

151 FERC ¶ 6,271
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;
Philip D. Moeller, Cheryl A. LaFleur,
Tony Clark, and Colette D. Honorable.

Alliance Pipeline L.P.

Docket Nos. RP15-1022-000
RP13-355-001

ORDER ACCEPTING AND SUSPENDING TARIFF RECORDS,
SUBJECT TO REFUND, AND ESTABLISHING A HEARING

(Issued June 30, 2015)

1. On May 29, 2015, Alliance Pipeline L.P., (Alliance) filed revised tariff records¹ to modify its tariff extensively. As discussed below, the Commission accepts and suspends the tariff records to become effective December 1, 2015, subject to refund and further Commission action. The Commission also establishes hearing procedures.

Background

2. Alliance is an open-access interstate natural gas pipeline that commenced service on December 1, 2000. Alliance was initially contracted under 15-year Rate Schedule FT-1 negotiated rate firm transportation agreements, executed by the original shippers and their successors (legacy shippers). Alliance states it was the first FERC-regulated greenfield pipeline project to be fully subscribed by negotiated rate firm transportation agreements.

3. Under the terms of the contractual rate principles incorporated into the legacy shippers' Rate Schedule FT-1 firm transportation agreements, the negotiated rates were designed using the straight fixed variable (SFV) methodology and adjusted annually under a set of cost-based principles. As part of paying SFV reservation rates based on Alliance's total incurred costs, the original Alliance tariff provided legacy shippers with access to both firm capacity up to their contractual maximum daily quantity (MDQ) and

¹ See Appendix.

all of the additional capacity which Alliance could make available on a best efforts, or interruptible basis. The legacy shippers' unique entitlement to such additional capacity was provided as Authorized Overrun Service (AOS) which was defined as the firm shippers' right to that capacity under the definition of AOS in the Alliance tariff.

4. Legacy shippers paid a negotiated commodity charge for AOS of \$0.00/Dth for the 15-year initial terms of their agreements. Since the December 1, 2000 in-service date, AOS capacity has been provided to legacy shippers at no additional charge, other than the provision of fuel in-kind. In recent years, AOS capacity represented approximately 18 percent in excess of aggregate FT-1 contractual MDQ entitlements, on an average annualized basis. Access to AOS for legacy shippers in excess of their MDQ and up to the total capacity which Alliance could provide was assured under several provisions of the original Alliance tariff. Since 2000, all available capacity has been utilized by FT-1 shippers through the combination of their Contracted Capacity and AOS entitlements. No capacity has been available for lower priority IT service and Alliance has not received any requests for IT service.

5. In 2010, 92 percent of the Alliance legacy shippers gave notice of their intent not to extend the terms of their firm transportation agreements beyond the November 30, 2015 expiration date. Alliance held a broadly publicized service offering beginning in August 2013 for capacity on Alliance which would become available on December 1, 2015. Alliance Canada also conducted a service offering, providing potential new shippers a broad array of new transportation services and other enhancements to the service historically provided.

6. As a result of the service offering process in the United States, Alliance has obtained contractual commitments from certain shippers under the new Precedent Agreements for various levels of firm contract capacity for terms of approximately 1-7 years in duration, beginning December 1, 2015. These shippers have agreed to a new negotiated reservation charge of \$11.7273 per Dth per month, which represents a material reduction from both the current level of Alliance's negotiated rates, and Alliance's stated recourse rates. None of the new rate shippers have expressed an interest in firm transportation contracts using recourse rates. Three legacy shippers extended their firm contracts beyond November 30, 2015, and two shippers with North Dakota receipt points will continue to receive service on December 1, 2015 under their original FT-1 negotiated rate contracts. Because Alliance has not fully contracted its firm capacity, it states it will become a pipeline "at risk" for the difference between costs and revenues, effective December 1, 2015.

7. Alliance made the instant filing to revise its terms and conditions of service in light of these changes on its system. Alliance requests that the Commission suspend the effectiveness of the tariff records until December 1, 2015, so that the revised terms and conditions of service will take effect upon the expiration of the legacy shippers' existing

service agreements. Alliance proposes to remove its AOS service from its tariff and instead provide any service to firm shippers above their contractual entitlements pursuant to its IT rate schedule. Alliance also proposes to remove the requirement that it credit IT revenues to its shippers. However, Alliance does not propose to modify the per unit rates set forth in its tariff. As described further below, Alliance asserts that its existing recourse rates will not overrecover its cost of service, despite the proposed tariff changes. Alliance also proposes various other tariff changes, including changes to its tariff provisions concerning gas quality, creditworthiness, reservation charge crediting, IT bumping, and imbalance resolution.

Public Notice, Interventions and Protests

8. Public notice of Alliance's filing was issued on June 4, 2015. Interventions and protests were due as provided by section 154.210 (18 C.F.R. § 154.210 (2015)) of the Commission's regulations. Pursuant to Rule 214, 18 C.F.R. § 385.214 (2015), all timely motions to intervene and any unopposed motions to intervene out-of-time filed before the date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties.

9. Tenaska Marketing Ventures (Tenaska) filed a protest and request for technical conference. Encana Marketing (USA) Inc. (Encana) and the Peoples Gas Light and Coke Company (Peoples Gas) filed comments. Protests were filed by the Indicated Shippers and Alliance Canada Marketing L.P. (ACM). Pecan Pipeline (North Dakota), Inc. (Pecan) filed a pleading that it styled as a motion to intervene, but within this motion, Pecan included a comment.

10. Alliance filed an answer to the protests. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.213(a)(2) (2014)) prohibits answers to protests or answers unless otherwise ordered by the decisional authority. In this case, the Commission will accept Alliance's answer because it assisted the Commission in its decision-making process.²

² JL Energy Transportation Ltd. (JL Energy) filed a late protest, but did not move to intervene. JL Energy's protest pertains to licensing fees which JL Energy asserts should be paid by Alliance for certain technology related to Alliance's gas gathering activities. JL Energy states that these fees are the subject of dispute and pending litigation. Alliance filed an answer, and states that JL Energy's protest concerns licensing and patent infringement issues, and is not directed to or relevant to any aspect of the pending tariff provisions.

11. In general in its answer, Alliance asks that the Commission deny protestors' requests to reject Alliance's proposed deletion of (i) the tariff provisions that provide additional Firm Transportation (FT-1) volumes as AOS with a higher priority than IT, and (ii) the tariff provisions that require Alliance to credit to FT-1 shippers all revenues from IT. Alliance contends that the original filing, as supplemented by its answer, provides a complete record for the Commission to find that the proposed tariff provisions are just and reasonable and to conclude that additional procedures are unnecessary to evaluate and rule upon Alliance's proposal. In its answer, Alliance requests that the Commission deny all requests for technical conference or hearing procedures and renews its request that the Commission accept and suspend the tariff sheets submitted in the original filing, as proposed to be modified in its answer, and permit them to become effective December 1, 2015.

Elimination of Authorized Overrun Service

12. In its filing, Alliance proposed to eliminate tariff provisions providing for AOS. Indicated Shippers and ACM protested this proposal. Indicated Shippers contend that the negotiated rate agreements expressly contemplate the existence and availability of AOS and that elimination of AOS violates the *Mobile-Sierra* doctrine.³ ACM makes a similar argument in support of an alleged contractual right to continued AOS.

13. In its answer, Alliance asserts that these arguments have no merit and the protestors have identified no sustainable contractual basis for any alleged right to continue to receive incremental FT-1 firm transportation volumes as AOS beyond the December 1, 2015 effective date of the tariff provisions proposed herein. In its answer, Alliance states that the relevant contracts which protestors rely upon expressly provide otherwise. Alliance concludes that because the proposed tariff sheets are not inconsistent with the relevant contracts, no *Mobile-Sierra* issues arise in this proceeding and the doctrine poses no bar to the Commission's approval of the original filing.

14. In its comments, Pecan, citing Seventh Revised Sheet No. 50, states that as part of its transportation arrangement, Pecan is entitled to and utilizes AOS service as an "Essential Element" of its negotiated firm transportation service agreement. In its answer, Alliance counters that AOS is not a separate contracted-for service but should be understood as an incremental right to additional FT-1 volumes under the existing tariff. Alliance thus contends that the "Essential Elements" to which Pecan cites on Sheet No. 50 only refer to Pecan's negotiated "rates," and not to the service under the non-

³ Citing *United Gas Pipe Line Co. v. Mobile Gas Serv. Corp.*, 350 U.S. 332 (1956); *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956).

conforming Pecan FT-1 service agreement, which has a primary term that ends January 31, 2020. The Commission understands Alliance's argument to mean that if the incremental right to AOS service is removed from the tariff, there is no AOS service Pecan can claim under its contract. On the other hand, Pecan views the AOS as a contracted-for element of its agreement with Alliance, which persists, even if the tariff is revised to remove AOS for newly contracting shippers.

Elimination of IT Revenue Crediting and Request for Waiver

15. In its filing Alliance proposed to eliminate the tariff provisions requiring that all IT revenue be credited to FT-1 shippers. Indicated Shippers protested the deletion of these provisions and argued that the Commission should require Alliance to submit additional supporting information, and that hearing procedures are necessary to resolve all rate issues.

16. Alliance maintains it did not propose any changes in rates in the original filing. Alliance notes that Subpart C of Part 154 of the Commission's regulations governs the procedures and requirements for the original filing, which included only proposed changes in tariff language. With regard to the requirement in section 154.204 to show the estimated effect on revenues and costs for the 12 months beginning on the proposed December 1, 2015 effective date of the proposed revised tariff sheets, Alliance explains that there is no measurable impact on cost levels resulting from the tariff changes. With respect to revenues, Alliance recognizes that although it will receive IT revenues for the first time in its history as a FERC-regulated pipeline starting December 1, 2015 if its proposal is approved, projecting the level of IT revenues for the initial period of post-legacy shipper transportation is a special challenge for Alliance, since this will be the first use of IT on its system. Alliance states that using the historical levels of free AOS would not be a suitable analogy for a reliable projection of IT throughput in the first year IT is used. Because of the difficulty of making a projection, Alliance requests a waiver of the requirement to project IT revenues for the period beginning December 1, 2015.

17. Indicated Shippers request that the Commission require Alliance to submit the cost and revenue information required by section 154.312 of the Commission's regulations⁴ when the pipeline requests more than a minor rate increase. In its answer, Alliance states that this section pertains to Subpart D rate increase filings and is not required for changes in tariff language. In essence Alliance considers the subject filing distinguishable from

⁴ 18 C.F.R. § 154.312 (2014).

more general changes to rates, terms and conditions under section 4 of the Natural Gas Act (NGA).⁵

18. Alliance contends it has submitted sufficient data to allow the Commission to conclude that in the post-December 1, 2015 era, overall costs and revenues will not be out of line. Alliance states that Exhibit C-1 in the original filing showed a projected cost of service of \$283.9 million as of December 1, 2015, based on 2014 FERC Form No. 2 data and a return on equity of 12.5 percent. Alliance contends this cost level is \$34.5 million in excess of reasonably projected revenues of \$249.4 million. Alliance avers that in these circumstances, as a clearly “at risk” pipeline, Alliance should be permitted to retain all IT revenues, and that a waiver of the Commission’s policy to credit revenues or allocate costs to IT is justified.

19. Indicated Shippers contend that Alliance has understated projected revenues, citing calendar year 2014 FERC Form No. 2 revenue data. Alliance counters that those revenues were generated by the fully-subscribed Alliance in the last full calendar year of levelized negotiated rates using, among other things, a depreciation rate of over 6 percent in calendar year 2014, and that no reasonable projection of revenues should incorporate assumptions underlying the fully-subscribed negotiated rate legacy model on Alliance, which has effectively reached an end.

20. In order to address any potential concerns about the level of its recourse rates, Alliance proposed in its filing to file a cost and revenue study utilizing calendar year 2020 data, as adjusted, no later than April 1, 2021 in the event Alliance has not changed its recourse rates prior to December 1, 2020. In its answer, Alliance modifies this position, and proposes to file a cost and revenue study no later than April 1, 2019, utilizing calendar year 2018 data, in the event recourse rates have not changed by December 1, 2018. Alliance submits that this modification addresses all reasonable concerns about the overall balance of costs and revenues in the immediate post-December 1, 2015 period and requests that the Commission find that recourse rate issues have been adequately addressed by Alliance.

Gas Quality

21. In its filing, Alliance proposed to modify certain gas quality provisions of the tariff to align with industry standards. In addition, Alliance stated that in association with its

⁵ As discussed *infra* the subject filing is more akin to a major rate change on Alliance’s system than a minor one. Accordingly, the data necessary to support such major change should be provided.

rich gas carrying capability, it was changing the hydrocarbon dewpoint (HCDP) specification from 14° F to 23° F.

22. Peoples Gas states that Alliance has not provided support for its proposed significant modification to the HCDP specification, as part of its proposal to change its gas quality standards. Peoples Gas urges the Commission to require additional information about this proposed change and its potential effects on downstream facilities before ruling on it. In its answer, Alliance responds only that the HCDP modification matches a specification change proposed by Alliance Canada, which was adjusted to attract producers in the Montney, Duvernay, and Bakken basins. Alliance states that this change does not impact the shippers' obligation to comply with specifications of downstream pipes or local distribution companies such as Peoples. Alliance states that shippers designating Peoples as a delivery point have complied with Peoples' specifications for the last 15 years of operations and Alliance has no reason to believe that continued compliance is in any way jeopardized.

IT Bumping

23. In its filing, Alliance proposed to revise section 11.9 to allow the bumping of interruptible transportation service during the Evening and Intraday 1 nomination cycles by interruptible shippers paying a higher rate, which will promote market efficiency through the allocation of capacity to those that value it the most.

24. Tenaska protests Alliance's proposal to permit higher-priced IT nominations to bump lower-priced IT nominations on an intra-day basis. In its answer, Alliance acknowledges the concerns raised by Tenaska and will revise section 11.9 of its GT&C and remove the proposed provision that would allow the bumping of IT service during the Evening and Intraday 1 nomination cycles by interruptible shippers paying a higher rate. Alliance will reflect this change at the time it files its motion to move the applicable suspended tariff sheet into effect.

Reservation Charge Credits

25. Section 7 of Alliance's Rate Schedule FT-1 currently requires it to provide reservation charge credits only when it cannot deliver the amount of natural gas Alliance has *scheduled* for a shipper, rather than the amount the shipper *nominated* to be scheduled. Thus, section 7 does not require Alliance to provide reservation charge credits in situations where it does not schedule primary firm service because it is conducting routine maintenance or because a *force majeure* outage has occurred. In an order in Docket No. RP13-355-000, the Commission found that section 7 of Rate Schedule FT-1 appeared to be contrary to the Commission's policy requiring that credits

be measured by the amount of gas nominated by the shipper which the pipeline did not schedule.⁶ Therefore the Commission pursuant to NGA section 5 required Alliance to revise its reservation charge crediting provisions consistent with Commission policy or show cause why it should not be required to do so. Alliance requested rehearing of that order, arguing that the Commission had expressly approved the relevant provisions of section 7 of Rate Schedule FT-1 when it issued a certificate for the construction of Alliance's system and Alliance had relied on that approval when it decided to proceed with construction of its pipeline subject to an at-risk condition.⁷

26. In its filing in this proceeding, Alliance proposed to revise section 7 of Rate Schedule FT-1 to require Alliance to grant reservation charge credits if (a) its physical capacity to transport gas is reduced, (b) the reduction prevents Alliance from transporting the shipper's gas in accordance with their Firm Transportation Agreement, and (c) the shipper chooses not to mitigate the reduction through commercial or other means available on Alliance's system. In such circumstances, Alliance states it would be required to give full credits when the outage is due to an event within its control (a non-*force majeure* event) and partial credits when the outage is due to a *force majeure* event, using the Safe Harbor Method approved by the Commission.⁸ Revised section 7.1(c) provides that a shipper will be entitled to receive reservation charge credits for capacity that, if it had been nominated and tendered at the shipper's contracted receipt point, the pipeline would have been able to schedule the gas for transport in accordance with section 12 of the GT&C. In its filing, Alliance further proposed to revise Rate Schedule FT-1 to provide that shippers who nominate service from secondary receipt points or to secondary delivery points are not entitled to receive reservation charge credits. Revised section 7.1(d) would preclude a shipper from receiving reservation charge credits if the shipper's gas does not comply with the Quality of Gas Specifications in section 2 of the GT&C or exceeds the volumes that Alliance is required to transport under the Firm Transportation Agreement.

⁶ *Alliance Pipeline L.P.*, 141 FERC ¶ 61,260 (2012).

⁷ Citing *Alliance Pipeline, L.P.*, 84 FERC ¶ 61,239, at 62,214 (1998).

⁸ Under Alliance's Safe Harbor proposal, it would not provide reservation charge credits during the first 10 days of a *force majeure* outage. In addition, Alliance would be limited to no more than two Safe Harbor periods per calendar year per firm transportation service agreement.

27. No party has protested Alliance's revised reservation charge crediting provisions.

Coordination of Services Between Alliance and Alliance Canada

28. In its filing, Alliance proposed to revise GT&C section 39.1 (a) to allow Alliance and a shipper to agree to a negotiated rate less than the minimum applicable recourse rate, currently set at \$0.00/Dth/month. Alliance states that as one of the new service offerings provided on Alliance Canada, shippers were invited to submit a single bid for "full path" capacity on both Alliance Canada and Alliance. To the extent that such a bid is accepted by Alliance in order to generate additional revenues, and such bid yields a full path negotiated rate which is less than the rate ultimately approved by the National Energy Board (NEB) for the Alliance Canada portion, a negative Negotiated Rate would be required on Alliance to allow the transaction to be completed. While Alliance states that it does not expect these circumstances to occur, it is essential to have the necessary tariff authority in place in advance of the filing of the actual Negotiated Rate. In these limited circumstances, Alliance avers that the revision to GT&C section 39.1 (a) is just and reasonable.

29. Encana questions whether services on Alliance and Alliance Canada will be coordinated for scheduling purposes. Encana requests a technical conference to ensure that the new services proposed in this proceeding are consistent with the precedent agreements that Encana Marketing has entered into with Alliance and Alliance Canada.

30. In its answer, Alliance states it has not proposed any new services in this proceeding, and that nothing in the filing or the unchanged portions of the Alliance tariff jeopardizes the ability of shippers to contract for seamless transportation from western Canada to Chicago. Alliance states that shippers on Alliance Canada designating the interconnection with Alliance U.S. as a delivery point and a receipt point as shippers on Alliance U.S. will continue to be able to nominate and access their capacity on both pipes. Alliance further states that shippers on Alliance U.S. purchasing gas at the border may designate the border interconnection as a receipt point. Alliance does not believe a technical conference is necessary.

GT&C Section 4.3 - Preservation of Test Data

31. Indicated Shippers ask that the words "test data" be replaced with "records" in section 4.3. In its answer, Alliance agrees to make the change and will reflect this change at the time it files its motion to move the respective suspended tariff sheet into effect.

Alliance Pipeline Limited Partnership

32. Indicated Shippers request that Alliance clarify the definition of Alliance Pipeline Limited Partnership. In its answer, Alliance states that the currently effective Second Revised Sheet No. 289 identifies as milepost 0.00 on Alliance the “Interconnect with Alliance Pipeline Limited Partnership”, i.e. Alliance Canada.

GT&C Section 4 - Measuring Equipment

33. In its filing Alliance proposed to eliminate obsolete, redundant, or ambiguous references. Alliance states the current language in its tariff reflects the use of mechanical instrumentation and not the more modern equipment used on the Alliance system today.

34. Indicated Shippers protest Alliance’s proposal to perform verification at such intervals as agreed to by the parties and the phrase “of reported energy” after the 2 percent threshold for correcting measurement errors in section 4.2. Indicated Shippers also question Alliance’s proposal to delete from section 4.3 the right of each party to be present at the time of any reading, cleaning, or adjusting done in connection with the other’s equipment used in measuring receipts and deliveries.

35. In its answer, Alliance states the proposed tariff changes represent minor revisions to ensure that the tariff’s technical specifications relating to measurement equipment reflect the modern meter technology installed on the Alliance system. Alliance states that natural gas flowing through Alliance custody transfer points is measured with ultrasonic gas flow meters. For other applications, such as fuel measurement, Alliance utilizes other modern meter technology. The phrase “of reported energy” was inserted to remove ambiguity and to align with industry-wide usage.

GT&C Section 16 – Imbalances

36. In its filing, Alliance proposed to revise certain provisions of GT&C section 16 to clarify the shipper’s responsibility for imbalances and to set forth procedures to be followed if a shipper does not clear any imbalance. Alliance states that revised GT&C sections 16.7 and 16.13 provide that if a shipper of firm or interruptible service, wheeling service, or title transfer service fails to clear an imbalance, Alliance will retain the shipper’s remaining gas in its system as operational linepack. Likewise, the proceeds related to any gas effectively loaned as a result of a shipper failure to clear an imbalance would be retained by Alliance.

37. Indicated Shippers oppose the revised section 16.7. Indicated Shippers complain that Alliance has not provided any indication that this notice to the shipper or opportunity for the shipper to correct its imbalance will be provided. In its answer, Alliance agrees to provide shippers with reasonable notice and an opportunity to cure imbalances.

GT&C Section 22 – Creditworthiness

38. In its filing, Alliance proposed to require that shippers provide audited consolidated financial statements, unaudited consolidated financial statements, and “any additional information regarding the business affairs, operations, assets and financial condition of Shipper as Transporter may reasonably request from time to time.” Indicated Shippers protest, and state that the information is overreaching and unjustified, absent a showing of a lack of shipper creditworthiness.

39. In its answer, Alliance cites several pipelines whose tariffs have similar creditworthy provisions, and asks that the Commission reject Indicated Shippers’ protest on this issue.

Discussion

40. Although Alliance characterizes its NGA section 4 filing as merely the elimination of certain features due to the expiration of the legacy contracts, and the addition of other features, this filing is, for all intents and purposes, akin to a general section 4 rate case. While Alliance does not propose to modify the per unit recourse rates set forth in its tariff, it does propose to eliminate the requirements that it provide AOS service to its firm shippers without charge and that it credit IT revenues to its shippers. Both of these proposals potentially increase Alliance’s revenues, but Alliance proposes no offsetting modification to its recourse rates. Alliance’s assertion that nevertheless its existing rates will not over-recover its current cost of service is protested by Indicated Shippers. The Commission finds that Alliance’s proposals to eliminate AOS service and IT revenue crediting, while leaving its existing recourse rates, raise complex rate and tariff issues, and it is unclear at this time whether Alliance can make certain of these changes contractually. There are significant rate and operational implications of Alliance’s proposed changes. Accordingly, the Commission sets all issues related to the proposed elimination of AOS, IT revenue crediting, and the maintenance of its existing recourse rates for hearing. The Commission directs that on or before 75 days from the date of this order, Alliance submit cost and revenue information for the most recent 12-month period available, including all the schedules required for submission of a general section 4 rate proceeding as set forth in section 154.312 of the Commission’s regulations. The Commission also denies Alliance’s request for waiver of the Commission’s policy requiring it either to credit revenues or allocate costs to IT.

41. With regard to Alliance’s proposal to modify its gas quality provisions, the Commission finds that Alliance has not provided sufficient operational or engineering data in either its original proposal or in its answer to support the modification to its HCDP from 14° F to 23° F. In fact, Alliance has provided no justification for this modification consistent with the Commission’s *Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas*

*Pipeline Company Tariffs*⁹, which states that a pipeline's gas quality provisions must be based on technical requirements that can be supported by operational and engineering data. Making a change in gas quality specifications merely to "attract producers" that are interested in having their gas transported to market is not considered sufficient evidence in the eyes of the Commission to make such a change. If however, Alliance can demonstrate that adjusting the HCDP from 14° F to 23° F will not have adverse impacts on its system or its existing services to its customers, then this change may be warranted. In addition, Alliance has made several other changes to its gas quality specifications such as adding a provision that states that the gas shall contain no more than 4 percent of total non-hydrocarbons and that the gas temperature shall not be less than a temperature of 41° F. Alliance has not discussed the purpose of these changes or provided any empirical support for these changes. Therefore, the Commission directs Alliance to provide additional support for its proposed modifications to its gas quality provisions within 20 days from the date of this order to fully justify the changes.

42. With regard to IT bumping, the Commission accepts Alliance's answer, and directs Alliance to revise section 11.9 of its GT&C accordingly.

43. The Commission accepts Alliance's proposed revisions to section 7 of Rate Schedule FT-1 concerning reservation charge credits. Those revisions bring Alliance's reservation charge crediting provisions into compliance with Commission policy. Accordingly, the acceptance of this tariff provision renders moot Alliance's request for rehearing in Docket No. RP13-355-001 concerning the NGA section 5 directive to modify the reservation charge crediting provisions of its tariff.

44. With regard to the language in GT&C section 4.3 regarding preservation of test data, the Commission accepts Alliance's answer, and directs Alliance to replace "test data." with the words "records."

45. With regard to Indicated Shippers' protest regarding the tariff language in GT&C section 4 - Measuring Equipment, the Commission accepts Alliance's answer and rejects Indicated Shippers' protest. Even as revised, Alliance's tariff still states that "Each party shall have the right to be present at the time of any installing, changing, repairing, inspecting, verifying, or calibrating done in connection with the other's equipment used in measuring receipts and deliveries." The Commission finds that the parties' rights have not been eliminated from the tariff, and that the proposed changes in tariff language reflect the fact that Alliance has moved away from mechanical measuring to electronic measuring.

⁹ 115 FERC ¶ 61,325 (2006) (*Gas Quality Policy Statement*).

46. With regard to Alliance's proposal to revise certain provisions of GT&C section 16 – Imbalances, the Commission accepts Alliance's answer that confirms its agreement to provide shippers with reasonable notice and an opportunity to cure imbalances.

47. The Commission finds that Alliance's proposal concerning the additional information it may request in order to evaluate a shipper's creditworthiness is consistent with the list of information documents set forth in the Creditworthiness Policy Statement¹⁰ and with the approved tariff provisions of other pipelines.¹¹

48. The Commission also accepts other elements of Alliance's proposal that were not protested, such as (a) the elimination of the NomPAL service option in the PAL Rate Schedule, (b) the establishment of a fuel tracking mechanism with an annual true-up component in revised section 14, (c) the reduction of the cash deposit requirement from 12 months to 3 months in GT&C section 22.1(c)(iii) to align the requirement with Commission policy for qualifying shippers with letters of credit, (d) the proposed revision to GT&C section 39.1 to allow Alliance and a shipper to agree to a negotiated rate less than the minimum applicable recourse rate, and (e) the proposed revision to GT&C section 43.1 to provide for operational sales and/or purchases to be made at delivery points on Alliance.

Suspension

49. Based upon review of the filings the Commission finds that the proposed tariff changes have not been shown to be just and reasonable, and may be unjust, unreasonable and unduly discriminatory or otherwise unlawful. Accordingly, the Commission will accept and suspend the effectiveness of the proposed tariff records for the period set forth below, subject to conditions and establish hearing procedures.

50. The Commission's policy regarding tariff filings is that they generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or inconsistent

¹⁰ *Policy Statement on Creditworthiness for Interstate Natural Gas Pipelines and Order Withdrawing Rulemaking Proceeding*, FERC Stats. & Regs., Regulations Preambles 2001-2005 ¶ 31,191, at P 7 (2005) (Creditworthiness Policy Statement).

¹¹ See e.g., *Great Lakes Transmission Limited Partnership*, 106 FERC ¶ 61,336, at PP 22- 23 (2004).

with other statutory standards.¹² It is recognized, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results.¹³ Such circumstances do not exist here. Therefore, the Commission shall suspend Alliance's proposed tariff records for the full five-month statutory period, to be effective December 1, 2015, subject to refund and the outcome of the hearing.

The Commission orders:

(A) As set forth in the Appendix, the tariff records proposed by Alliance are accepted and suspended to become effective December 1, 2015, subject to refund and conditions. As discussed above, certain proposed tariff revisions are conditioned upon further support or modification.

(B) Alliance's request for rehearing in Docket No. RP13-355-001 is dismissed.

(C) Within 75 days from the date of this order, Alliance must file a cost and revenue study including all the schedules required for the submission of a section 4 rate proceeding as set forth in section 154.312 of the Commission's regulations.

(D) Consistent with the discussion in the body of this order, Alliance is directed to provide additional support for its proposed modifications to its gas quality provisions within 20 days from the date of this order to fully justify the proposed changes.

(E) Pursuant to the authority of the Natural Gas Act, particularly sections 4, 5, 8, and 15 thereof, and the Commission's rules and regulations, a public hearing shall be held in Docket No. RP15-1022-000 concerning the matters set for hearing as discussed above.

¹² See *Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension).

¹³ See *Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension).

(F) A Presiding Administrative Law Judge, to be designated by the Chief Administrative Law Judge for that purpose pursuant to 18 C.F.R. § 375.304, must convene a prehearing conference in this proceeding to be held within 20 days after issuance of this order, in a hearing or conference room of the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 20426. The prehearing conference is for the purpose of clarification of the positions of the participants and establishment by the presiding judge of any procedural dates necessary for the hearing. The presiding administrative law judge is authorized to conduct further proceedings in accordance with this order and the rules of practice and procedure.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Appendix

Alliance Pipeline L.P.
 FERC NGA Gas Tariff
 Alliance L.P. Database

Accepted and suspended, effective December 1, 2015, subject to refund and other conditions:

<u>Sheet No., FERC Gas Tariff Volume</u>	<u>Sheet No. 207, , 3.0.0</u>
<u>No. 1, 1.0.0</u>	<u>Sheet No. 208, , 1.0.0</u>
<u>Sheet No. 2, , 3.0.0</u>	<u>Sheet No. 209, , 2.0.0</u>
<u>Sheet No. 10, Statement of Rates 1/ 2/ 3/,</u>	<u>Sheet No. 210, , 1.0.0</u>
<u>6.0.0</u>	<u>Sheet No. 211, , 2.0.0</u>
<u>Sheet No. 10A, , 1.0.0</u>	<u>Sheet No. 213, , 3.0.0</u>
<u>Sheet No. 80, Firm Transportation</u>	<u>Sheet No. 215, , 2.0.0</u>
<u>Service, 3.0.0</u>	<u>Sheet No. 216, , 2.0.0</u>
<u>Sheet No. 81, , 3.0.0</u>	<u>Sheet No. 217, , 3.0.0</u>
<u>Sheet No. 82, , 3.0.0</u>	<u>Sheet No. 218, , 3.0.0</u>
<u>Sheet No. 83, , 2.0.0</u>	<u>Sheet No. 219, , 3.0.0</u>
<u>Sheet No. 84, , 1.0.0</u>	<u>Sheet No. 220, , 2.0.0</u>
<u>Sheet No. 85, , 2.0.0</u>	<u>Sheet No. 221, , 2.0.0</u>
<u>Sheet No. 90, Rate Schedule IT-1, 3.0.0</u>	<u>Sheet No. 222, , 2.0.0</u>
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