

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.

Maritimes & Northeast Pipeline, L.L.C.

Docket No. RP04-360-007 and
RP04-360-008

ORDER DENYING CLARIFICATION
AND REHEARING

(Issued November 1, 2006)

1. On June 14, 2006, Portland Natural Gas Transmission System (Portland) requested clarification or, in the alternative, rehearing of the Commission's May 15, 2006 Order which approved the contested settlement (Settlement) of the instant general section 4 rate proceeding submitted by Maritimes & Northeast Pipeline, L.L.C. (Maritimes).¹ Portland seeks clarification that, under the Settlement, it may raise certain rate design issues in the next general rate case to be filed by Maritimes. In the alternative, absent such clarification, Portland requests rehearing and reversal of the Commission's May 15, 2006 Order. In this order we will deny clarification and rehearing, as discussed below.

I. Background

2. In 1996, the Commission authorized Maritimes to build pipeline facilities to transport gas from the United States-Canada border near Goldsboro, Nova Scotia, through Maine, New Hampshire, and Massachusetts to a terminus near Dracut, Massachusetts.² About 101 miles of the pipeline, from Westbrook, Maine, to Dracut, Massachusetts, is jointly owned with Portland Natural Gas Transmission System

¹ *Maritimes & Northeast Pipeline, L.L.C.*, 115 FERC ¶ 61,176 (2006) (May 15, 2006 Order).

² *Maritimes & Northeast Pipeline, L.L.C.*, 76 FERC ¶ 61,124 (1996) (preliminary determination on non-environmental issues); *Maritimes & Northeast Pipeline, L.L.C.*, 80 FERC ¶ 61,136 (1997) (order issuing certificate), *order on reh'g*, 81 FERC ¶ 61,166 (1997). Maritimes proposed the construction of these facilities (Maritimes' Phase I Project) to provide transportation for the Sable Offshore Energy Project (Sable Project). 76 FERC at 61,667. The Sable Project was expected to make offshore Sable Island natural gas available to eastern Canada and the northeastern United States. *Id.*

(Portland). At Dracut, the joint facilities interconnect with Tennessee Gas Pipeline Company (Tennessee). Maritimes later received authorization to construct what is referred to as Maritimes' Phase III Project by order issued April 13, 2001.³ Under the Phase III Project, Maritimes constructed a pipeline that extended from an interconnect with the joint facilities mainline at Methuen, Massachusetts, some 25 miles to an interconnect with proposed facilities of Algonquin Gas Transmission Company (Algonquin) at Beverly, Massachusetts, at a projected cost of \$133,995,000. Maritimes explained that the Phase III Project was designed, among other things, to provide its existing customers with greater access to growing northeastern markets, and that it notified its existing customers that they have the right to amend their service agreements to add the new Beverly interconnect on the Phase III Project facilities (Phase III facilities) as a new primary delivery point.⁴ Maritimes was authorized to charge its existing rates for service on the Phase III facilities.⁵ The Phase III facilities went into service on November 24, 2003.

3. On June 30, 2004, Maritimes filed a general rate increase under section 4 of the NGA.⁶ Its section 4 filing proposed, among other things, to increase Maritimes' maximum recourse rates to reflect the roll-in of the costs of its Phase III facilities. For example, under Maritimes' rate increase proposal, the maximum recourse reservation charge for firm, mainline transportation service under rate schedule MN365 (including service on the Phase III facilities) would increase from \$21.1396 per Dth of entitlement to \$32.5847 per Dth (*i.e.*, from \$0.6950 per Dth/d to \$1.0713 per Dth/d on a 100 percent load factor basis), an increase of 54.14 percent from its existing rate. Subsequently, Maritimes negotiated the subject Settlement with several key shippers, thereby avoiding a hearing, and filed the Settlement on June 28, 2005.

4. For an interim period, the Settlement provides for, *inter alia*, a partial roll-in (*i.e.*, 40 percent) of Phase III costs in mainline rates, partial recovery (*i.e.*, 20 percent) of the Phase III costs through a volumetric surcharge, and deferral of the remaining (*i.e.*, 40 percent) Phase III costs. The Settlement results in an increased maximum recourse reservation charge for firm transportation service on Maritimes' mainline system under

³ *Maritimes & Northeast Pipeline, L.L.C.*, 95 FERC ¶ 61,077, at 61,219-20 (2001); *see also Maritimes & Northeast Pipeline, L.L.C.*, 96 FERC ¶ 61,077 (2001); *Maritimes & Northeast Pipeline, L.L.C.*, 99 FERC ¶ 61,277 (2002) (amending certificates).

⁴ *Maritimes & Northeast*, 95 FERC at 61,220.

⁵ *Id.* at 61,220, 61,227-28.

⁶ 15 U.S.C. § 717c (2000).

Rate Schedule MN365 relative to its pre-Docket No. RP04-360 rates,⁷ including the Phase III facilities, of \$23.725 per Dth (referred to in the Settlement as \$0.78 per Dth/d on a 100 percent load factor basis), a \$0.00 per Dth usage charge, and a maximum recourse volumetric surcharge for quantities transported on the Phase III facilities of \$0.14 per Dth. If no quantities are transported on the Phase III facilities, then the Phase III surcharge will not be assessed. For firm service with a primary transportation path only on the Phase III facilities, the Settlement provides for a maximum recourse reservation charge of \$7.30 per Dth of entitlement (\$0.24 per Dth/d on a 100 percent load factor basis), a \$0.00 per Dth usage charge, and a maximum recourse Phase III volumetric surcharge of \$0.14 per Dth. Because the Settlement rates are below the proposed June 30, 2004 filed rates of \$1.0713 per Dth/d, which went into effect, subject to refund, on January 1, 2005, the Settlement provides for refunds. The Settlement also provides for a rate moratorium and for Maritimes to file a new general section 4 rate case following a new mainline expansion if roll-in of the costs of the expansion would lower its system-wide rates.

5. Section 1.6 of the Settlement provides that, prior to November 30, 2019, the treatment of Phase III costs shall continue past the end of the Rate Moratorium Period (which is defined in section 1.7). The Settlement also provides, however, that within six months of a new Expansion In-Service Date,⁸ Maritimes will file a section 4 rate proceeding that reflects a proposed single system-wide maximum recourse Reservation Charge of less than \$0.7800 Dth/d computed on a 100 percent load factor basis (\$23.725 per Dth reservation charge) for Rate Schedule MN365 service that eliminates the Phase III surcharge and the separate rates for Phase III-only service. Maritimes will roll the then-existing rate base amount for its entire mainline system, plus the amount in the Phase III-related deferred account, into a system-wide mainline cost of service. Parties to

⁷ Settlement rates for backhauls and for Rate Schedules MN151, MN90, MNOP, and MNIT are also attached to the Settlement in Schedule 1, and, as is the case for Rate Schedule MN365, are separately established for (a) service on Maritimes' mainline system, including the Phase III facilities, and (b) service on a transportation path that covers only the Phase III facilities.

⁸ The Expansion In-Service Date is defined as the earlier of: (1) the in-service date of a new mainline expansion project in which the construction of the project facilities is not phased; (2) the in-service date of the final phase of a new mainline expansion project, if the project is constructed in phases; or (3) one year from the in-service date of the first phase of a new mainline expansion project. On May 16, 2006, as amended on September 11, 2006, Maritimes filed an application for a certificate of public convenience and necessity in Docket No. CP06-335-000, requesting authorization to construct its Phase IV Project. We note that Commission acceptance of Maritimes' certificate application would trigger the requirement under section 1.6 of the Settlement that Maritimes file a new rate case.

the instant proceeding have reserved specific rights to raise arguments about rate design, and about dividing Maritimes' mainline system into zones for rate design purposes; however, under section 1.6 they agree not to oppose the inclusion of Phase III-related costs in a single, mainline cost of service, and that this right shall not include the right to argue for a rate design that has the effect of incrementally pricing Phase III.

6. In its settlement comments, Portland argued that, while it supported an incremental Phase III-only rate, the (interim) Phase III rate established in section 1.3(A)(ii) of the Settlement is discriminatory, non-cost based, and unsupported by record evidence.⁹ Portland requested that if the Commission modifies, rather than rejects, the Settlement, the Commission make certain adjustments to the proposed Phase III-only rate that will result in a lower, incremental rate for the Phase III facilities.¹⁰

7. In its May 15, 2006 Order, the Commission approved a partial roll-in of the Phase III costs under the Settlement, finding that the record was sufficient to show that 100 percent of the Phase III costs could be rolled into Maritimes' general system-wide cost of service. The Commission approved the Settlement, including the language in section 1.6(B), with respect to which Portland seeks clarification or rehearing, under two approaches articulated in *Trailblazer*¹¹ for approving contested settlements, namely, finding the Settlement just and reasonable under the "overall end result" approach (Approach No. 2), and fair and reasonable under the "net benefits" approach (Approach No. 3). The Commission found that the Settlement could be approved under Approach No. 2 because the Settlement, as a package, achieves an overall just and reasonable end result within a zone of reasonableness and that Portland would be no worse off under the Settlement than if the case were litigated.¹² Alternatively, the Commission found that the Settlement could be approved under Approach No. 3 because the benefits of the Settlement outweigh the nature of Portland's objections and that Portland's interest is too attenuated to warrant rejection of the Settlement.¹³

II. Request for Clarification

8. In its June 14, 2006 request for clarification, Portland asks the Commission to confirm that Portland may raise rate design issues related to (1) creating one or more zones on Maritimes' facilities with boundaries as advocated at the discretion of the

⁹ See May 15, 2006 Order, 115 FERC ¶ 61,176 at P 28.

¹⁰ See *Id.* P 29.

¹¹ *Trailblazer Pipeline Co.*, 85 FERC ¶ 61,345 (1998), *order on reh'g*, 87 FERC ¶ 61,110 (1999), *reh'g denied*, 88 FERC ¶ 61,168 (1999) (*Trailblazer*).

¹² See May 15, 2006 Order, 115 FERC ¶ 61,176 at P 73-76.

¹³ See *Id.* P 77-80.

parties and rates derived under any zoning method, including cost classification and allocation designed to implement zones or (2) strictly mileage-based rates on part or all of the Maritimes' facilities.

9. Portland cites section 1.6(B) of the Settlement, which reads, in relevant part:

...Section 1.6(B) will not preclude a party from raising the issue of whether Maritimes' mainline system should be divided into zones for rate design purposes to be effective prospectively; provided that this right shall not include the right to argue for a rate design that has the effect of incrementally pricing Phase III.

Portland contends that the language of section 1.6(B) could be interpreted to preclude a participant's right to raise in a subsequent proceeding an array of rate design issues—until late 2019. Portland maintains that the scope of the long-term prohibition is not clear. Portland explains that a rate design that has “the effect” of incrementally pricing Phase III arguably is not just limited to a proposal to isolate Phase III costs and billing determinants to derive a stand-alone rate. Rather, Portland explains, the “effect” of an incremental rate could be viewed as either a method of calculating a rate or a resulting rate level or both. Thus, Portland contends, the “effect” language could be argued to bar any change that could produce resulting rates (including rate levels) in some way comparable to incremental Phase III rates.

10. Portland remarks that under a fully-litigated disposition of this docket the party who lost an issue (such as rate design for Phase III) would be entitled to raise the issue again in a subsequent case. In light of the foregoing, therefore, Portland argues that Commission approval of the Settlement requires an express holding that the Settlement allows Portland to raise any rate design proposal in Maritimes' next general rate case under NGA section 4, even if such proposal would have “the effect of incrementally pricing” Phase III facilities, so long as Portland does not recommend that the costs and billing determinants associated with Phase III facilities should be segregated and not considered in the derivation of Maritimes' rates applicable to non-Phase III facilities. Absent this clarification, Portland requests rehearing of the Commission's approval of the Settlement under *Trailblazer*.

11. Maritimes and KeySpan Energy Delivery NE (KeySpan) submitted answers to Portland's request for clarification.¹⁴ Maritimes asserts that Portland's requested

¹⁴ Maritimes' and KeySpan's answers also address Portland's arguments on rehearing. The Commission will not address Maritimes' and KeySpan's arguments in response to Portland's arguments on rehearing as answers to requests for rehearing are not permitted. 18 C.F.R. § 385.213(a)(2) (2006).

clarification is an alteration of a fundamental, express term of the Settlement. Altering the Settlement to give Portland a continuing right to relitigate the roll-in issue, Maritimes argues, would undermine the primary purpose of the Settlement; namely, to facilitate bringing new LNG projects on line. Maritimes dismisses Portland's claim that due process requires such a clarification. Maritimes states that it is well-settled law that a commission may approve a contested settlement that is binding on non-consenting parties and that this does not deprive the non-consenting parties of due process.¹⁵

12. In its answer, KeySpan responds that the Commission should deny Portland's request, because such "clarification" would alter the express terms of the Settlement. Moreover, granting the requested clarification could trigger the parties' termination rights set forth in the Settlement.

III. Alternative Request for Rehearing

13. With respect to the Commission's rationale for approving the Settlement under *Trailblazer* Approach No. 2, Portland maintains that this rationale will not apply because parties will be worse off under an interpretation of the Settlement that produces a long-term prohibition on parties' rights, given that they have relinquished any right to raise certain rate design issues, which they otherwise would have retained had the proceeding been fully litigated.

14. With respect to the Commission's rationale for approving the Settlement under *Trailblazer* Approach No. 3, Portland reiterates that the conclusion that the benefits of the Settlement outweigh Portland's objections "ignores the possible misapplication of the Settlement to produce [the] long-term preclusion of certain arguments."¹⁶ Moreover, Portland argues that the Commission's effort to marginalize Portland's concerns as only those of a competitor is not a cognizable basis for ignoring or dismissing Portland's arguments. It is irrational to argue, Portland states, that one of the market participants experiencing the greatest competitive disadvantage from the Settlement has an interest that is "too attenuated" to be given significant weight.

¹⁵ Maritimes Answer at 6 (citing *Pennsylvania Gas and Water Co. v. FPC*, 463 F.2d 1242, 1246, 1251 (D.C. Cir. 1972); *Mobil oil Corp. v. FPC*, 417 U.S. 283, 313 (1974)).

¹⁶ Request for Rehearing at 9.

15. Portland asserts that, in the May 15, 2006 Order, the Commission fails to reconcile its result with other features of Commission case law.¹⁷ Portland states that the Commission does not reconcile its general support for enhanced competition with eliminating the separate incremental Phase III facilities rate, which would encourage competition. Such an incremental rate, Portland contends, would promote head-to-head competition at Methuen.

16. Portland disputes the May 15, 2006 Order's finding that Portland "never expressed interest in obtaining capacity on the Phase III facilities" and that Portland's shippers had not "sought Phase III capacity" as simply ignoring the record evidence.¹⁸ Portland contends that it had received inquiries from its shippers interested in using Phase III capacity and that it had made numerous solicitations of Maritimes' shippers for capacity release arrangements.

IV. Discussion

A. Request for Clarification

17. At the outset, the Commission will deny Portland's request for clarification. Its proposed clarification—that Portland might propose any rate design, even if it has the effect of incrementally pricing Phase III, so long as it does not recommend that the costs and billing determinants associated with Phase III facilities should be segregated and not considered in the derivation of Maritimes' rates applicable to non-Phase III facilities—amounts to the alteration of a fundamental, express term of the Settlement, negotiated and agreed to by the signatories and found to be just and reasonable by the Commission, and undermines a (perhaps *the*) primary purpose of the Settlement, to wit: facilitating the introduction of new LNG projects on Maritimes' system. Because section 1.6(B) cannot be interpreted as Portland requests, we deny the requested clarification.

18. However, it is important to clarify at the outset that, although Portland cannot propose a rate design that would have "the effect of incrementally pricing" Phase III facilities, Portland may propose a rate design, including zone and mileage-based rates, that would result in lower rates for service on Phase III facilities than the single system-wide rolled-in rates that Maritimes has to file under the Settlement.

¹⁷ *Id.* at 11 (citing *Texas Gas Transmission Corp.*, 65 FERC ¶ 61,275 (1993); *Northern Natural Gas Co.*, 48 FERC ¶ 61, 232, at 61,289 (1989); *Peoples Gas Co. v. Natural Gas Pipeline Co. of America*, 60 FERC ¶ 61,277, at 61,940 (1982), in support of the Commission's policy to encourage competition (in bypass cases)).

¹⁸ *Id.* (citing May 15, 2006 Order, 115 FERC ¶ 61,176 at P 79).

B. Request for Rehearing

19. The Commission finds that Portland has not justified a modification of a central feature of the Settlement to permit it to seek incremental pricing of Phase III in Maritimes' next rate case. Portland's arguments that the two *Trailblazer* approaches (used by the Commission in the May 15, 2006 Order to support acceptance of the Settlement) require such a modification are not persuasive. As noted above, in the May 15, 2006 Order, the Commission found that the Settlement could be approved under *Trailblazer* Approach No. 2 because the Settlement, as a package, achieves an overall just and reasonable end result within a zone of reasonableness and that Portland would be no worse off under the Settlement than if the case were litigated.¹⁹ Alternatively, the Commission found that the Settlement could be approved under *Trailblazer* Approach No. 3 because the benefits of the Settlement outweigh the nature of Portland's objections and that Portland's interest is too attenuated to warrant rejection of the Settlement.²⁰ While we acknowledge that Portland's position vis-à-vis the other parties to the Settlement may not be what Portland would prefer, Portland has not presented any new arguments or newly persuasive evidence demonstrating that, overall, the Settlement is unjust or unreasonable or that Portland's interest is sufficient and its objections outweigh the Settlement's benefits.

20. Regarding the Commission's ruling that the Settlement could be approved under *Trailblazer* Approach No. 2, in the May 15, 2006 Order, the Commission found that Portland would be no worse off under the Settlement than if the case were litigated.²¹ As the Commission stated in the May 15, 2006 Order,

[w]hile the outcome of litigation is never certain, we find that the record is sufficient to show that 100 percent of the cost of the Phase III facilities could be rolled into Maritimes' general system-wide cost of service, which would produce much higher rates for service on the Phase III facilities than as proposed under the Settlement, which only reflect a partial roll-in of Phase III costs.²²

21. The Settlement, therefore, implements lower, interim Phase III-only rates, which benefit Portland and its shippers if the shippers wish to contract with Maritimes to obtain

¹⁹ See May 15, 2006 Order, 115 FERC ¶ 61,176 at P 73-76.

²⁰ See *Id.* P 77-80.

²¹ *Id.* P 75; see also *Id.* P 76.

²² *Id.* P 75.

service only on Phase III.²³ As to the effect of the Settlement on future rates, *i.e.*, the subsequent rolled-in rates to be proposed in the next rate case following the Phase IV expansion, although those filed rates are expected to increase for Phase III, section 1.6 of the Settlement provides a cap on the system-wide, rolled-in rate of \$0.78 per Dth/d (on a 100 percent load factor basis) that ensures that the rates on Phase III still can be expected to be significantly lower than the fully-rolled-in rate that the Commission found it likely would have approved had the instant rate case been litigated. Had that litigation in the instant rate case continued and a full roll-in of Phase III been accepted, that rate effect would have carried over into the next rate case and would be expected to produce much higher rates for any future potential Phase III-only service Portland's shippers might want at that time in the future. Furthermore, under section 1.6 of the Settlement, in the next Maritimes' rate case, Portland retains the option of advocating zoned rates on Maritimes to potentially lower the rate for Phase III service, provided such a proposal does not have the effect of incrementally pricing the Phase III facilities. As noted above, the Settlement provides for an interim Phase III rate reflecting only partial roll-in of Phase III, to be replaced by full Phase III roll-in rates in Maritimes' next rate case.

22. Portland has not demonstrated that it is worse off under the Settlement simply because the Settlement precludes it from making rate design proposals in the next rate case with "the effect of incrementally pricing" Phase III. Because of the likelihood of rolling in the cost of the Phase III facilities in the instant rate proceeding, we have no expectation that the Commission would modify its policies and deny roll-in of Phase III in the next rate case if that were allowed to be contested in that case. Accordingly, we continue to find that Portland is no worse off under the Settlement than if the instant case were litigated and that the Settlement, as a package, achieves an overall just and reasonable end result.

23. In the May 15, 2006 Order, the Commission also found that the Settlement can be approved as fair and reasonable under *Trailblazer* Approach No. 3 because it benefits the settling parties as well as Portland and shippers on its system if they wish to use the

²³ In the May 15, 2006 Order, the Commission explained that comparing the various rates at issue on a 100 percent load factor basis, the \$1.0713 per Dth/d reservation charge Maritimes proposed in its general section 4 rate case filing for MN365 service in the instant rate case reflected an increase of 54.14 percent over its \$0.695 per Dth/d existing rate, which applied whether the service was on the mainline or on the Phase III facilities. In contrast, the Settlement's \$0.78 per Dth/d mainline-only MN365 rate reflects an increase of only 12.23 percent from the existing rate, and the Phase III facilities rate (\$0.38 per Dth/d computed on a 100 percent load factor basis) reflects a decrease of 45.32 percent from the existing rate. May 15, 2006 Order, 115 FERC ¶ 61,176 at P 76 n.45.

Phase III facilities, and because Portland's interest is too attenuated.²⁴ The Commission found the Settlement to be fair and equitable, because all parties receive rate relief, rate certainty, and avoid litigation costs. Portland has not demonstrated the Settlement to be otherwise. Nor has Portland established that its interest is anything other than "attenuated." Contrary to Portland's claim on rehearing, the Commission did, in fact, address Portland's assertion that both it and its customers expressed an interest in obtaining Phase III capacity that would belie the Commission's finding that Portland's interest was too attenuated. As the Commission observed in the May 15, 2006 Order, the record does not reflect that either Portland or Portland's customers have sought to purchase Phase III capacity. At most, the inquiries appear to be limited to obtaining released capacity on Maritimes' mainline and possibly Phase III from Maritimes shippers to augment their capacity on Portland.²⁵ Even so, Portland's customers have not protested the Settlement and, as the Commission found, "there is no evidence that Portland's shippers consider the interim Phase III-only rate an economic barrier to competition."²⁶ Further, there is no evidence that Portland will lose customers to Maritimes if Portland is barred from seeking incremental Phase III rates in Maritimes' next rate case. Most telling, however, is the fact that Portland offers no response to the Commission's reliance on the fact that neither Portland nor any of its customers contested the finding underlying the Commission's authorization of the Phase III project at much higher rates on the basis, *inter alia*, that the project "will have no adverse impact on competing pipelines or on their captive customers."²⁷

24. With respect to Portland's contention that the Commission does not reconcile in the May 15, 2006 Order its general support for enhanced competition with eliminating the possibility of arguing for a separate, incremental Phase III rate in the next rate case,

²⁴ *Id.* P 78.

²⁵ In the testimony Portland cites, its witness Gaske states that "[Portland] has received inquiries from some of its shippers who may be interested in using Phase III in conjunction with their service on [Portland]." Ex. JSG-1 at 28:23-24 (Direct Testimony of J. Stephen Gaske). However, according to witness Gaske, as a result, Portland sent inquiries to Maritimes shippers inquiring whether they would be interested in releasing unused capacity on Maritimes' mainline south of Westbrook where the Portland and Maritimes systems interconnect, not limited to Phase III. *Id.* at 28:24 to 29:16. In fact, the record reflects that Portland has turned down capacity on the Phase III facilities because it was recallable. Ex. MAR-58 at 8 (Rebuttal Testimony of Maritimes witness Richard J. Kruse).

²⁶ May 15, 2006 Order, 115 FERC ¶ 61, 176 at P 79.

²⁷ *Id.* (citing *Maritimes & Northeast*, 95 FERC at 61,228).

we first note that Portland ignores the immediate benefit of the substantial Phase III-only rate reduction implemented by the Settlement in relation to rates expected to result from proceeding through the litigation process.

25. Once again, we note that none of Portland's shippers have protested the Settlement and there is no evidence in the record that they believe that the section 1.6 features of the Settlement, particularly the Phase III roll-in but with a rate cap, constitutes an economic barrier to competition or will cause Portland to lose shippers to Maritimes. With no evidence of harm to Portland, and only the potential for enhanced competition, which, as Portland notes, the Commission encourages, Portland's interest in the outcome of future litigation regarding future rates where it has no guarantee of success in arguing for any alternative rate design, and little or no expectation of success in obtaining its preferred incremental Phase III pricing, is too remote and attenuated to outweigh the benefits of the Settlement. Portland cannot expect Maritimes to shoulder all the risks of a major, \$133 million expansion and insist on future rates for service on the expansion that are designed with the sole purpose of taking away any competitive advantage that Maritimes may have gained by its investment. Indeed, nothing prevents Portland from taking steps on its own system to enhance competition. For example, it has the option of offering discounted rates on its own system to enhance competition with Maritimes rather than insisting that Maritimes essentially discount its Phase III service.

The Commission orders:

Portland's alternate requests for clarification and rehearing are denied, as discussed in the body of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.