



February 10, 2011

Ms. Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Northern Border Pipeline Company**  
717 Texas Street, Suite 2400  
Houston, TX 77002-2761

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Director, Rates & Tariffs

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Re: Northern Border Pipeline Company  
Change in FERC Gas Tariff  
Docket No. RP11-\_\_\_\_-\_\_\_\_\_

Dear Ms. Bose:

Pursuant to Section 4 of the Natural Gas Act and Part 154 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") regulations,<sup>1</sup> Northern Border Pipeline Company ("Northern Border") respectfully submits for filing revised Section 6.10.4<sup>2</sup> to be part of Northern Border's FERC Gas Tariff, Second Revised Volume No. 1 ("Tariff"). The instant filing contains proposed modified Tariff provisions applicable to the allocation of constrained pipeline capacity under Rate Schedules T-1 and T-1B. The proposed Tariff changes apply a uniform methodology for all categories of nominations that efficiently and promptly places capacity in the hands of shippers who value it the most. Northern Border respectfully requests that the Commission accept proposed Tariff Section 6.10.4, included at Appendix A, to become effective March 14, 2011.

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<sup>1</sup> 18 C.F.R. § 154.204 (2011).

<sup>2</sup> Specifically, Northern Border is submitting proposed Section 6.10.4 - GT&C, Capacity Allocation and Confirmation Process, v.3.0.0 ("Section 6.10.4").

## Correspondence

The names, titles and mailing address of the persons to whom correspondence and communications concerning this filing should be directed are as follows:

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\* Persons designated for official service pursuant to Rule 2010.

## **Statement of Nature, Reasons, and Basis for Filing**

### Background

Northern Border's Tariff contains provisions within the General Terms and Conditions ("GT&C") concerning the method of allocating constrained pipeline capacity for firm service based upon whether the requested service is within a shipper's primary path and based upon the direction of the flow. Section 6.10.4 of the GT&C sets forth how capacity will be allocated to the validated nominations received by the pipeline. That section provides that when "the aggregate quantity of all validated nominations exceed the physical capacity of Company's system at a specific pipeline location or segment, Company will allocate capacity to the validated nominations at the constrained pipeline location" in the order set forth in that section. There are four classifications of firm nominations delineated in this section of the Tariff. A nomination that has its point of receipt and its point of delivery within the transportation path and its nominated flow direction is in the transportation path direction is referred to as In-Path, In-Direction (IPID). A nomination that has its point of receipt and/or its point of delivery outside the transportation path and its nomination flow direction is in the transportation path direction is referred to as Out-of-Path, In-Direction (OPID). A nomination that has its point of receipt and its point of delivery within the transportation path and its nominated flow direction is opposite of the transportation path direction is referred to as In-Path, Out-of-Direction (IPOD). A nomination that has its point of receipt and/or its point of delivery outside of the transportation path and its nomination flow direction is opposite of the transportation

path direction is referred to as Out-of-Path, Out-of-Direction (OPOD). Additionally, in the situation when a pro rata allocation is ultimately required, the pro rata allocation for these nomination classifications is based on the shipper's Maximum Receipt Quantity (MRQ). Finally, the Tariff's provision governing pro rata allocation of capacity within the interruptible nomination class (Section 6.10.4.1(e)), is not based on MRQ but rather on a shipper's validated nomination quantity.

As a practical matter, the vast majority of firm nominations on the Northern Border system are for IPID transactions. Because the system is designed to flow this gas daily, pro rata allocations for IPID transactions are almost never effectuated and, in the rare instance that they are, they are effectuated according to MRQ. Pro rata allocations are also extremely rare in the IPOD and OPOD classifications, which are essentially backhauls. Pro rata allocations occur more frequently in the OPID classification. Any required pro rata allocations in these latter categories are currently based on the validated nominations received by the pipeline, rather than MRQ. This validated nomination pro rata allocation mechanism is identical to the mechanism used for pro rata allocation of interruptible service, as noted above.

### Proposal

The purpose of the instant filing is to harmonize Northern Border's Tariff provisions and practices and implement validated nominations as the Tariff's uniform methodology for all pro rata allocations that are ultimately required to be effectuated. Allocation of firm capacity based upon MRQ without validating a shipper's request for service can lead to available capacity not being scheduled. For example, an allocation of constrained capacity based upon MRQ alone may allocate more capacity to a shipper than that shipper either nominated or required. In such a situation, unscheduled excess capacity would get pushed to the next nomination cycle and therefore would not be allocated to shippers who might otherwise be able to utilize it in the interim. It is more efficient to allocate constrained capacity based upon validated nominations up to a shipper's MRQ. Such an allocation method ensures that MRQ will only be utilized in the allocation process to the extent that a shipper nominates its MRQ, and the MRQ is validated, *i.e.*, able to be confirmed. The Commission has stated that pro rata allocation of constrained capacity based upon shipper nominations is non-discriminatory and reasonable.<sup>3</sup>

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<sup>3</sup> See, e.g., *Millennium Pipeline Co., LLC*, 125 FERC ¶ 61,119 at 61,604 (2008); *Kern River Gas Transmission Co.*, 121 FERC ¶ 61,203 at 61,981 (2007). See also *Trailblazer Pipeline Co.*, 80 FERC ¶ 61,394 (1997).

Northern Border is submitting this filing to modify its Tariff to reflect a consistent allocation method that will allocate constrained capacity for IPID, IPOD, OPID and OPOD transactions based upon validated nominations up to a shipper's MRQ. The proposed Tariff section thus ensures an efficient allocation methodology for each of the IPID, IPOD, OPID and OPOD categories of transactions. To reiterate, incorporating into the Tariff an allocation method based upon validated nominations up to a shipper's MRQ enables the allocation of constrained pipeline capacity in a manner that is both efficient and consistent with Commission policy.

### **Effective Date**

Northern Border respectfully requests that the Commission accept the Tariff section at Appendix A to become effective as of March 14, 2011.

### **Other Filings Which May Affect This Proceeding**

There are no other filings before the Commission that may significantly affect the changes proposed herein.

### **Contents of Filing**

In accordance with Section 154.7 and 154.201 of the Commission's regulations, Northern Border is submitting the following via its electronic tariff filing:

1. This transmittal letter.
2. Tariff Section 6.10.4 (Appendix A).
3. Tariff Section 6.10.4, redlined (Appendix B).

### **Certificate of Service**

As required by Sections 154.7(b) and 154.208 of the Commission's regulations, copies of this filing are being served upon all of Northern Border's existing customers and interested state regulatory agencies. A copy of this letter, together with the enclosed tariff section, is available during regular business hours for public inspection at Northern Border's principal place of business.

Pursuant to Section 385.2005 and Section 385.2011, the undersigned has read this filing and knows its contents, and the contents are true as stated, to the best of his knowledge and belief. Additionally, the undersigned possesses full power and authority to sign such filing.

Any questions regarding this filing may be directed to Joan Collins at (832) 320-5651.

Respectfully submitted,

NORTHERN BORDER PIPELINE COMPANY

By: TransCanada Northern Border Inc., Its Operator

A handwritten signature in black ink that reads "John A. Roscher". The signature is written in a cursive style with a long horizontal flourish extending to the right.

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John A. Roscher  
Director, Rates and Tariffs

Enclosure

# Appendix A

## Tariff Section

<u>Section</u>	<u>Description</u>	<u>Version</u>
6.10.4	GT&C, Capacity Allocation and Confirmation Process	v.3.0.0

#### 6.10.4 Capacity Allocation and Confirmation Process.

To effectuate the confirmation of the Company's pipeline, point, and compression service capacity on a non-discriminatory basis, when a constraint exists, Company shall utilize Section 6.10.4 paragraphs 1, 2, and 3 to allocate nominated quantities of gas.

A nomination line item that has (1) its Point of Receipt and its Point of Delivery within the Transportation Path and (2) its nominated flow direction is in the Transportation Path direction shall be referred to as an In-Path, In-Direction (IPID) nomination line item.

A nomination line item that has (1) its Point of Receipt and/or its Point of Delivery outside the Transportation Path and (2) its nomination flow direction is in the Transportation Path direction shall be referred to as an Out-of-Path, In-Direction (OPID) nomination line item.

A nomination line item that has (1) its Point of Receipt and its Point of Delivery within the Transportation Path and (2) its nominated flow direction is opposite of the Transportation Path direction shall be referred to as an In-Path, Out-of-Direction (IPOD) nomination line item.

A nomination line item that has (1) its Point of Receipt and/or its Point of Delivery outside of the Transportation Path and (2) its nomination flow direction is opposite of the Transportation Path direction shall be referred to as an Out-of-Path, Out-of-Direction (OPOD) nomination line item.

##### 1. Allocation of Constrained Pipeline Capacity.

In those instances in which the aggregate quantity of all validated nominations exceed the physical capacity of Company's system at a specific pipeline location or segment, Company will allocate capacity to the validated nominations at the constrained pipeline location in the following order:

(a) IPID Rate Schedule T-1/T-1B firm transportation nominations.

Pro rata allocation of capacity within this nomination class, if necessary, will be based on Shipper's validated nomination quantity up to Shipper's Maximum Receipt Quantity.

(b) IPOD Rate Schedule T-1/T-1B firm transportation nominations.

Pro rata allocation of capacity within this nomination class, if necessary, will be based on Shipper's validated nomination quantity up to Shipper's Maximum Receipt Quantity.

- (c) OPID Rate Schedule T-1/T-1B firm transportation nominations.

Pro rata allocation of capacity within this nomination class, if necessary, will be based on Shipper's validated nomination quantity up to Shipper's Maximum Receipt Quantity.

- (d) OPOD Rate Schedule T-1/T-1B firm transportation nominations.

Pro rata allocation of capacity within this nomination class, if necessary, will be based on Shipper's validated nomination quantity up to Shipper's Maximum Receipt Quantity.

- (e) Rate Schedule IT-1 interruptible nominations.

Company shall prioritize nominations within this nomination class on the basis that the Shipper paying the higher interruptible transportation rate shall receive a higher queue position than those paying a lower interruptible transportation rate.

Pro rata allocation of capacity within this nomination class, if necessary, will be based on Shipper's validated nomination quantity.

2. Allocation of Point Capacity.

In those instances in which the aggregate net quantity of all validated nominations exceed Company's physical capacity to receive gas at a specific Point of Receipt or deliver gas at a specific Point of Delivery, Company will allocate capacity to the validated nominations at the constrained point location in the following order:

- (a) Primary Scheduling Rights Firm Nominations.

Pro rata allocation of capacity within this nomination class, if necessary, will be based on Shipper's primary scheduling rights at such location.

- (b) Secondary In-Path (SIP) Firm Nominations.

Pro rata allocation of capacity within this nomination class, if necessary, will be based on Shipper's secondary scheduling rights at such location.

- (c) Secondary Out-of-Path (SOP) Firm Nominations.

Pro rata allocation of capacity within this nomination class, if necessary, will be based on Shipper's secondary scheduling rights at such location.

(d) Operational Purchases and Sales of Gas.

If required, Company shall prioritize nominations within this nomination class on the basis that (1) the lowest price paid by Company for operational gas will receive a higher queue position than the price paid by Company at a higher rate and (2) the highest price sold by Company for operational gas will receive a higher queue position than the price sold by Company at a lower rate.

Pro rata allocation of capacity within this nomination class for two or more parties at an equal rate, based on validated quantities.

(e) Interruptible Nominations.

If required, Company shall prioritize nominations within the nomination class on the basis that the Shipper paying the higher interruptible transportation rate shall receive a higher queue position than those paying a lower interruptible transportation rate.

Pro rata allocation of capacity within this nomination class for two or more Shippers at an equal rate, if necessary, will be based on Shipper's validated nominated quantity.

3. Allocation of Compression Service Capacity.

In those instances, in which the aggregate quantity of all validated nominations exceed the physical capacity of a compressor station rendering service under a specific compression rate schedule set forth in Company's Tariff, Company will allocate capacity to the validated nominations at the constrained compressor in the following order:

(a) Firm Nominations.

Pro rata allocation of capacity within this nomination class, if necessary, shall be based upon Shipper's Maximum Receipt Quantity at such compressor station as set forth in Exhibit A of the applicable compression service agreement.

(b) Interruptible Nominations.

If required, Company shall prioritize nominations within the nomination class on the basis that the Shipper paying the higher interruptible

compression rate shall receive a higher queue position than those paying a lower interruptible compression rate.

Pro rata allocation of capacity within this nomination class for two or more Shippers at an equal rate, if necessary, will be based on Shipper's validated nominated quantity.

4. Confirmation Principles/Standards.

With respect to the timely nomination/confirmation process at a receipt or delivery point, in the absence of agreement to the contrary, the lesser of the confirmation quantities shall be the confirmed quantity. If there is no response to a Request for Confirmation or an unsolicited Confirmation Response, the lesser of the confirmation quantity or the previously scheduled quantity shall be the new confirmed quantity. [1.3.22]

With respect to the processing of requests for increases during the intra-day nomination/confirmation process, in the absence of agreement to the contrary, the lesser of the confirmation quantities shall be the new confirmed quantity. If there is no response to a Request for Confirmation or an unsolicited Confirmation Response, the previously scheduled quantity shall be the new confirmed quantity. [1.3.22]

With respect to the processing of requests for decreases during the intra-day nomination/confirmation process, in the absence of an agreement to the contrary, the lesser of the confirmation quantities shall be the new confirmed quantity, but in any event no less than the elapsed-prorated-scheduled quantity. If there is no response to a Request for Confirmation or an unsolicited Confirmation Response, the greater of the confirmation quantity or the elapsed-prorated-scheduled quantity shall be the new confirmed quantity. [1.3.22]

With respect to the above confirmation rules, if there is no response to a Request for Confirmation or an unsolicited Confirmation Response, Company shall provide the Service Requester with the following information to explain why the nomination failed, as applicable:

- (i) Company did not conduct the confirmation;
- (ii) The upstream Confirming Party did not conduct the confirmation;
- (iii) The upstream Service Requester did not have the gas or submit the nomination;
- (iv) The downstream Confirming Party did not conduct the confirmation;

- (v) The downstream Service Requester did not have the market or submit the nomination.

This information shall be imparted to the Service Requester on the Scheduled Quantity document. [1.3.22]

Ranking shall be included in the list of data elements. Company shall use Service Requester provided rankings when making reductions during the scheduling process when this does not conflict with tariff-based rules. [1.3.23]

The Explicit Confirmation process requires that the Confirming Party respond to a Request for Confirmation or initiate an unsolicited Confirmation Response. Absent mutual agreement to the contrary, Explicit Confirmation is the default methodology. [1.3.40]

5. Initiation of Confirmation.

The receiver of a nomination initiates the confirmation process. The party that would receive a Request for Confirmation or an unsolicited Confirmation Response may waive the obligation for the sender to send. [1.3.20]

For request to confirm and confirmation response processes, all parties will seek to confirm by means of communicating at the applicable detail/summary level all transactions with respect to a location. [1.3.35]

6. Timing of Confirmation.

When a Confirmation Requester receives a Confirmation Response document from a Confirming Party by the conclusion of a given quarter hour period, the Confirmation Requester will send to the Confirming Party's designated site a corresponding Confirmation Quick Response document by the conclusion of the subsequent quarter hour period. [1.3.45]

The quarter hour periods will be defined to begin on the hour and at 15, 30 and 45 minutes past the hour. A given quarter hour will contain all transactions whose receipt time is less than the beginning of the subsequent quarter hour. [1.3.45]

7. Departure from Confirmation Deadlines.

Confirming Parties' nightly processing and routine maintenance occurring outside normal business hours are apt to interrupt the normal schedule of confirmations/quick response turnaround stated in NAESB WGQ Standard 1.3.45 (see 10.46). Such delays shall be kept to a minimum. The normal schedule shall

be resumed at the earliest opportunity and no later than the start of normal working hours the following day, seven days per week. [1.3.46]

8. Stranded Nomination.

A nomination at an in-line Transfer Point may become isolated from its supply or market component as part of the confirmation process.

Company will attempt to contact the Nominating Party who has a stranded nomination to see if the Transfer Point requested can be changed to its corresponding physical point (no increase in transportation mileage). If such a nomination change cannot be made and confirmed in a timely manner, the stranded nomination will not be scheduled.

# Appendix B

## Redlined Tariff Section

<u>Section</u>	<u>Description</u>	<u>Version</u>
6.10.4	GT&C, Capacity Allocation and Confirmation Process	v.3.0.0

#### 6.10.4 Capacity Allocation and Confirmation Process.

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Pro rata allocation of capacity within this nomination class, if necessary, will be based on Shipper's validated nomination quantity up to Shipper's Maximum Receipt Quantity.

- (c) OPID Rate Schedule T-1/T-1B firm transportation nominations.

Pro rata allocation of capacity within this nomination class, if necessary, will be based on Shipper's validated nomination quantity up to Shipper's Maximum Receipt Quantity.

- (d) OPOD Rate Schedule T-1/T-1B firm transportation nominations.

Pro rata allocation of capacity within this nomination class, if necessary, will be based on Shipper's validated nomination quantity up to Shipper's Maximum Receipt Quantity.

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Company shall prioritize nominations within this nomination class on the basis that the Shipper paying the higher interruptible transportation rate shall receive a higher queue position than those paying a lower interruptible transportation rate.

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In those instances in which the aggregate net quantity of all validated nominations exceed Company's physical capacity to receive gas at a specific Point of Receipt or deliver gas at a specific Point of Delivery, Company will allocate capacity to the validated nominations at the constrained point location in the following order:

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In those instances, in which the aggregate quantity of all validated nominations exceed the physical capacity of a compressor station rendering service under a specific compression rate schedule set forth in Company's Tariff, Company will allocate capacity to the validated nominations at the constrained compressor in the following order:

(a) Firm Nominations.

Pro rata allocation of capacity within this nomination class, if necessary, shall be based upon Shipper's Maximum Receipt Quantity at such compressor station as set forth in Exhibit A of the applicable compression service agreement.

(b) Interruptible Nominations.

If required, Company shall prioritize nominations within the nomination class on the basis that the Shipper paying the higher interruptible

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be resumed at the earliest opportunity and no later than the start of normal working hours the following day, seven days per week. [1.3.46]

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Company will attempt to contact the Nominating Party who has a stranded nomination to see if the Transfer Point requested can be changed to its corresponding physical point (no increase in transportation mileage). If such a nomination change cannot be made and confirmed in a timely manner, the stranded nomination will not be scheduled.