

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D. C. 20426

December 31, 2003

In Reply Refer To:  
Alliance Pipeline L.P.  
Docket Nos. RP04-77-000 and  
RP00-445-006

Alliance Pipeline L.P.  
6385 Old Shady Oak Road  
Eden Prairie, Minnesota 55344

Attention: Dennis Prince, Vice President of Regulatory Strategy & Stakeholder  
Relations

Reference: Revised Pro Forma Firm Transportation Agreement and Tariff Sheet  
Summaries

Ladies and Gentlemen:

1. On November 26, 2003, Alliance Pipeline L.P. (Alliance) filed revised tariff sheets in Docket No. RP04-77-000 to revise the Form of Firm Transportation Agreement (FTA) by including blank spaces to insert contract term extension rights and any negotiated rate. Also, on November 26, 2003, Alliance filed in Docket No. RP00-455-006 to revise its tariff sheet summaries of negotiated rate transactions to adjust the negotiated reservation rates, consistent with the principles underlying its negotiated rate agreements. According to Alliance, the negotiated rate agreements permit Alliance to reflect changes in costs underlying its negotiated rates from time to time. Because the tariff sheet summaries include a footnote that the negotiated rate transactions do not deviate in any material respect from the FTA, Alliance's "no material deviation" representation on those sheets is premised on the Commission's acceptance of the aforementioned revised pro forma service agreement. Alliance requests a January 1, 2004, concurrent effective date for the revised tariff sheets filed in both proceedings.

2. We will accept the tariff sheets listed on the Appendix to become effective January 1, 2004, subject to Alliance filing the revisions discussed below, within fifteen days of the date this order issues. Acceptance of this filing benefits the public because it is consistent with the Commission's policy mandating the disclosure of essential elements of negotiated rate transactions to deter undue discrimination and to safeguard shipper parity.

3. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and

Procedure (18 C.F.R. ' 385.214 (2003)). Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214. No protests or comments were filed in either proceeding.

4. The filing in Docket No. RP04-77-000 revises Sections 2 and 3, respectively, of the FTA to insert contract term extension rights and a negotiated rate, in lieu of the recourse rates currently provided in the FTA. In Section 2 (Term), Alliance proposes to insert a placeholder for “[Contract Term Extension Rights]”, whereas in Section 3 (Rates), it proposes to insert a placeholder for “[Negotiated Rate]” as an alternative to its Rate Schedule FT-1 Recourse Rates. According to Alliance, the Commission’s July 25, 2003, Modification of Negotiated Rate Policy precipitated the FTA changes, in that, pipelines filing summary tariff sheets are required to “certify that the [negotiated rate] agreement contains no deviation from the form of service agreement that goes beyond filling in the blank spaces or that affects the substantive rights of the parties in any way.” Citing Natural Gas Pipeline Negotiated Rate Policies and Practices, 104 FERC ¶ 61,134 at P 32 (2003).

5. The Commission finds that the blank space to specify a negotiated rate is consistent with our precedent accepting similar rate specifications for other pro forma service agreements. See, e.g., Great Lakes Transmission Limited Partnership, First Revised Sheet No. 86.01 to FERC Gas Tariff, Second Revised Volume No. 1; Southern Natural Gas Company, Original Sheet No. 305.01 to FERC Gas Tariff, Seventh Revised Volume No. 1; and Northern Border Pipeline Company, Third Revised Sheet No. 406 to FERC Gas Tariff, First Revised Volume No. 1. However, the blank space designated for “Contract Term Extension Rights” is vague, and does not satisfy the Commission’s objective with respect to the transparency of negotiated rate deals. Additionally, allowing pipelines to include such provisions in the service agreements of customers without any review by the Commission either as part of the pro forma service agreement or the review of an individual service agreement would be contrary to the Section 4 requirement that pipelines file contracts affecting service “in any manner.” See Tennessee Gas Pipeline Co., 97 FERC ¶ 61,225 at 62,028-29 (2001).

6. Specifically, Alliance’s proposed tariff change fails to define the parameters of the extension rights stipulated in its existing negotiated rate deals, as well as rights that may be stipulated in the future. Accordingly, we will conditionally accept the tariff change in Section 3 to provide specification of the negotiated rate. However, we will require Alliance to revise Section 2 of its FTA, such that the contract term extension rights for each contract can be specified by filling in blank spaces limited to the term of the contract extension in the FTA and prior notice of the extensions (i.e. shipper may extend the term of this

agreement for a minimum of [blank space], upon [blank space] prior written notice of the extension.)

7. With respect to the filing in Docket No. RP00-445-006, pursuant to the negotiated rate agreements, we will also conditionally accept the tariff sheets revising the negotiated reservation rates. The revised tariff sheets slightly increase the monthly negotiated reservation rates by \$0.6224 per Dth from \$14.0543 to \$14.6767 per Dth. Because those tariff sheets also contain a footnote that the negotiated rate transactions summarized on those sheets do not deviate in any material respect from Alliance's FTA, our acceptance of the tariff sheets is subject to Alliance's compliance with the FTA changes required above.

8. Lastly, we note that the negotiated transaction summaries do not reflect the contract term for each agreement. For monitoring purposes, the Commission requires pipelines to disclose that information for each negotiated rate transaction. See, e.g., Texas Gas Transmission Corp., 92 FERC ¶ 61,188 at 61,649 (2000). We direct Alliance to revise its tariff sheet summaries, accordingly.

By direction of the Commission.

Linda Mitry,  
Acting Secretary.

cc: All Parties

**Alliance Pipeline L.P.**  
**FERC Gas Tariff Original Volume No. 1**

*Tariff Sheets Conditionally Accepted Effective January 1, 2004:*

In Docket No. RP04-77-000:

First Revised Sheet No. 300

First Revised Sheet No. 301

In Docket No. RP00-445-006:

Third Revised Sheet No. 11

Third Revised Sheet No. 12

Third Revised Sheet No. 13

Third Revised Sheet No. 14