission.

Magalie R. Salas,  
Secretary.

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<sup>5</sup> See 18 C.F.R. § 380.4(a)(27) (2006).