136 FERC ¶ 61,066
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
John R. Norris, and Cheryl A. LaFleur.

Alliance Pipeline L.P. Docket No. RP11-2232-000

ORDER REJECTING TARIFF RECORDS

(Issued July 29, 2011)

1. On June 30, 2011, Alliance Pipeline L.P. (Alliance) filed original and revised tariff records[1] to initiate two new services and to expand an existing service (collectively, Alliance Chicago Exchange or ACE Hub Services) in the Chicago market area. Alliance requests the Commission permit the proposed tariff records to become effective August 1, 2011.

2. Alliance intends to initiate the proposed services as soon as it completes the necessary system revisions. It projects to begin service no later than December 1, 2011, and it seeks a waiver of the Commission's notice requirements found section 154.207 of the regulations.[2] Alliance maintains the Commission previously accepted tariff sheets or records incorporating new services with delayed initiation dates in similar circumstances.[3] Alliance states it will provide notice to the Commission within two weeks of the first nominations under the proposed new service.

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[1] *See* Appendix.

[2] 18 C.F.R. § 154.207 (2011). This section requires tariff filings to be made no less than 30 days or more than 60 days prior to the proposed effective date, unless the Commission grants a waiver of this requirement.

[3] Alliance cites *Colorado Interstate Gas Co*., 83 FERC ¶ 61,273, at 62,140 (1998) (Commission approved a tariff effective date of June 15, although the pipeline proposed initiation of service on August 1, so that potential customers could have an opportunity to become familiar with a new park-and-loan service).

3. As discussed below, the Commission rejects the tariff records listed in the Appendix and denies waiver of its notice regulations. We will, however, deem the tariff records to be *pro forma* and permit Alliance to file identical tariff records to the *pro forma* tariff records no less than 30 or more than 60 days in advance of the proposed effective date of the tariff records, in accordance with section 154.207 of the Commission's regulations.

Background

4. Alliance owns and operates an open-access interstate natural gas pipeline that extends 886 miles from an interconnection with Alliance Pipeline Limited Partnership at the U.S.-Canada border in Renville County, North Dakota, to primary delivery points in the Chicago area. Alliance explains that its tariff currently provides for two services. Rate Schedule FT-1 (firm transportation), which it provides pursuant to long-term negotiated rate contracts, and Rate Schedule IT-1 (interruptible transportation).

Description of the Proposed Services

5. Alliance proposes to add two new ancillary services and expand an existing service to facilitate new delivery and service opportunities in the Chicago market area. Alliance maintains the proposed services also will allow market participants to gain greater commercial liquidity in their transactions and potentially to obtain greater delivery flexibility.[4] Alliance asserts this filing responds to numerous shipper requests for park-and-loan service (PAL) and greater overall service flexibility at its delivery header at the Aux Sable Liquids Products L.P. natural gas processing plant.

6. Alliance plans to initiate two new services at the ACE Hub located downstream of the delivery header. Alliance further states the ACE Hub contains eight delivery point interconnections, including five interstate pipelines and two local distribution companies. According to Alliance, when the proposed services are in place, the ACE Hub will become a notional U.S. Delivery Pool. Alliance asserts that approval of this filing will permit it to implement: (1) a revised Title Transfer service to expand the scope of its existing title transfer provisions; (2) a new Rate Schedule PAL using operationally available line pack capacity; and (3) a new interruptible wheeling service under Rate Schedule IW via displacement.

[4] Alliance cites *Integration of Variable Energy Resources*, 133 FERC ¶ 61,149 (2010).

A. Title Transfer

7. Alliance proposes to expand the applicability of the title transfer provisions in Section 11 of the General Terms and Conditions (GC&T) of its tariff to all market participants that execute Title Transfer Agreements. Alliance explains that the Title Transfer service will be an administrative, no-charge service that will allow firm shippers to transfer title of gas to others for: (1) aggregation and disaggregation of gas; (2) delivery; and/or (3) nomination under a PAL transaction.

8. Alliance contends that expansion of the Title Transfer services in conjunction with the proposed new Rate Schedule PAL service will provide firm shippers better options to manage downstream delivery system curtailments and avoid the need to cure imbalances at the notional Alliance U.S. Receipt Pool. Alliance adds that the proposed revisions to GT&C Section 12 provide that, when shippers physically deliver gas at ACE Hub delivery points, under Title Transfer Agreements, it will schedule the transferred gas after gas transported under Rate Schedule FT-1. Alliance maintains this priority is appropriate because the delivery point capacity is held by the firm shippers under Rate Schedule FT-1. Alliance further explains these shippers may deliver their gas to the ACE Hub and transfer title to other shippers with downstream markets for the gas. However, continues Alliance, a shipper that has either transported gas to the ACE Hub or has taken title to the gas in the ACE Hub, but cannot make a delivery, will have the option to park the gas at the ACE Hub.

B. Rate Schedule PAL

9. Under its proposed Rate Schedule PAL, Alliance will permit shippers to park or obtain a loan of gas using operationally available line pack capacity. Alliance proposes three types of PAL services:

- Term PAL will be subject to the operational availability of line pack capacity. In a Term PAL agreement, Alliance will reserve a certain amount of line pack capacity that a shipper may utilize for a specified term. For the right to nominate service, Alliance will charge the customer a reservation-type rate on a daily basis for the agreed-upon quantity during the term of the transaction.

- Nom PAL allows a customer to request service in each nominating cycle for one Gas Day, subject to the operational availability of line pack capacity. Alliance will base the service charge on a daily usage rate and the quantity of gas parked or loaned.

- Auto PAL is an automatic park-and-loan service that will allow shippers to contract for automatic nominations of a park or loan transactions on the shipper’s behalf to manage imbalances, subject to the operational availability of line pack capacity.

10. Alliance also points out that the proposed tariff provides that, unless otherwise agreed, any parked quantity of gas not removed within the time frame specified in the tariff will become the property of Alliance and that it will sell any loaned gas not returned within the period specified by the tariff to the shipper at 150 percent of the highest weekly average of the daily "Alliance, into interstates" prices published in Platts Gas Daily. Alliance contends the Commission previously approved similar provisions.[5]

11. Alliance states the parked quantities that become the property of Alliance under this provision will become part of Alliance's operational line pack, effectively reducing the fuel requirement it would otherwise assess on shippers. Alliance maintains its existing tariff complies with the Commission's regulations by including a provision in section 16.11 of the GT&C, which requires the automatic crediting of any net penalty revenues to non-offending shippers. This section also describes the revenue crediting mechanism.[6]

C. Rate Schedule IW

12. This interruptible wheeling service will provide transportation through displacement within the ACE Hub. Alliance states the nominated IW service will be subject to scheduled gas receipts at the delivery points in the ACE Hub with interconnecting parties and the availability of capacity at the requested ACE Hub delivery point. Alliance will base the charge for IW service on the applicable rate and quantity of service scheduled each day.

D. Impact on Existing Shippers

13. Alliance maintains the proposed ACE Hub Services will not adversely impact its existing firm customers, and in fact, will enhance receipt and delivery point flexibility. Alliance points out that the proposed services have lower scheduling priorities than Rate Schedule FT-1 and will not affect the availability of firm capacity, receipt and delivery point flexibility, nominating and scheduling priorities, allocation of capacity, or operating conditions. Rather, Alliance contends the new services will benefit existing shippers by increasing liquidity and service flexibility and by facilitating the movement of natural gas to meet market requirements.

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[5] Alliance Pipeline, L.P., Proposed Revisions to FERC Gas Tariff June 30, 2011, at Page 5 n.3.

[6] Alliance cites 18 C.F.R. § 284.12(b)(2)(5) (2011) ("Pipelines may not retain net penalty revenues, but must credit them to shippers in a manner to be prescribed in the pipeline's tariff.").

E. Proposed Rates for ACE Hub Services

14. Alliance proposes to charge the currently effective Rate Schedule IT-1 maximum recourse rate of $0.5283 per Dth for Rate Schedules PAL and IW services. Alliance argues this is consistent with Commission precedent,[7] because both services are fully interruptible and rely upon existing transmission facilities. Alliance also asserts that, in the absence of documented actual costs and revenues attributable to the new PAL and IW services, there is no direct basis for deriving an alternative rate.

15. Alliance next explains that it will charge a daily reservation charge because it will reserve a quantity of line pack capacity for a definite term under its Term PAL service. Further, Alliance states it will charge a daily usage charge for Nom PAL and Auto PAL services. It will not assess a charge for its Title Transfer service. Alliance adds that it will base the charge for service under Rate Schedule IW on a daily usage charge and the scheduled Maximum IW Quantity. Finally, the proposed minimum rate for Rate Schedules IW and PAL is $0.00 per Dth.

16. However, continues Alliance, to compete in the highly competitive Chicago natural gas market, it anticipates offering substantial rate discounts for PAL and IW services. Alliance emphasizes it will grant discounts for the ACE Hub Services to similarly-situated shippers in a non-discriminatory manner. Alliance also agrees to submit a comprehensive first year report covering: (1) the number of transactions under the PAL and IW rate schedules; (2) the corresponding volumes; (3) the aggregate revenue; and (4) the stated maximum rate and discounts provided.[8]

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[7] Alliance cites *Great Lakes Gas Transmission Partnership*, 83 FERC ¶ 61,064, at 61,338 (1998); *Florida Gas Transmission Co.*, 81 FERC ¶ 61,265, at 62,305 (1997); *Mojave Pipeline Co.*, 79 FERC ¶ 61,347, at 62,480-81 (1997); *Tennessee Gas Pipeline Co.*, 87 FERC ¶ 61,375, at 62,399 (1999); and *ANR Pipeline Co.*, 83 FERC ¶ 61,087, at 61,427 (1998). *See also Kern River Gas Transmission Co.*, 103 FERC ¶ 61,341 (2003), order accepting tariff sheets, 105 FERC ¶ 61,363 (2003).

[8] Alliance cites, *e.g.*, *Williams Gas Pipelines Central, Inc.*, 85 FERC ¶ 61,238, at 61,997 (1998) (requiring pipeline to file activity report after one year, but rejecting protestant's request that pipeline be required to provide more detailed information sooner, including daily operating pressures, to ensure that pipeline is not engaging in unlawful discrimination; pipeline "can be required to file additional reports, including more detailed information, if there are any indications of degradation of [pipeline's] other services or undue discrimination at the time the initial required report is filed."

17. Alliance's proposed tariff contains no provision for crediting PAL or IW revenue to recourse rate shippers. According to Alliance, this is consistent with the Commission's policy, which does not require revenue crediting of new services , particularly when the demand for the service and the level of the resulting revenues are uncertain.[9] Alliance adds that it presently provides all FT-1 service pursuant to negotiated rate transportation contracts.

F. Compliance With Commission Regulations

18. Alliance submits that its filing complies with the applicable Commission regulations.[10] However, Alliance seeks a waiver of sections 154.202(a)(1)(v-viii) and 154.204(e) of the Commission's regulations, which (*inter alia*) require that tariff filings for a new service include an estimate of the effect on revenues and costs for the 12 months after the new service begins. Because it does not know how many shippers will use the new services, Alliance avers it has no actual cost or revenue experience with these services at this time. Alliance asserts the Commission previously granted waivers of these requirements to pipelines proposing similar services.[11]

G. Proposed Effective Date

19. Alliance believes the new ACE Hub services and increased volume of transactions that may result will require it to change its current business systems. This will include changes to its on-line service request and contracting system to integrate the business processes that facilitate transactions, including the contracting, nominating, scheduling, curtailment, and imbalance management associated with the new ACE Hub Services. However, Alliance contends that it is premature to design and implement the system changes prior to Commission approval of its proposal. Accordingly, Alliance requests any necessary waivers to obtain the Commission's approval of the tariff sheets, effective August 1, 2011. Because any suspension will delay the implementation of new

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[9] Alliance cites, *e.g.*, *Southern Natural Gas Co*., 94 FERC ¶ 61,394, at 62,479 (2001).

[10] 18 C.F.R. §§ 154.201. 154.202, 154.204 (2011).

[11] Alliance cites, *e.g.*, *Tennessee Gas Pipeline Co*., 87 FERC ¶ 61,375 at 62,400 (granting waiver of cost justification required by § 154.202(a)(1)(viii): "Where a pipeline has no history of providing this type of service, and no basis to allocate costs, the Commission has found that any attempted allocation at the time of the proposal would be speculative, and that such issue could be examined in the next rate proceeding").

services and because it proposes no rate increases, Alliance requests the Commission limit any suspension period to one day.

Notice, Interventions, Protest, and Answer

20. Public notice of Alliance's filing issued on July 1, 2011, with interventions and protests due as provided in section 154.210 of the Commission's regulations.[12] Pursuant to Rule 214,[13] all timely filed motions to intervene and any unopposed motions to intervene out-of-time before this order issues are granted. Granting late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties.

21. Citigroup Energy Inc. filed a motion to intervene and comments in support of the filing, briefly stating the new and expanded services will provide new opportunities for market participants in the Chicago trading market. The Canadian Association of Petroleum Producers (CAPP) filed a motion to intervene, a protest, and a request for a technical conference to address Alliance's filing. On July 18, 2011, Alliance filed a motion to answer and an answer to CAPP's protest and request for technical conference. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure prohibits an answer to a protest unless otherwise ordered by the decisional authority. The Commission accepts Alliance's answer because it provides additional information that aided the Commission in its decision-making process.

A. CAPP's Protest

22. CAPP represents the natural gas producing sector of the Canadian petroleum industry. Its members provide large volumes of natural gas for export to markets throughout the United States, including markets accessed by Alliance's system. CAPP urges the Commission to convene a technical conference to investigate the proposal before it rules on the filing. CAPP contends the proposal differs from previous proposals approved by the Commission; therefore, the decisions on which Alliance relies do not address the principal issue presented here: whether shippers should bear the costs of new services they may not use, without any examination of the related cost and revenue impact on those shippers.

23. First, states CAPP, there appears to be no instance where new HUB/PAL type services affected the costs borne by other, existing shippers. However, CAPP maintains

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[12] 18 C.F.R. § 154.210 (2011).

[13] 18 C.F.R. § 385.214 (2011).

Alliance does not explain how it intends to recover costs or allocate revenues and that Alliance may seek to include any such costs, operating and capital, in the formula used to adjust rates for its negotiated rate services. CAPP contends Alliance's approved negotiated rate formula provides that it may modify its negotiated rates from time to time to reflect actual operation and maintenance (O&M) costs, gross plant and debt costs underlying its negotiated rates. Therefore, CAPP argues Alliance could attempt to recover the costs associated with new services from its FT-1 shippers, including those that might not use the ACE HUB/PAL type services.

24. Second, continues CAPP, in support of its request for a waiver of estimated cost and revenue data, Alliance cites Commission decisions that allowed pipelines to submit reports of their first year's operations. However, CAPP distinguishes these orders, asserting that the Commission deferred cost and revenue examinations because it could examine the new services in the pipelines' next rate cases.[14] In contrast, argues CAPP, the Commission stated that Alliance's tariff, as structured, furnishes no basis for any review under section 4 of the Natural Gas Act: "However, consistent with the Commission's rulings in prior Alliance negotiated rate filings, and affirmed by the court in *Iberdrola Renewables v. FERC*, 597 F.3d 1299 (D.C. Cir. 2010) (*Iberdola*), there is no section 4 review of the calculations where, as here, the contract does not provide for such review."[15]

25. CAPP contends Alliance's offer to submit an "activity report" after one year's operation is a useless exercise unless the Commission adopts additional procedures ensuring such a report is considered during the annual rate-adjustment process. This would allow shippers to examine Alliance's proposed disposition of the costs and revenues. CAPP emphasizes there is no "next rate case" for Alliance where its members can accomplish such a review.

26. Third, CAPP maintains that Alliance suggests that it has a basis for estimating expected revenues from the proposed new services because Alliance stated it anticipated granting discounts from its proposed rates. Finally, CAPP states that Alliance proposes to impose a confiscation penalty mechanism on users of its new services who fail to rectify balances on a stipulated, timely basis. However, continues CAPP, it also appears

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[14] CAPP cites, *e.g.*, *Tennessee Gas Pipeline Co*., 87 FERC at 62,400-401 ("Commission's policy is not to require the crediting of revenues obtained from new services which become available between rate cases, particularly when the demand for the services and the level of the resulting revenues are uncertain"). *See also Williams Gas Pipelines Central Inc*., 84 FERC ¶ 61,211, at 63,032 (1998).

[15] *Alliance Pipeline L.P.,* 134 FERC ¶ 61,005, at P 10 (2011).

to modify the FT-1 and IT-1 imbalance resolution mechanism to incorporate these provisions in the GT&C applicable to those pre-existing services (sections 16.7 and 16.13). CAPP contends Alliance offers no apparent rationale for these changes to its existing services.

B. Alliance's Answer

27. Alliance responds that its proposed services are not unique and are very similar to those offered by other pipelines. Alliance argues the fact that its capacity is fully subscribed by firm transportation contracts requiring shippers to pay negotiated rates does not require different treatment of its current proposal. Alliance emphasizes it has not proposed any change in the negotiated transportation rates.

28. Alliance dismisses CAPP's concern that it may treat the costs associated with the new ACE Hub services as eligible for inclusion in the cost-of-service underlying the Rate Schedule FT-1 negotiated rates of existing shippers. In fact, asserts Alliance, the inclusion of such costs is expressly guaranteed by the negotiated Rate Principles included in all of its Rate Schedule FT-1 firm transportation contracts.[16]

29. Alliance rejects CAPP's request that the Commission exclude both ACE Hub costs and revenues from the rates of "non-participating shippers." Alliance contends CAPP seeks a complete separation of the proposed service in seeking incremental pricing and isolated treatment of these new services, but CAPP fails to provide any reasonable basis for its suggestion. Alliance emphasizes that it has a fully-integrated system and that it cannot separate the provision of new services in the delivery zone from the existing firm transportation services. Furthermore, Alliance avers the ACE Hub services will complement the existing services.

30. Alliance further emphasizes that CAPP fails to acknowledge that Alliance agreed to credit negotiated rate shippers all revenues received from ACE Hub services up to December 1, 2015, although it is not required to do so. Alliance submits this adequately addresses CAPP's concern. At any rate, continues Alliance, even if CAPP raised legitimate concerns about the FT-1 negotiated rates, it is premature to address those concerns in this proceeding or delay the implementation of the proposed new services.

[16] Appendix A to Alliance's answer contains the Rate Principles. Alliance points out that Paragraph 12) provides that changes in its operating costs will be reflected in its rates from time to time. Alliance also emphasizes that Paragraph 7) states that "rate base will include, among other things, actual capital costs." Alliance maintains that there is no exception that requires exclusion from the negotiated rates cost-of-service of capital costs associated with any other service or service enhancement that it may provide.

Alliance contends its shippers and the Commission can address any such concerns, if necessary, when it submits its next regularly-scheduled negotiated rate filing implementing new rates to become effective January 1, 2012.[17]

31. Alliance explains that it did not suggest that its activity report would provide any forum for an examination of overall cost and revenues. Alliance states that it simply noted in its filing that the Commission routinely has granted waiver of any requirement to identify overall costs and revenues, conditioned on its approval of any activity report following the first year of service. Further, states Alliance, while it has no previous rate case settlement "comeback" provision, it cannot rule out the possibility of a proceeding within the next several years in which its overall costs and revenues will be examined. Alliance adds that, in December 2010, all but three of the Alliance legacy firm shippers gave notice of their intent not to renew their existing contracts and extend the negotiated Rate Principles for service beyond December 1, 2015.

32. Alliance submits that no purpose would be served by requiring it to provide detailed information about the ACE Hub markets it plans to serve, including the anticipated volume of Alliance demand and prices, along with the price and volume of competing service for the Chicago market. Alliance noted in its filing (footnote 6 at page 7) that the Commission has not required other pipelines providing PAL and related services to provide projections of PAL-related revenues in light of the one-year activity report filing requirement.

33. Alliance next addresses CAPP's complaint about the alleged confiscation penalty mechanism in GT&C Sections 16.7 and 16.13. Alliance asserts these provisions are consistent with provisions approved for other pipelines with respect to the confiscation of gas parked but not taken off the system and to the disposition of FT and IT penalty imbalance quantities. Moreover, continues Alliance, under Section 16.5 Rate Schedule FT-1 shippers have a four percent tolerance, and under Section 16.7(b), shippers have

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[17] Alliance states that there is no danger that the ACE Hub services revenues will lead to any over-recovery of costs in light of Alliance's agreement to credit these revenues to negotiated rate firm shippers. In addition, Alliance states its costs are reviewed every year, and points out the Commission previously recognized that "[t]he establishment of its rates in any given year involves a reconciliation of the costs incurred in the calendar year two years prior to that given year, a reforecast of the costs for the immediately preceding calendar year, and an estimate of the following calendar year's costs." *Alliance Pipeline L.P.*, 122 FERC ¶ 61,250, at P 11 (2008). Alliance contends that, because this iterative process fully protects negotiated rate shippers and will take place again at the end of this year, no Commission action is required in this proceeding.

25 days to cure imbalances.[18] Alliance argues these provisions provide substantial flexibility for FT-1 shippers when coupled with the proposed new and enhanced services and do not require further explanation and support.

34. Alliance asserts the proposal to modify the imbalance provisions relating to Rate Schedule FT-1 service revised Section 16.7 of the GT&C conforms to similar provisions proposed for the ACE Hub services. Alliance adds this proposal is not a direct result of the introduction of these new services, but instead establishes consistent measures for the disposition of all imbalances on the Alliance system. Moreover, continues Alliance, its tariff imposes penalties only for those imbalances that threaten to impair reliable service (GT&C Section 16.9). Alliance states revised GT&C Section 16.7 addresses those situations where system reliability is not threatened, but where the potential arises for imbalances to remain indefinitely on the system due to shipper inattention or failure to act. Alliance emphasizes these imbalance tolerance management provisions provide shippers with sufficient flexibility to adequately clear any imbalances that arise, and it is only after these options are exhausted that the provisions of Section 16.7 would apply. Accordingly, Alliance does not believe these imbalance management provisions pose any hardship to the existing FT-1 shippers. Alliance explains that, to the extent the Commission would require it to impose these provisions on an imbalance not addressed appropriately, any benefits resulting from such action would flow to FT-1 shippers. Finally, states Alliance, that gas retained due to an unaddressed imbalance would become part of the operational line pack, effectively reducing the fuel requirement that it would otherwise assess on FT-1 shippers. In the case of an unpaid loan, Alliance will credit shippers the resulting penalty revenue, net of costs.

Commission Analysis

35. The Commission denies Alliance's waiver request and rejects the proposed tariff records for failure to comply with the notice provisions of section 154.207 of the Commission's regulations. However, the Commission finds the revised tariff records and the answer to CAPP's protest and request for a technical conference sufficiently support the proposed new and expanded services. Accordingly, we will permit Alliance to file

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[18] Alliance states the currently effective tariff does not address what happens to imbalance gas after the 25-day period that gas is left on the pipeline. Alliance explains that, effectively, gas that a shipper leaves on the pipeline is held in system line pack and it may or may not be used to reduce fuel requirements in the interim; however, if excess system gas causes operational difficulties, Section 43 of the tariff allows the sale of this gas. Alliance maintains the proposed tariff changes add language to address what transpires with gas left on the pipeline and leaves no question as to its disposition – it is used to reduce fuel requirements.

identical tariff records when it determines its filing will meet the requirements of section 154.207.

36. The Commission has approved new services, such as park and loan, for use by customers as part of an array of ancillary service offerings associated with a market hub, similar to the services Alliance proposes here. Alliance's PAL, IW, and Title Transfer services will benefit market participants in the Chicago area by providing new delivery and service opportunities more tailored to their specific needs. Alliance designed the ACE Hub services to allow market participants the potential to gain greater liquidity in their various transactions and enhance their delivery flexibility, thereby, furthering the Commission's goal of improving shipper service options.

37. CAPP asserts the proposed implementation of new services by Alliance raises issues not previously addressed by the Commission in other cases. CAPP argues the parties must have an opportunity to investigate whether shippers should bear the costs of new services that they may not use. CAPP raises concerns related to, *inter alia*, the: (1) recovery of any new service costs through the formula used to adjust shipper rates pursuant to its negotiated rate services; (2) timing of Alliance's proposed annual "activity report"; and (3) lack of data provided to estimate potential revenues generated via the new services. CAPP requests the Commission convene a technical conference where the parties may explore the related cost and revenue impact on shippers.

38. The Commission finds a technical conference is unnecessary. Alliance's June 30, 2011 filing and its answer to CAPP's protest and request for a technical conference sufficiently addressed the concerns raised by CAPP. With respect to Alliance's proposed new service rates, and related costs and revenues, the Commission accepts initial rates for new services if designed properly based on a currently-approved cost-based rate.[19] Here, Alliance's Rate Schedule PAL and IW rates are appropriately based on its existing Rate Schedule ITS rate. The Commission also finds they are consistent with rates allowed for similar service on other pipelines. In addition, the Commission finds CAPP's concerns related to the treatment of any new service costs and revenues through the negotiated rate formula are premature. The appropriate forum to address any costs and revenues from the new services is Alliance's next regularly scheduled negotiated rate filing. In light of that, the Commission will direct Alliance to submit the "activity report" that it proposes. That report will allow the Commission and interested parties to examine costs and revenues of Alliance's new services after service commences. CAPP may raise any concerns at that time.

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[19] *See, e.g.*, *Panhandle Eastern Pipeline Co.*, 90 FERC ¶ 61,119 (2000).

39. CAPP also raises concerns about Alliance's proposed modifications to its imbalance resolution mechanisms in GT&C Sections 16.7 and 16.13. CAPP argues Alliance offers no apparent rationale for these changes to its existing terms and conditions. In response, Alliance concedes the proposed changes are not a result of the introduction of Alliance's new services, but instead seek to establish consistent measures for the disposition of all imbalances on the Alliance system. Alliance argues its imbalance management provisions provide shippers with sufficient flexibility to resolve any imbalances prior to the imposition of the proposed provisions in Section 16.7. Alliance also notes that any net proceeds resulting from the use of the provisions of Section 16.7 would be credited back to FT-1 shippers.

40. The Commission finds that Alliance has adequately justified its proposed changes to GT&C Sections 16.7 and 16.13. While the proposed changes are not directly related to the implementation of the new ACE Hub services, they do modify the tariff to provide for similar treatment of all imbalances on Alliance's system. Furthermore, the proposed changes clarify Alliance's tariff to address the disposition of gas left on Alliance's system.

The Commission orders:

(A) Alliance's tariff records are rejected, but have been assessed as if they had been filed *pro forma*; as discussed in the body of this order, this rejection is without prejudice to Alliance filing identical tariff records in accordance with the provisions of section 154.207 of the Commission's regulations.

(B) CAPP's protest and request for a technical conference are denied.

(C) Alliance's request for waiver of the Commission's notice requirements in section 154.207 is denied.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

APPENDIX

Alliance Pipeline L.P.
Tariff Records Rejected

FERC NGA Gas Tariff
Alliance L.P. Database

Sheet No. 1, Table of Contents, 2.0.0
Sheet No. 2, , 2.0.0
Sheet No. 10, Statement of Rates 1/ 2/ 3/, 1.0.0
Sheet No. 10A, , 0.0.0
Sheet No. 81, , 1.0.0
Sheet No. 100, Interruptible Wheeling Service, 0.0.0
Sheet No. 101, , 0.0.0
Sheet No. 102, , 0.0.0
Sheet No. 110, , 0.0.0
Sheet No. 111, , 0.0.0
Sheet No. 112, , 0.0.0
Sheet No. 113, , 0.0.0
Sheet No. 200, General Terms & Conditions, 1.0.0
Sheet No. 201, , 3.0.0
Sheet No. 202, , 1.0.0
Sheet No. 203, , 1.0.0
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