

Cited as "1 ERA Para. 70,521"

Great Lakes Gas Transmission Company (ERA Docket No. 80-12-NG), October 22, 1980.

Order Approving the Application of Great Lakes Gas Transmission Company to Amend Authorization Concerning Delivery Pressure of Natural Gas Imported from Canada, and Granting Interventions

[Opinion and Order]

### I. Background

On April 10, 1980, Great Lakes Gas Transmission Company (Great Lakes) filed with the Economic Regulatory Administration (ERA) an application, pursuant to Section 3 of the Natural Gas Act, requesting ERA to amend a previous authorization of the Federal Power Commission (Commission) relating to pressurization service for Canadian natural gas imported into the United States by Great Lakes.<sup>1/</sup>

The amendment for which Great Lakes seeks approval would permit Great Lakes to continue to receive natural gas from TransCanada Pipelines Limited (TransCanada) at a pressure of not less than 750 pounds per square inch gauge (psig), and to continue to pay to TransCanada a compression service charge pursuant to a "delivery pressure agreement" dated July 1, 1975, as amended. <sup>2/</sup> Since the Commission's authorization relating to the agreement terminates on October 31, 1980, Great Lakes requests ERA approval of its application and of an "amending agreement" between Great Lakes and TransCanada prior to October 31, 1980.

The amending agreement, dated March 1, 1980, would extend the term of the delivery pressure agreement from October 31, 1980 to October 31, 1985, and would remain in force thereafter unless cancelled by either party upon eighteen months prior written notice. Great Lakes requests that ERA's authorization extend until the termination of this agreement.

Great Lakes originally was authorized to import natural gas into the United States from Canada at a pressure of 550 psig, pursuant to Commission orders issued on June 20, 1967 (Docket No. CP66-110), April 30, 1970 (Docket Nos. CP70-19 and CP70-100), and June 1, 1971 (Docket No. CP71-222).

In these original authorizations the Commission found that the Great Lakes system required pressurization of the gas to 750 psig and assumed that

the pressurization would be accomplished after the gas was imported, with compressor capacity to be built by Great Lakes. However, TransCanada and Great Lakes entered into an agreement whereby Great Lakes would pay TransCanada an additional charge for pressurization service so that the gas would be delivered to Great Lakes at 750 psig. By orders issued on March 25, 1971, April 24, 1972, March 5, 1974, and on October 24, 1975 in the above-referenced dockets and in Docket Nos. CP71-223 and CP71-299, the Commission amended Great Lakes' import authorizations to permit importation of gas at the higher pressure and payment to TransCanada for the pressurization service, in lieu of installation of new compression equipment by Great Lakes. In its order of March 5, 1974, the Commission observed:

Petitioner [Great Lakes] has been operating its system to import the subject gas at 750 psig since 1972. By taking delivery of this gas at that pressure, it has been able to maintain adequate deliverability on its system without the construction of the 20,000 horsepower [compressor] unit. Petitioner's operating experience demonstrates the need to continue receiving this gas at that pressure, but it does not demonstrate any present need for the compressor unit.<sup>3/</sup>

In the October 24, 1975 order granting the current authorization under which Great Lakes is permitted to pay TransCanada for pressurization, the Commission found that TransCanada's compression charge was 0.369 cents per Mcf, compared to an estimated incremental cost of 0.721 cents per Mcf if Great Lakes were to compress the gas to the requisite pressure for itself. The Commission concluded that the lower cost resulting from the pressurization contract with TransCanada, as amended, justified the granting of Great Lakes' request to continue payment to TransCanada for pressurization, through October 31, 1980. The Commission also again concluded that delivery at 750 psig was necessary for Great Lakes to meet the delivery requirements of its customers.

In its application before ERA, Great Lakes states that it has reevaluated the relative costs of constructing its own compression facilities versus the cost of continued compression service by TransCanada and finds that it would now require a 24,000 horsepower compressor unit to produce the requisite line pressure, at a cost of 2.055 cents per Mcf, compared to the present TransCanada charge of 0.6824 cents per Mcf.<sup>4/</sup> With an annual throughput of approximately 457 million Mcf, Great Lakes states that its customers would save approximately \$6 million if the gas is compressed by TransCanada.

In response to requests by ERA for additional information, Great Lakes further clarified its application<sup>5/</sup> to indicate that the compressor used by

TransCanada to provide pressurization service for Great Lakes is not essential to TransCanada's own domestic service. Great Lakes also states that the compression charge payable to TransCanada is a unit surcharge on gas delivered by TransCanada to the Emerson delivery point and that computation of the surcharge incorporates the cost of compressor fuel at the Emerson delivery point. The compressor fuel used is domestic Canadian gas, which is priced considerably below the export price of \$4.47 per MMBtu. Great Lakes further states that the compression service charge is included in Great Lakes' overall cost of service for ratemaking purposes and, like the other costs on its system, is borne by all of Great Lakes' customers generally in proportion to their usage of Great Lakes' sales and transportation services. Great Lakes' transportation service for TransCanada utilizes approximately 70 to 80 percent of Great Lakes' annual system capacity and Great Lakes' sales and service to its other customers utilize the remainder.<sup>6/</sup>

## II. Comments

ERA has received petitions to intervene from Michigan Consolidated Gas Company (Michigan) and Natural Gas Pipeline Company of America (Natural), both of which are resale customers of Great Lakes and urge approval of its application.<sup>7/</sup> ERA has not received any requests for a hearing, or other comment on Great Lakes' application and, in the absence of any objections, grants the petitions of Michigan and Natural to intervene in this proceeding.

## III. Decision

In view of previous Commission orders, the information provided by Great Lakes, and the absence of any objections to extension of the Delivery Pressure Agreement, we find that such extension is not inconsistent with the public interest within the meaning of Section 3 of the Natural Gas Act. Specifically, our review of the history of the agreement and its several extensions, as authorized by the Commission, as well as the cost calculations set forth by Great Lakes in its present filing, lead us to conclude that the public interest would be better served by permitting continued payment of the pressurization charge to TransCanada than by requiring Great Lakes to construct its own compression facilities. We, nevertheless, are concerned about the indefinite term of the March 1, 1980 "amending agreement." As noted above, that agreement provides for a primary term of five years, ending October 31, 1985, after which it would remain in force unless cancelled by either party upon eighteen months prior written notice. We are reluctant to grant such an indefinite authorization in view of our responsibilities and obligations under Section 3 of the Natural Gas Act. Accordingly, we will limit Great Lakes' authorization to the primary five-year term specified in the

"amending agreement."

### Order

For the reasons set forth above, ERA hereby orders that:

A. Pursuant to Section 3 of the Natural Gas Act, the authorization previously granted to Great Lakes Gas Transmission Company (Great Lakes) by the Federal Power Commission by order issued on October 24, 1975, in Docket Nos. CP66-110, CP70-19, CP70-100, CP71-222, CP71-223, and CP71-299, is hereby amended to permit Great Lakes to continue until October 31, 1985, to pay to TransCanada Pipelines Limited (TransCanada) a compression service charge pursuant to the Delivery Pressure Agreement of July 1, 1975, as amended, and the Amending Agreement of March 1, 1980, and to continue to receive from TransCanada natural gas at a delivery pressure of not less than 750 psig, all as set forth in Great Lakes' application. The authorization granted herein shall apply to all volumes of Canadian natural gas for which Great Lakes has authorizations from ERA or the Federal Energy Regulatory Commission to import or to transport for the account of others, or for which such authorizations may be granted during the term of this authorization.

B. The petitions for leave to intervene filed by Michigan Consolidated Gas Company and Natural Gas Pipeline Company of America are hereby granted in this proceeding, subject to such rules of practice and procedure as may be in effect, provided that the participation of such intervenors shall be limited to matters affecting asserted rights and interests specifically set forth in their petitions for leave to intervene and that the admission of such intervenors shall not be construed as recognition by ERA that they might be aggrieved because of any order issued by ERA in this proceeding.

Issued in Washington, D.C. on October 22, 1980.

Appendix: Service List

Official Service List

Great Lakes Gas Transmission Company

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I. Applicant

Representatives

Great Lakes Gas Transmission Co.

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and Secretary  
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## II. Intervenors

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--Footnotes--

1/ ERA issued a notice of receipt of Great Lakes' application on July 17, 1980 (45 FR 49126, July 23, 1980).

2/ The pressurization service which is the subject of the instant application applies to all Canadian natural gas purchased from TransCanada for import by Great Lakes or transported for the account of others by Great Lakes. As noted below, it relates to the requirements of Great Lakes and its customers for the movement and delivery of such natural gas, and does not involve the importation of any volumes in addition to those already authorized for import by ERA or for which final import authorization is still pending.

3/ Order, page 2, issued in the dockets referenced above.

4/ The compression charge is subject to some fluctuation, due to changes in the cost of Canadian domestic gas used by TransCanada for compressor fuel, as set forth in the Delivery Pressure Agreement.

5/ In letters submitted to ERA on July 29, 1980 and September 25, 1980.

6/ In its letter of September 05, 1980, Great Lakes also stated that the authorization requested herein must be applicable to all volumes of Canadian natural gas which Great Lakes either has present authorization to import or to transport for the account of others, or for which such authorizations are pending before ERA or the Commission.

7/ Michigan filed its petition on May 19, 1980 and Natural, on August 12, 1980. Both petitions were timely filed.