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January 27, 2016

North Dakota Public Service Commission  
600 E. Boulevard, Dept. 408  
Bismarck, ND 58505-0480

**Delivered by Hand**  
**Delivered via Email to:**  
**dnitschk@nd.gov**

Attention: Commissioner Ms. Julie Fedorchak (Chairman)  
Commissioner Mr. Brian Kalk  
Commissioner Mr. Randy Christmann

**Re: Case No. PU-15-788**

Commissioners:

In response to the direction you provided during the Work Session held on January 26, 2016 at 09:00 am CST, Alliance Pipeline Inc., as General Partner of Alliance Pipeline L.P., herein provides its information as requested regarding the Commission's intervention in the FERC's RP15-1022 Alliance Pipeline L.P. rate case as it pertains to the intervention by Badlands NGL's LLC.

Background – natural gas and natural gas liquids business models in North Dakota

Please see the diagrams that follow for a pictorial representation of the source and destination of natural gas and natural gas liquids that originate in, are delivered to, and/or travel through North Dakota.



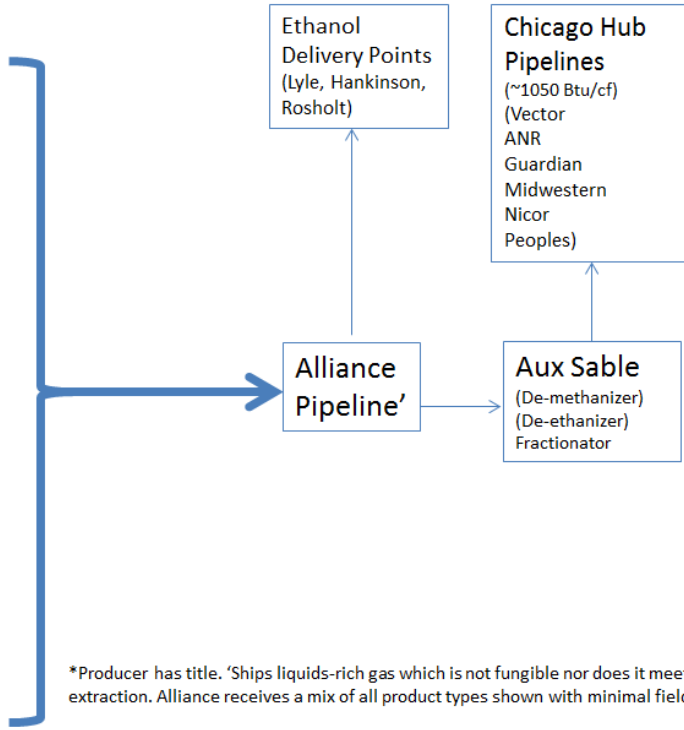
# North Dakota Business Models

## Alliance Pipeline

(Canadian Producers and Prairie Rose)

Canadian & Prairie  
Rose (ND) Production\*:

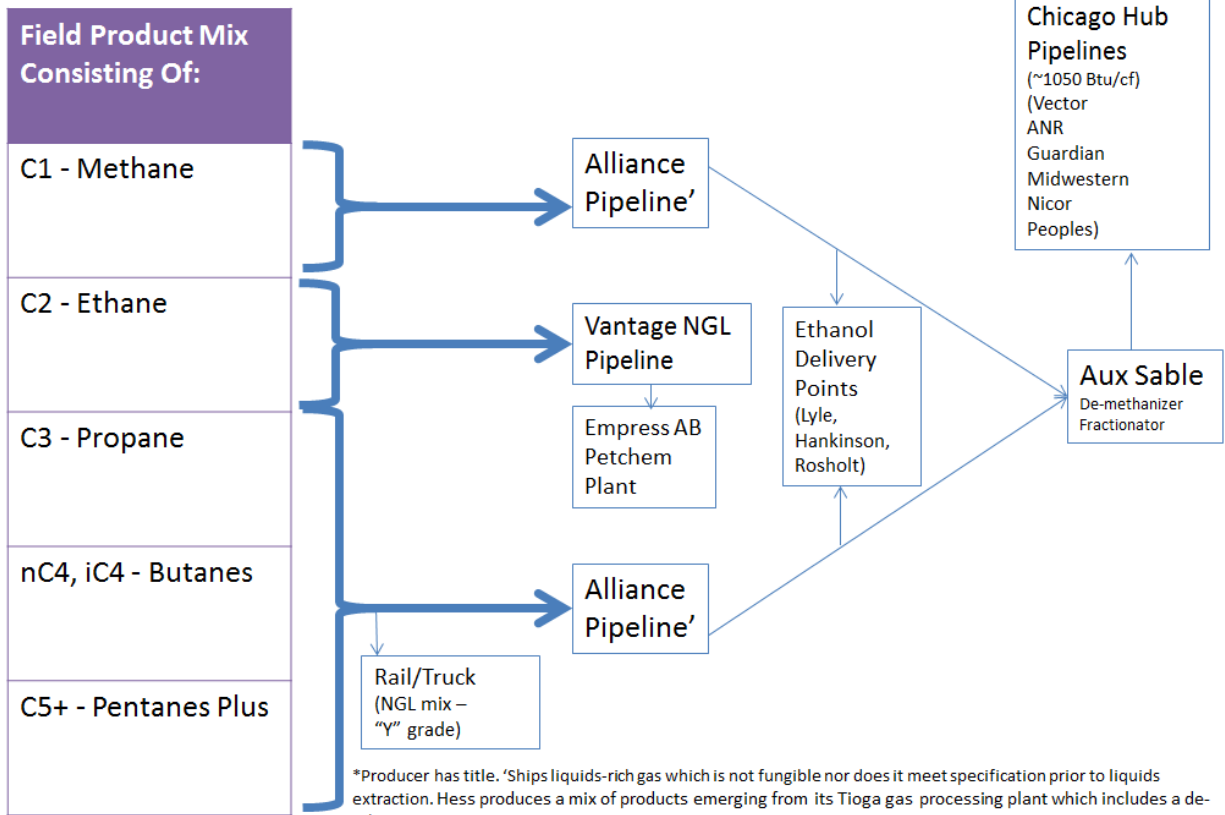
Field Product Mix Consisting Of:
C1 - Methane
C2 - Ethane
C3 - Propane
nC4, iC4 - Butanes
C5+ - Pentanes Plus



\*Producer has title. Ships liquids-rich gas which is not fungible nor does it meet specification prior to liquids extraction. Alliance receives a mix of all product types shown with minimal field gas processing prior

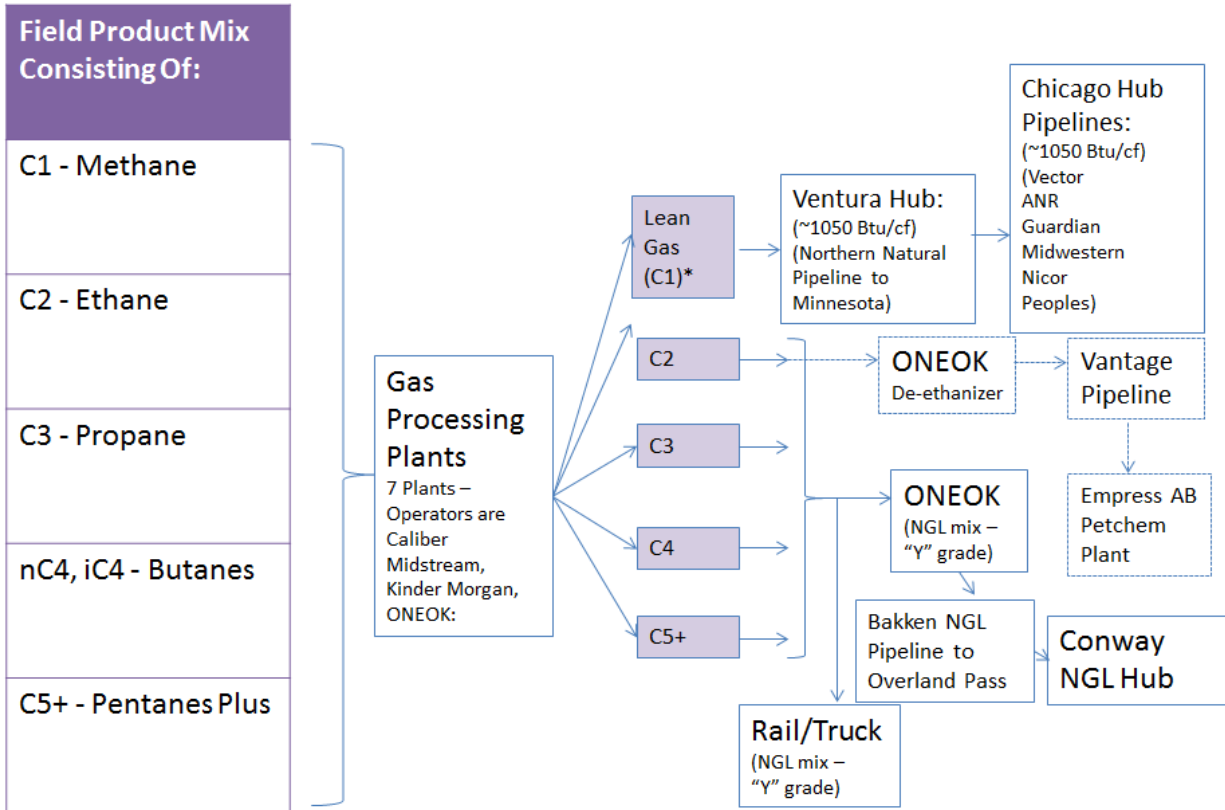
# Alliance Pipeline (Hess)

Hess Production\*:



# Northern Border Pipeline (NBPL)

Canadian & ND  
Production\*:



\* Producer has title, Dotted lines capture future ONEOK de-ethanizer in late 2016

# ONEOK

ND Production\*:

Field Product Mix Consisting Of:
C1 - Methane
C2 - Ethane
C3 - Propane
nC4, iC4 - Butanes
C5+ - Pentanes Plus

**Gas Processing Plants (ONEOK)**  
 (Bear Creek, Garden Creek I, II, III, Grasslands, Lignite, Lonesome Creek, Marmath, Stateline I, II, III – De-ethanizer to be added late-2016)

Lean Gas (C1)\*

C2

C3

C4

C5+

**Ventura Hub:**  
 (~1050 Btu/cf)  
 (Northern Natural Pipeline to Minnesota)

**Chicago Hub Pipelines:**  
 (~1050 Btu/cf)  
 (Vector, ANR, Guardian, Midwestern, Nicor, Peoples)

NBPL

WBI

**ND, WY, MT NG deliveries**  
 (~1050 Btu/cf)  
 (Colorado Interstate, MIGC, TransGas)

ONEOK De-ethanizer

ONEOK (NGL mix)

Vantage Pipeline

Bakken NGL Pipeline to Overland Pass

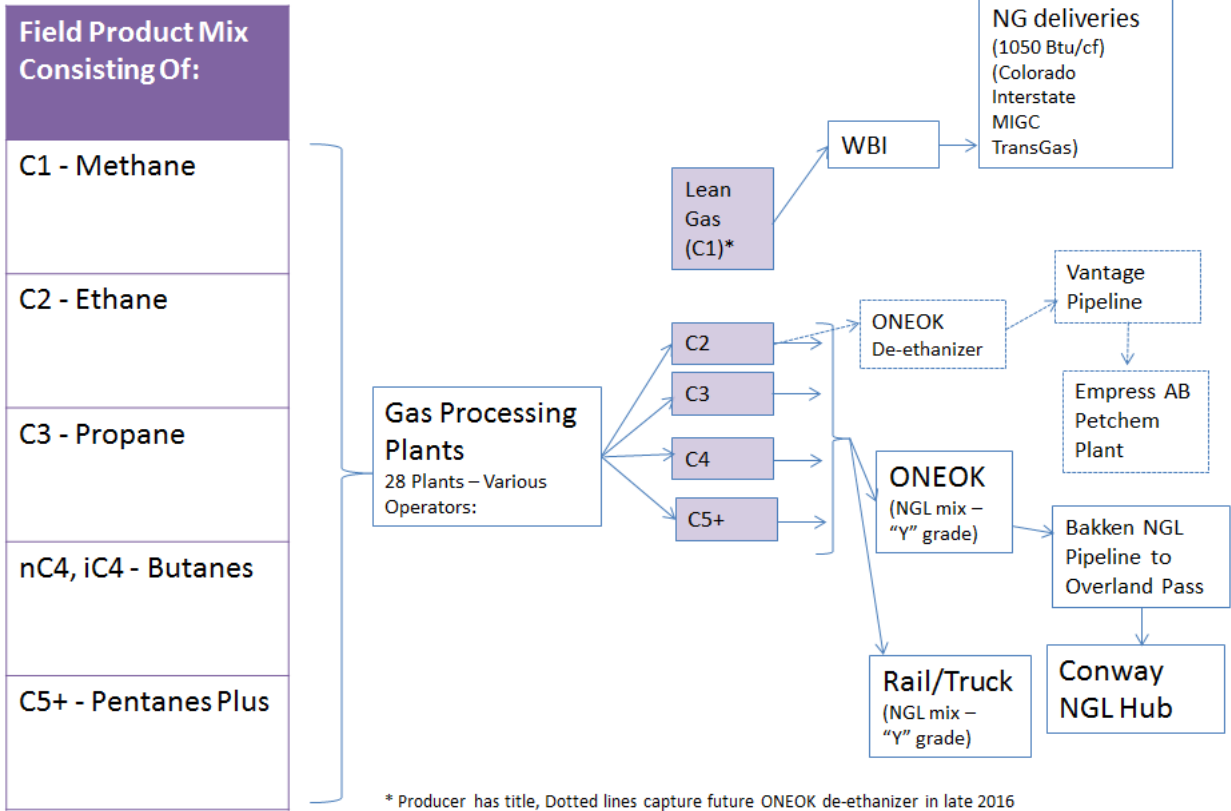
Empress AB Petchem Plant

Conway NGL Hub

\* Producer has title, Dotted lines capture future ONEOK de-ethanizer

# Williston Basin Interstate Pipeline (WBI)

ND Production\*:



### Alliance Tariff Provisions Related To Processing

- The references in Alliance's FERC Gas Tariff to the Aux Sable processor apply specifically to gas that is sourced from Canada and that is the subject of a pre-existing grant to Aux Sable of an NGL extraction right. This codifies the concept that gas that is sold at the border subject to an encumbrance (the grant of extraction option) does not lose that encumbrance upon transfer of title.
- North Dakota producers, or any parties that wish to ship gas sourced in North Dakota, are not required to execute an Extraction Agreement with Aux Sable. The only Tariff requirement for North Dakota-sourced gas is that the shipper makes arrangements for the processing of their gas so that it meets the gas quality requirements of downstream delivery pipes in the Chicago area (Vector, Guardian, ANR, Peoples, Midwestern, NGPL, Nicor).
- In the event a North Dakota delivery point was established and the delivery pipeline from that delivery point had gas quality specifications which could not be met by the comingled stream from Alliance Pipeline without processing, the shipper nominating to that delivery point would have to make arrangements for the processing of their gas so that it met the gas quality requirements of the downstream North Dakota pipeline. Those arrangements would obviously not be with a processing facility in Illinois, but rather with a processing facility constructed for that purpose in North Dakota. When such a processing facility was constructed, Alliance's Tariff language would have to be adjusted to recognize the additional processing alternative.

### Processing Options For Shippers On Alliance Pipeline

- The only processor connected to the Alliance Pipeline and hence capable of serving Alliance shippers by managing their heat content when required for downstream pipelines in the Chicago area – for the last 15 years, and currently – is Aux Sable. This is why the Alliance Tariff refers specifically to Aux Sable. Nonetheless, Alliance has offered to change the references to Aux Sable in its Tariff to a generic reference to a processor so that in future, if another extraction and fractionation facility was ever to be built, shippers could select their processor.

### North Dakota Receipts To and Deliveries From Alliance Pipeline

- The 2 principal shippers on Alliance Pipeline of North Dakota-sourced gas – Pecan Pipeline (North Dakota), Inc. and Hess Trading Corporation – are both satisfied with their arrangements with Alliance and do not want their transportation contracts or their extraction arrangements with Aux Sable interfered with. The contracted capacity under each of these shipper's contracts was recently increased, and these transportation contracts extend to 2020 and 2023 respectively. Details of these negotiated rate contracts are found at Sheets 50 and 51 of Alliance's FERC Gas Tariff. <http://tariff.alliance-pipeline.com/itasc/FERCTariff.pdf#>
- Alliance Pipeline already has 2 delivery points in North Dakota (for the delivery of Alliance's commingled rich gas stream to ethanol plants), and those delivery

customers have made arrangements with Aux Sable for the consumption (at the burner tip), by those ethanol plants, of the entrained ngl's. Alliance is not a party to those contracts, nor does Alliance know the financial terms of those arrangements. Their existence however does illustrate that contractual arrangements can be made for the delivery of the Alliance commingled gas stream to North Dakota customers.

#### Delivery From Alliance Pipeline To A North Dakota Delivery Point To Serve Badlands

- No interconnection request for a delivery off of Alliance Pipeline into a North Dakota facility has ever been made by Badlands to Alliance<sup>1</sup>. Alliance does not have any knowledge of how much volume of rich natural gas Badlands is seeking to have delivered in North Dakota, or the location in North Dakota of the proposed interconnection site, or how much, if any, of the non-ethane components from Alliance's commingled stream Badlands plans to re-inject into the Alliance Pipeline for delivery from North Dakota to the Chicago market.
- To obtain supply for a new North Dakota delivery interconnection, Badlands would need to accomplish the following (in the order determined by Badlands):
  - a) Negotiate with an Alliance shipper for the sale of that shipper's rich natural gas. Alliance does not own the natural gas or entrained natural gas liquids in its pipeline. (Per the FERC's rule that a shipper must have title to its gas being shipped on an interstate natural gas transmission pipeline, Alliance's FERC Gas Tariff requires its Shippers to warrant that they have title to their gas.)
  - b) If the shipper selling gas to Badlands is a North Dakota producer/shipper – that shipper would sell both the gas and entrained liquids to Badlands.
  - c) If the shipper selling gas to Badlands is a shipper with gas sourced from Canada, Badlands would buy the gas from the shipper and the liquids option from Aux Sable – just as the North Dakota ethanol plants have done. Although Alliance has not been a party to the confidential discussions between Aux Sable and Badlands, Alliance is not aware of reason why Aux Sable would not be prepared to convey its liquids option for the subject gas to Badlands at a fair market price.

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<sup>1</sup> Copy of Alliance (US) Receipt Request Form and Alliance (US) Delivery and Interconnection Request Form included in Appendix A hereto and found on Alliance's public website at:

<http://www.alliancepipeline.com/Business/NewFacilities/Pages/default.aspx>

Conclusion

Alliance Pipeline hopes the information provided herein is useful to the Commission in understanding Alliance's position, and in being able to reach a satisfactory conclusion that North Dakota producers, shippers, and other commercial entities are able to tender natural gas onto, and receive deliveries of rich natural gas off of, the Alliance Pipeline in North Dakota. In the event that the Commission is so satisfied, Alliance trusts that the Commission would be prepared to indicate to the FERC in RP15-1022 that the North Dakota Public Service Commission's intervention concerns have been satisfactorily addressed, and that subject to Alliance Pipeline filing revised Tariff sheets that remove the references to Aux Sable as the exclusive processor, the Commission will not contest any rate settlement reached between FERC Trial Staff and Alliance Pipeline.

Yours truly,  
Alliance Pipeline L.P., by its General  
Partner, Alliance Pipeline Inc.

A handwritten signature in blue ink, appearing to read "W F Christensen".

William F. Christensen  
VP Law, General Counsel & Corporate Secretary

Appendix A

Copies of Alliance Pipeline's Receipt Point and Delivery Point  
Interconnection Request Forms



## Alliance (US) Receipt Request Form:

### Requesting Party Information:

Legal Name of Company: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

### Contacts:

#### Marketing Contact Name:

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

Email Address: \_\_\_\_\_

#### Engineering Contact Name

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

Email Address: \_\_\_\_\_

## Receipt Point Information: (Section 1)

### Type of Station:

New Receipt Point:

Existing Station:

### Need for Station/Economic Justification:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

### New Station:

Proposed Receipt Point LSD: \_\_\_\_\_

### Existing Station:

Receipt Point Name: \_\_\_\_\_

Receipt Point LSD: \_\_\_\_\_

### Request for Plant Signals:

Yes  No

### Requested In-Service Date:

\_\_\_\_\_

### Additional Information to determine station size:

	Minimum	Maximum	Average
Gas Flow rate (Mmcf/d)			
Injected Ethane (Bbls/d)			
Injected Propane (Bbls/d)			
Injected N-Butane (Bbls/d)			
Injected Iso-Butane (Bbls/d)			
Injected Pentane+ (Bbls/d)			

## Information Section on Processing: (Section 2)

### CSO Information:

Plant Name: \_\_\_\_\_  
 Legal Land Description: \_\_\_\_\_  
 Plant Operator: \_\_\_\_\_  
 Contact Name: \_\_\_\_\_  
 Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

### Plant Type:

New Plant  Sour Plant  Gas Plant MAOP (psig): \_\_\_\_\_  
 Existing Plant  Sweet Plant  Discharge Temperature (°F): \_\_\_\_\_  
 Plant Sales Line Size: \_\_\_\_\_

### Plant Capacities (Mmcf):

Sales Capacity \_\_\_\_\_  
 Expansion Capacity \_\_\_\_\_  
 Total Capacity \_\_\_\_\_

## Gas Quality/Composition: (Section 3)

The Gas Quality must meet or exceed the Alliance Tariff Specs.

Alliance Composition	Alliance Specifications	Requesting Party Levels
Carbon Dioxide	2.0% By Volume	
Gross Heating Value	Minimum 962 Btu/Scf	
Hydro Carbon Dew Point	14 °F At Operating Pressure	
Hydrogen Sulphide	1 grain / 100cf	
Oxygen	0.4% By Volume	
Total Sulphur	5 grains / 100cf	
Temperature	Maximum 122 °F	
Water Vapour	4 Pounds / Mmcf	

Are there any sources of gas prior to the blending or processing facility that has levels of H<sub>2</sub>S in excess of the Alliance tariff limit?  Yes  No

Will the plant be installing any analyzers for Moisture, H<sub>2</sub>S, or GC, before the sales stream enters the lateral system onto APL?  Yes  No If yes, specify \_\_\_\_\_

Are there plans to construct any of the following?

H<sub>2</sub>S removal facility  Yes  No  
 CO<sub>2</sub>/N<sub>2</sub> removal facility  Yes  No  
 C2/C3 stripping facility  Yes  No  
 Moisture removal facility  Yes  No  
 Sales gas coalescing filter  Yes  No

**Please include a Sales Gas Analysis**

Any questions or queries should be addressed to Bob Blattler at (403) 517 – 6431 or  
**bob.blattler@alliancepipeline.com**



## Alliance (US) Delivery and Interconnection Request Form

### Requesting Party Information:

Legal Name of Company: \_\_\_\_\_  
Address: \_\_\_\_\_  
Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

### Contacts:

Marketing Contact Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_  
Email: \_\_\_\_\_

Engineering Contact Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_  
Email: \_\_\_\_\_

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### Delivery Point Information: (Section 1)

#### Delivery Point Service:

Requestor is or will become a shipper

Requestor will not become a shipper

Requestor is  is not  party to an  
Extraction Agreement with Aux Sable

#### Type of Station:

Existing Delivery Meter Station:

New Delivery Meter Station:

Need for  
Delivery  
Point/Economic  
Justification:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### New Interconnection Point:

Proposed Interconnect Location: \_\_\_\_\_

#### Existing Delivery Meter Station:

Delivery Meter Name: \_\_\_\_\_

Delivery Point Location: \_\_\_\_\_



## Alliance (US) Delivery and Interconnection Request Form

Requested in-service date: \_\_\_\_\_

**Additional Information of Requestor's Facility:**

Requestor Interconnection or Delivery Site Name:			
Site Elevation (ft):			
Site Maximum Operating Pressure for Facility Design, psig:			
Custody transfer measurement by requesting party (Yes <input type="checkbox"/> Alliance check meter only)		or (No <input type="checkbox"/> Alliance to provide)	
<i>Provide response to the following or a copy of your Gas Quality Tariff</i>	Minimum	Average	Maximum
Daily Delivery Quantity (24hr), MMscf			
Daily Delivery Quantity (24hr), Dths			
Actual ratable window (otherwise assumed to be 24hr)			
If quantities will be incremental over time please indicate below			
Site Air Temperature, °F			
Site Ground Temperature, °F			
Identify any composition constraints:			
Delivery Pressure, psig			
Delivery Temperature, °F			
Hydrocarbon Dew Point, °F at Delivery P,T			
Gross Heating Value, Btu/scf			
Specific Gravity (Air = 1.00)			
Wobbe Index			
Water content, lbs/MMscf			
Oxygen content, mole percent			
Total Sulphur content, ppm (molar)			
Hydrogen Sulphide content, ppm (molar)			
Carbon Dioxide content, mole percent			
Nitrogen content, mole percent			
Heavies content, mole percent			
Other composition constraints or incremental quantities over time (please specify):			
, mole percent			

*"Heavies" is defined as all gaseous hydrocarbons with more than 3 carbon atoms. Alliance standard conditions are 15°C and 101.325 kPa (60°F and 14.73 psia )*



**Information Section on Downstream facilities from Interconnection: (Section 2)**

**Downstream Type**

- |          |                          |                     |                          |
|----------|--------------------------|---------------------|--------------------------|
| LDC      | <input type="checkbox"/> | Interstate Pipeline | <input type="checkbox"/> |
| End user | <input type="checkbox"/> | Intrastate Pipeline | <input type="checkbox"/> |

If the requestor or downstream parties have Gas Quality Tariffs, please provide and attach to this form.

For reference Alliance gas quality excluding waivers is:

Alliance Composition	Alliance FERC Gas Tariff Section 2
Carbon Dioxide	Maximum 2.0% By Volume
Gross Heating Value	Minimum 962 Btu / scf
Hydro Carbon Dew Point	14 °F At Operating Pressure
Hydrogen Sulphide	1 grain / 100 scf
Oxygen	0.4% By Volume
Total Sulphur	5 grains / 100 scf
Temperature	Maximum 122 °F
Water Vapour	Maximum 4 lbs / MMscf

Please see the current Alliance Pipeline L.P. FERC Gas Tariff or postings for issued waivers

**Gas Quality/Delivery Service: (Section 3)**

Alliance gas quality is specified in the Alliance FERC Gas Tariff for receipts and is subject to waivers.

New interconnections and new delivery meter stations will require an interconnection agreement.

New delivery points will require a shipper request to have them added to the Alliance FERC Gas Tariff.

Alliance delivery pressure and gas quality will be the pressure and quality at the delivery meter.

**New Delivery Point or Delivery Service: (Section 4)**

If a new delivery point and/or service is desired, provide indication of the new service being sought (for clarity, Alliance has no obligation to create any new tariff service):

Examples of new service:

FT/IT/Seasonal/Point to Point/Pool to Delivery point

Desired Term

Other

Requested in-service date for service:	
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**Specific receipt points correlated to Delivery Service: (Section 5)**

If specific receipt points form part of the delivery request:

Please specify and provide the details in an Alliance Pipeline receipt request form.

Requested in-service date for receipt facilities:	
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Authorized Person of Requesting Party: \_\_\_\_\_

On behalf of Requesting Company: \_\_\_\_\_

Date: \_\_\_\_\_

Any questions or queries should be addressed to Bob Blattler at: **Phone (403) 517-6431** or  
[bob.blattler@alliancepipeline.com](mailto:bob.blattler@alliancepipeline.com)



## Alliance (US) Delivery and Interconnection Request Form

Please see the current Alliance Pipeline L.P. FERC Gas Tariff. The following is for reference only.

### 32. CONSTRUCTION OF INTERCONNECTION FACILITIES

- 32.1 Transporter shall not deny a request for new interconnection facilities without adequate operational, environmental or legal justification. Transporter shall grant requests to construct, or permit the construction of such facilities if:
- (a) the party seeking the construction of the facilities is willing to bear the cost of construction if Transporter performs the construction, or such party constructs the facilities itself in compliance with Transporter's technical requirements;
  - (b) the proposed construction and operation of the facilities does not adversely affect Transporter's operations;
  - (c) the proposed construction and any resulting Transportation does not diminish service to Transporter's existing customers;
  - (d) the proposed construction does not cause Transporter to be in violation of any applicable laws or regulations with respect to the facilities required to establish an interconnection with Transporter's existing facilities; and
  - (e) the proposed construction does not cause Transporter to be in violation of its right-of-way agreements or any other contractual obligations with respect to the proposed facilities.
- 32.2 Requests for new interconnection facilities must be made in writing and sent to Transporter's address in Section 26 hereof. All such requests shall include the following information:
- (a) the legal name and principal place of business of the Person requesting the interconnection;
  - (b) a description of the facilities which will interconnect with Transporter's facilities;
  - (c) the capacity of the proposed facilities to be interconnected at the proposed point of interconnection;
  - (d) the specific location of the proposed facilities;
  - (e) the economic justification for the proposed facilities;
  - (f) additional data concerning such facilities as may reasonably be required by Transporter, including pressures, anticipated hourly, daily, monthly and annual throughput levels of the service that support the new facilities and such other data reasonably required to enable Transporter to assess the operational, environmental or legal consequences of the construction and operation of the proposed facilities.
- 32.3 Any Person owning and/or requesting construction of interconnection facilities shall execute an interconnection agreement with Transporter. If the requesting Person is not the owner of the proposed facilities, the requesting Person shall demonstrate that the owner of the facilities is capable and willing to construct, or permit the construction of, any required facilities. Execution of an interconnection agreement by Transporter shall not affect the terms and conditions of service on Transporter's system, nor will it guarantee priority access to Transporter's system.
- 32.4 New interconnection facilities shall not impose any minimum pressure requirements or other operating parameters which could require alteration of the operation of Transporter's system in any way, unless Transporter agrees otherwise, which agreement shall not be unreasonably withheld.
- 32.5 Transporter shall have the option to design, construct, operate and own the proposed interconnection facilities. Facilities constructed on Transporter's system will be designed according to the specifications of Transporter to be determined by Transporter in consultation with the requesting Person.
- 32.6 The requesting Person's agreement to reimburse Transporter for all costs related to new facilities shall include, but not be limited to, permitting, engineering, land or land rights, buildings, materials, contractor fees, taxes (including income taxes), associated overhead and any carrying costs.
- 32.7 Transporter shall not be responsible for any upstream or downstream Person's facilities or the operation or maintenance of such facilities. Nor shall Transporter be obligated to accept receipts from or effect deliveries to such facilities of any quantities not authorized pursuant to the GTC.