

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

January 26, 2005

In Reply Refer To:

Alliance Pipeline L.P.
Docket No. CP97-169-004
Presidential Permit

The Honorable Donald H. Rumsfeld
Secretary of Defense
Washington, D.C. 20301

Dear Mr. Secretary:

Enclosed for your information and consideration is a copy of an application filed by Alliance Pipeline L.P. (Alliance) with the Federal Energy Regulatory Commission (Commission) on November 23, 2004, in Docket No. CP97-169-004. Alliance seeks to amend its existing Presidential Permit, issued pursuant to Executive Order Nos. 10485 and 12038 and the Secretary of Energy's Delegation Order No. 00-004.00, and its authorization under section 3 of the Natural Gas Act (NGA), in order to increase the amount of natural gas it is permitted to transport from 1,800 to 1,875 million cubic feet per day (MMcf/d).

The Commission issued Alliance a Presidential Permit and NGA section 3 authorization on September 17, 1998, 84 FERC ¶ 61,239 (1998), as amended on June 13, 2002, 99 FERC ¶ 61,313 (2002). Alliance is authorized to site, construct, operate, maintain, and connect certain facilities at the United States/Canada international boundary near Sherwood, in Renville County, North Dakota, to import natural gas.

Enclosed is a copy of Alliance's existing Presidential Permit, which incorporates terms and conditions you and the Secretary of State have heretofore required in similar cases, and Alliance's draft amended Permit. In addition to Alliance's proposal to increase its border-crossing facilities' authorized maximum throughput from 1,800 to 1,875 MMcf/d, as reflected in Article 2 of the draft Permit, there are two substantive differences between the draft Permit and the existing Permit. Consistent with current Commission policy, Article 3 of the draft Permit does not limit the use of the subject facilities to the importation of gas. Thus, the facilities may be used for importation or

exportation as consistent with current and future authorizations by the Department of Energy. Also, Article 9 is revised to state that the Permittee is required to defer to the Commission's finding and requirement regarding which authorized facilities should be removed and which should remain in place, in the event that they are no longer used.

A similar letter, together with a draft of the proposed Presidential Permit and a copy of the application, is being sent to the Secretary of State. If the Secretary of State should make an unfavorable recommendation or propose any material change in the draft of the Permit, the Commission will immediately advise you.

The Commission would appreciate receiving your views regarding issuance of the proposed amended Permit at an early date. Please do not hesitate to contact me at (202) 502-8400, or Gordon Wagner at (202) 502-8947, if you need any further information.

By direction of the Commission.

Linda Mitry,
Deputy Secretary.

Enclosures:

Application
Existing Permit
Draft Permit

**AMENDED PERMIT AUTHORIZING ALLIANCE PIPELINE L.P. TO
OPERATE, MAINTAIN, AND CONNECT NATURAL GAS FACILITIES AT
THE INTERNATIONAL BOUNDARY BETWEEN THE UNITED STATES AND
CANADA**

DOCKET NO. CP97-169-004

(ISSUED)

Alliance Pipeline L.P. (Permittee), a limited partnership organized and existing under the laws of the State of Delaware, filed an application in Docket No. CP97-169-004 on November 23, 2004, seeking to modify the operation of facilities authorized under the Presidential Permit issued on September 17, 1998, 84 FERC ¶ 61,239 (1998), and amended on June 13, 2002, 99 FERC ¶ 61,313 (2002). Permittee avers that operating experience and recent engineering analyses verify that the actual peak day capacity of its border-crossing facilities is greater than the 1,800 million cubic feet per day (MMcf/d) reflected in the existing Permit. Therefore, Permittee requests authorization to amend its Permit to increase its maximum authorized throughput to 1,875 MMcf/d.

By letter dated , 2005, the Secretary of State, and by letter dated , 2005, the Secretary of Defense, favorably recommended that the amended Permit be granted. The Federal Energy Regulatory Commission finds that the issuance of an amended Permit is appropriate and consistent with the public interest.

Pursuant to the provisions of Executive Order Nos. 10485 and 12038, dated September 3, 1953, and February 3, 1978, respectively, the Secretary of Energy's Delegation Order No. 00-004.00, effective December 6, 2001, and the Commission's Regulations, permission is granted to Permittee to construct, operate, maintain and connect the natural gas transmission facilities described in Article 2 below, upon the terms and conditions of the Permit.

Article 1. It is expressly agreed by the Permittee that the facilities herein described shall be subject to all provisions and requirements of this Permit. This Permit may be modified or revoked by the President of the United States or the Federal Energy Regulatory Commission and may be amended by the Federal Energy Regulatory Commission upon proper application therefore.

Article 2. The following facilities are subject to this Permit:

A natural gas transportation pipeline consisting of approximately 2000 feet of 36-inch diameter pipe, with a maximum capacity of 1,875 MMcf of natural gas per day, extending from near Sherwood, in Renville County, North Dakota, to an interconnection at the international boundary of the United States and Canada with the facilities of Alliance Pipeline L.P.

Article 3. The natural gas facilities authorized herein, or which may subsequently be included herein by modification or amendment, may be utilized for the transportation of natural gas in the amount, at the rate, and in the manner authorized under section 3 of the Natural Gas Act.

Article 4. The construction, operation, maintenance, and connection of the aforesaid facilities shall be subject to the inspection and approval of representatives of the United States. The Permittee shall allow officers and employees of the United States, showing proper credentials, free and unrestricted access to the land occupied by the facilities in the performance of their official duties.

Article 5. If in the future it should appear to the Secretary of the Army that any facilities or operations permitted hereunder cause unreasonable obstruction to the free navigation of any of the navigable waters of the United States, the Permittee may be required, upon notice from the Secretary of the Army, to remove or alter the same so as to render navigation through such waters free and unobstructed.

Article 6. The Permittee shall be liable for all damages occasioned to the property of others by the operation or maintenance of the facilities, and in no event shall the United States be liable therefore. The Permittee shall do everything reasonable within its power to prevent or suppress fires on or near land occupied under this Permit.

Article 7. The Permittee agrees to file with the Commission, under oath and in such detail as the Commission may require, such statements or reports with respect to the natural gas exported or the facilities described herein, as the Commission may, from time to time, request. Such information may be made available to any federal, state, or local agency requesting such information.

Article 8. Neither this Permit nor the facilities, nor any part thereof, covered by this Permit shall be voluntarily transferred in any manner, but the Permit shall continue in effect temporarily for a reasonable time in the event of the involuntary transfer of the facilities by operation of law (including transfer to receivers, trustees, or purchasers under

foreclosure or judicial sale) pending the making of an application for a permanent Permit and decision thereon, provided notice is promptly given in writing to the Commission accompanied by a statement that the facilities authorized by this Permit remain substantially the same as before the involuntary transfer. The Permittee shall maintain the facilities in a condition of repair for the efficient transportation of natural gas and shall make all necessary renewals and replacements.

Article 9. At such time that this Permit is surrendered, revoked, or otherwise terminated, the Commission shall determine which of the authorized facilities shall be removed and which shall remain in place. The Commission will specify the time within which any authorized facilities shall be removed, and the Permittee shall remove those facilities within such time and at the Permittee's expense. Upon failure of the Permittee to comply with the Commission's direction to remove any authorized facilities, the Commission may direct that possession of the same be taken and the facilities be removed at the Permittee's expense, and the Permittee shall have no claim for damages by reason of such possession or removal.

Article 10. The Permittee agrees that when, in the opinion of the President of the United States, evidenced by a written order addressed to it as holder of this Permit, the safety of the United States demands it, the United States shall have the right to enter upon and take possession of any of the facilities, or parts thereof, maintained or operated under this Permit, and all contracts covering the transportation or sale of natural gas by means of said facilities, to retain possession, management, and control thereof for such length of time as may appear to the President to be necessary to accomplish said purposes, and then to restore possession and control to the Permittee; and in the event that the United States shall exercise such right it shall pay the Permittee just and fair compensation for the use of said facilities upon the basis of a reasonable profit in time of peace, and the cost of restoring said facilities to as good condition as existed at the time of taking over thereof, less the reasonable value of any improvements that may be made thereto by the United States and which are valuable and serviceable to the Permittee.

Article 11. This Permit is subject to any action which the Government of the United States may in the future deem expedient or necessary to take in case any part of the aforesaid facilities comes into the control of any foreign government.

Article 12. The Government of the United States shall be entitled to the same or similar privileges as may by law, regulation, agreement, or otherwise, be granted by the Permittee to any foreign government.

TESTIMONY OF ACCEPTANCE of all the provisions, conditions and requirements of this Permit, the Permittee this ____ day of _____, 2005, has caused its name to be signed by _____, pursuant to a resolution of its Board of Directors duly adopted on the ____ day of _____, 2005, a certified copy of the record of which is attached hereto.

Alliance Pipeline L.P.

By _____

(Attest)

Executed in triplicate.

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

January 26, 2005

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The Honorable Colin L. Powell
Secretary of State
Washington, D.C. 20520

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