

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

July 23, 2003

In Reply Refer To:
Enbridge Pipelines (AlaTenn) L.L.C.
Docket No. RP03-199-000

Enbridge Pipelines (AlaTenn) L.L.C.
1100 Louisiana, Suite 3300
Houston, TX 77002

Attention: Cynthia A. Corcoran
Director, Regulatory Compliance, Legal Department

Reference: Revised Tariff Sheet to Comply with Order on Remand

Dear Ms. Corcoran:

I. On December 13, 2002, Enbridge Pipelines (AlaTenn) L.L.C. tendered for filing a revised tariff sheet¹ to comply with the Order on Remand issued on October 31, 2002, in Docket No. RM98-10-011 (Remand Order).² In the Remand Order, the Commission, inter alia, affirmed the Commission's prior holding that a segmented transaction consisting of a backhaul and a forwardhaul to the same point that exceeds contract demand is permissible. The Commission accepts the revised tariff sheet effective August 1, 2003, subject to AlaTenn filing revised tariff sheets containing substitute language and eliminating certain language, as discussed below, within 15 days of the date this order issues.

2. Notice of AlaTenn's filing was issued on December 18, 2002. Interventions and protests were due as provided for in Section 154.210 of the Commission's regulations, 18 C.F.R. § 154.210 (2003). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2003)), all timely motions to intervene and any motions to intervene out-of-time filed as of the issuance date of this order are granted. Granting late interventions at this stage of the proceeding

¹First Revised Sheet No. 113 to its FERC Gas Tariff, Fourth Revised Volume No. 1.

²Regulation of Short-Term Natural Gas Transportation Services, and Regulation of Interstate Natural Gas Transportation Services, 101 FERC ¶ 61,127 (2002).

will not disrupt this proceeding or place additional burden on existing parties. Tennessee Valley Municipal Gas Association (TVMGA) filed comments.

3. TVMGA quotes a portion of AlaTenn's proposed tariff language in Section 3.4(e) of its General Terms and Conditions (GT&C), First Revised Sheet No.113, which states, "Nominations that result in an overlap of contract quantities at a point will be considered out of the path for scheduling purposes." TVMGA argues that this provision can be construed as an overly broad limitation on shippers' rights and, therefore, requires modification in two respects to comply with the Remand Order, as well as the Commission's holding, in Tennessee Gas Pipeline Co., 99 FERC ¶ 61,017 (2002) (Tennessee), that shippers can reverse flow on a secondary basis.

4. First, TVMGA contends that the challenged provision could be interpreted as reducing the scheduling priority of all nominations that result in an overlap at a point, including both the forwardhaul transaction and the backhaul transaction. TVMGA asserts that as the Commission made clear in the Remand Order, only the flow reversal portion of the transaction will be considered to use the point on a secondary basis. TVMGA quotes a portion of the Remand Order which states that "if the shipper's primary service is a forwardhaul and it schedules a forwardhaul to its primary delivery point and a backhaul to the same point, the backhaul will be considered to use the same point on a secondary basis...."³ TVMGA argues that, therefore, AlaTenn's proposed tariff provision should be modified to state that the scheduling priority of a shipper's primary service, as determined by the shipper's contract, is not affected by the nomination of a flow reversal to the same point. The Commission agrees with TVMGA that the proposed tariff language should be clarified to be consistent with the Remand Order. Therefore, AlaTenn is directed, within 15 days of the date this order issues, to revise its proposed tariff provision to expressly provide that only the transaction with a flow in the opposite direction of the shipper's primary path will be considered out-of-path for scheduling purposes.

5. TVMGA also contends that the Tennessee Gas Pipeline Company tariff from which AlaTenn appears to have borrowed the challenged language includes definitions of the terms "transportation path" and "capacity path" and scheduling and priority provisions that use both terms. TVMGA asserts that because these terms are not defined or used elsewhere in AlaTenn's tariff, it is not clear as to just what priority is given to "out of the path" reverse flow transactions. TVMGA therefore argues that AlaTenn's proposed tariff language should be modified to state that the relevant reverse flow quantities will be considered to have a secondary firm priority, which priority will be lower than that for firm primary service quantities but higher than for interruptible quantities.

³Remand Order at P 48.

6. AlaTenn has added revised tariff language, in Section 3.5(c) of its GT&C, to comply with Order No. 637, which provides a lower priority for nominations for firm service to secondary points outside the contract primary path than for nominations to primary firm points and secondary points within the contract primary capacity path but higher than nominations for interruptible quantities. AlaTenn should clarify that the scheduling priority for the reverse flow transactions is the priority for secondary firm out-of-path transactions.

7. In addition, consistent with our decision in Enbridge Pipelines (KPC), 103 FERC ¶ 61,088 (2003),⁴ the Commission directs AlaTenn to remove certain proposed tariff language which reads, "Shipper may exceed capacity entitlements at a point provided that any resulting overlap of contract quantities at a point consists only of a forwardhaul(s) up to capacity entitlement and a backhaul(s) up to capacity entitlement to the same point." The proposed language is potentially misleading. Therefore, AlaTenn must eliminate this proposed language and file substitute tariff language providing that a segmented transaction consisting of a backhaul up to contract demand and a forwardhaul up to contract demand to the same point is permissible.

8. Finally, we find that one other aspect of AlaTenn's proposed segmentation language in Section 3.4(e) and other language in currently effective Section 4.7(a) of Rate Schedule FT (Original Sheet No. 28A) is inconsistent with the Commission's segmentation policy. Proposed language in Section 3.4(e) states that:

A Shipper (including a Replacement Shipper) under Transporter's firm Rate Schedules may nominate segments between a Primary Receipt and Delivery Point, or between any two points in Shipper's transportation path, provided that any resulting overlap does not exceed Shipper's capacity entitlement on any segment (or portion) of Transporter's system.

Section 4.7(a) restricts segmentation to "within the capacity path of the Primary Receipt and Primary Delivery Points in Shipper's FT contract." In Order No. 637-A, the Commission held that shippers must be given the right to segment outside their capacity path. This follows from the fact that a shipper may move to any point within the zone for which it has paid even if that point is outside the contractual path, because the shipper has the right to utilize all points within the zone.⁵ Accordingly, AlaTenn must file revised tariff language to be effective August 1, 2003, within 15 days of the date this order issues,

⁴103 FERC ¶ 61,088 at P 9.

⁵See CenterPoint Energy-Mississippi River Transmission Corp., 102 FERC ¶ 61,216 at P 14-17 (2003).

eliminating the language in Section 4.7(a) of Rate Schedule FT and revising the proposed language and Section 4.7 to provide that shippers may segment capacity outside their contractual path.

By direction of the Commission.

Magalie R. Salas,
Secretary.

cc: All Parties