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January 29, 2016

North Dakota Public Service Commission
600 E. Boulevard, Dept. 408
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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 comments of Badlands NGLS, LLC supplied to the North Dakota Public Service Commission ("NDPSC") on January 28, 2016, Alliance Pipeline Inc., as General Partner of Alliance Pipeline L.P., herein provides further information regarding the Badlands' allegations.

Badlands comments:

There is no settlement agreement as represented by Alliance to the Commission. There is not even a settlement in principle. Any representation to the contrary is inaccurate.

Alliance reply:

Alliance agrees that there is no settlement in principle or written agreement. Alliance never represented that there was a settlement agreement already in place. Alliance requested the NDPSC to not contest any rate settlement reached between FERC Trial Staff, existing shipper intervenors, and Alliance Pipeline. Alliance remains hopeful of reaching a settlement agreement with these parties. If that occurs, Alliance requests that the NDPSC not object to or otherwise attempt to thwart Alliance and its customers from gaining FERC approval of any rate settlement if and when it is reached.

Alliance Pipeline Inc. is the Managing General Partner of Alliance Pipeline L.P.

Badlands comments:

NDCC § 49-02-17 requires that when the NDPSC discovers that the rates charged by any public utility on interstate business are unjust or unreasonable it shall urge upon the officials of such public utility the propriety of charging such rates.

Alliance reply:

Alliance Pipeline L.P. is a Delaware limited partnership duly authorized and registered to do business in the State of North Dakota, and is a “natural gas company” within the meaning of the Natural Gas Act, 15 U.S.C. Sec. 717, et seq. By Order of the Federal Energy Regulatory Commission (FERC) issued September 17, 1998 in Docket No. CP97-168-000, et al., Alliance Pipeline L.P was granted authorization to construct and operate the Alliance Pipeline, including that portion running through the State of North Dakota. Alliance Pipeline L.P.’s activities are regulated by the FERC, and as Badlands’ claim against Alliance is currently underway in the FERC jurisdictional proceeding, that claim is properly disposed of at the Federal level. Alliance Pipeline L.P. is not a North Dakota public utility and Alliance Pipeline’s activities are not subject to the jurisdiction of the North Dakota Public Service Commission. While Alliance Pipeline has responded to the North Dakota Public Service Commission’s requests for information out of professional and relational courtesy and respect, the provisions of the North Dakota Century Code cited by Badlands as authority for the Commission’s jurisdiction over Alliance Pipeline do not apply.

Badlands comments:

Badlands submits that pipeline and affiliated processing business models, which require North Dakota produced ethane to be shipped out of State for a loss violates NDCC § 38-08-03.

Alliance reply:

No shipper on Alliance Pipeline, including any North Dakota shipper or producer, is required to deliver to the Alliance Pipeline for transportation out of State any specific or minimum amount of ethane (or other natural gas liquid for that matter) entrained in its natural gas. Nor is there any restriction on the field processing of North Dakota gas upstream of the Alliance Pipeline. North Dakota shippers have complete freedom of choice as to whether they wish to ship methane or methane and any combination of natural gas liquids that meet tariff gas quality specifications on Alliance Pipeline.

North Dakota shippers/producers ship their natural gas-entrained liquids on Alliance Pipeline if and when it is economically beneficial for them to do so. Furthermore, Alliance Pipeline has accommodated and enhanced this economic benefit by granting gas quality specification waivers to North Dakota shippers to allow them to flow gas with more entrained liquids than would otherwise be permitted by Alliance Pipeline’s gas quality specifications in its tariff.

The section of the Alliance Pipeline running through North Dakota also contains roughly 1.3-1.5 Bcf of Canadian-sourced gas that reduces the overall heat content and natural gas liquids percentage of the commingled stream, thereby allowing the hotter North Dakota gas to meet the gas quality specification of the Alliance Pipeline mainline that flows to Chicago.

Thus, through the benefit of gas quality specification waivers specific to North Dakota receipt points, and the presence of blending gas sourced from Canada in the Alliance Pipeline mainline, Alliance enables very rich natural gas from North Dakota to be transported to the Chicago market. Rather than being a negative requirement as alleged by Badlands, this economic benefit is available for North Dakota producers to take advantage of as they see fit.

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", with a long horizontal flourish extending to the right.

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