Cited as "1 ERA Para. 70,504"

Northern Natural Gas Company, Great Lakes Transmission Company (Dkt. Nos. 78-002-NG, et al.), January 15, 1980.

Opinion and Order on Rehearing Approving Application to Import Synthetic Natural Gas from Canada by Displacement

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[Glossary of Abbreviations Not Reproduced.]

A. Background

On March 17, 1978, Northern Natural Gas Company (Northern), Omaha, Nebraska, filed an application with the Economic Regulatory Administration (ERA) of the Department of Energy (DOE), pursuant to Section 3 of the Natural Gas Act (NEA) and 18 CFR Parts 153 and 157, requesting authorization to import natural gas displaced by synthetic natural gas (SNG) from Canada into the United States (Docket No. 78-002-NG).1/

On April 20, 1978, Great Lakes Gas Transmission Company (Great Lakes), filed an application with ERA and the Federal Energy Regulatory Commission (FERC) pursuant to Sections 3 and 7 mf the NGA and 18 CFR, Parts 153 and 157, requesting authority to amend its current import authorizations in FERC Docket

Los. CP66-110, et al., to allow deliveries in Minnesota and Michigan of the natural gas proposed to be imported by Northern.2/

On June 29, 1978, the Administrator of ERA issued an order consolidating Docket Nos. 78-002-NG (Northern) and 78-003-NG (Great Lakes) into Docket Nos. 78-002-NG, et al. The June 29 order also granted intervention to those companies filing petitions in response to the Northern and Great Lakes applications. On August 9, 1978, ERA issued an order granting intervention to five additional petitioners.3/

On March 8, 1979, in Opinion No. 5,4/ ERA denied Northern's proposal to import natural gas displaced by SNG without prejudice to amend its application. In the same order, ERA denied without prejudice the related application of Great Lakes.

On April 5, 1979, Northern filed an application with ERA for rehearing and reconsideration of Opinion No. 5. With its application Northern presented for ERA's consideration a Second Supplement 5/ to its application. The Second Supplement proposed a restructured import project which included a new contractual import price. On April 16, 1979, Great Lakes filed an application, substantially identical to Northern's, requesting rehearing and reconsideration. On April 24, 1979, eight interveners in the proceeding (hereafter referred to as the "NDG companies") filed a Joint Statement of Support of Northern Distributor Group. The NDG companies stated that they receive the vast majority of Northern's regulated interstate sales of natural gas; that Northern's filing of April 5 was directly responsive to ERA's objections to Northern's original application; that the reduced price set forth in the March 28, 1979 purchase agreement between Northern and Union Gas Limited (Union), Ontario, Canada, will make additional winter period gas available to the customers of the NDG companies at favorable rates; and that, through reduced curtailments, the NDG companies will be able to provide more reliable service to all consumers if Northern's revised application is approved.

On May 2, 1979, ERA issued an order granting the Northern and Great Lakes applications for rehearing and reconsideration for the purpose of reviewing the restructured import proposal.

On June 11, 1979, ERA provided notice of its May 2, 1979 order and invited comments and additional petitions to intervene.6/

Northern filed a motion for expedited consideration on July 9, 1979. Union joined in this motion on July 17, 1979.

B. Project Description

Northern is a publicly owned corporation organized under the laws of the State of Delaware with corporate headquarters in Omaha, Nebraska.

Northern is engaged in the production, transmission, distribution and sale of natural gas and in interrelated petrochemical and natural gas liquids activities. Northern owns over 32,000 miles of natural gas transmission, gathering and distribution pipelines. The pipeline system extends throughout the central and midwestern states from Minnesota to Texas.

Union is a distribution company engaged in sales of natural gas in Ontario, Canada. Its supply base consists of SNG volumes purchased from Petrosar Limited (Petrosar), Canada, and natural gas volumes purchased from TransCanada Pipelines Limited (TransCanada). In addition, Union owns and maintains extensive natural gas storage fields in Ontario, Canada, adjacent to its distribution system.

The Petrosar complex is primarily a petrochemical facility which processes Western Canadian crude oil to produce naptha for petrochemical feedstock. Some of the by-products of the process are used as feedstock for SNG production. At present, the Petrosar facility has an SNG production capability of 33,000 Mcf per day. With the exception of small amounts of SNG used for its process requirements, Petrosar sells its total SNG production to Union. The SNG is transported directly through Union's pipeline from the Petrosar plant located near Sarnia, Ontario, to Union's compressor plant located in Dawn, Ontario.

The natural gas intended for sale to Union by TransCanada is delivered from the TransCanada pipeline at Emerson, Manitoba, to Great Lakes, whose pipeline extends across the northern United States from Minnesota to Michigan. The natural gas reenters the TransCanada pipeline at the Michigan-Ontario border and is delivered and sold to Union at its compressor plant in Dawn, Ontario.

Great Lakes, by its application of April 20, 1978 (ERA Docket No. 78-003-NG), proposes to deliver natural gas volumes to Northern at designated points of interconnection near Carlton, Minnesota; Grand Rapids, Minnesota; and Wakefield, Michigan. These interconnections provide Northern with access to the natural gas intended for sale to Union.

By the revised purchase agreement of March 28, 1979, Northern would take delivery of natural gas from the Great Lakes pipeline which is intended for sale to Union in volumes equivalent to the volumes of SNG delivered to Union by Petrosar. The contract provides that Northern will purchase SNG, but will in fact do so by displacement by drawing equivalent volumes of natural gas from the Great Lakes pipeline that would otherwise be destined for Union. (Under the original agreement that was disapproved in Opinion No. 5, Northern proposes to take delivery of the natural gas only during the winter heating season (November 1 through March 31) beginning in 1979 and ending in 1983. During the summer season (April 1 through October 31), Union will store certain SNG volumes for Northern's account, thus permitting Northern to vary the amount of the natural gas taken from the pipeline up to a maximum amount of 75,000 Mcf per day during the heating season. When Northern takes additional natural gas volumes intended for sale to Union during the heating season, Union will maintain its supply balance by drawing down on the SNG volumes that it stored in the summer season.

C. Discussion of Second Supplement

1. Import Price

Applicants assert that the Second Supplement restructures the proposed import project along lines designed to answer ERA's objections to the original proposal. In Opinion No. 5, ERA concluded that:

> The proposed SNG import price is too high. At present, the domestic new natural gas price ceiling as mandated by the NGPA [Natural Gas Policy Act of 1978] is considerably lower than Northern's projected price estimate for the 1978-79 heating season. Furthermore, it is unlikely that in five years domestically controlled prices will reach Northern's 1983 final contract year estimate of $5.33 per Mcf. ERA notes that Union offered the SNG to Canadian distributors at a price lower than the price offered to Northern but was unable to sell the SNG.7/

In the Second Supplement, Northern and Union have restructured their Gas Service Agreement to adopt a substantially lower contract price, which, Northern asserts, is more equitable to U.S. consumers. The restructured Agreement provides that for the four-year term of the Agreement the price will be the U.S.-Canadian border export price for pipeline natural gas, as established by the National Energy Board (NEB) of Canada, plus an additional $0.56 per MMBtu for off peak storage services rendered by Union on behalf of Northern. The border price currently is $3.45 (U.S.) per MMBtu, which was established by order of the Privy Council of the Government of Canada on October 4, 1979 and made effective on November 3, 1979. Applicants have, moreover, submitted data which indicates that the rate that Union pays under the terms of its contract with Petrosar is tied to the price of the particular Canadian petroleum feedstock used in manufacturing the SNG, and is currently $3.65 pe Mcf (approximately ($3.56 per MMBtu, based on the fact that one Mcf of SNG contains 974 MMBtu).8/

ERA's order of March 8, 1979 denying the original application contains a detailed discussion of the estimated import price as initially proposed.9/ There it is explained how Northern estimated an import price of approximately $3.86 per MMBtu in the 1978-1979 heating season, increasing to approximately $5.33 per MMBtu in the final contract heating season of 1982-1983. At the current border price of $3.45 per MMBtu, the projected composite import price of the gas for the 1979-1980 heating season--one full year later--would be $4.01 per MMBtu. Thus, the total composite price today is only $0.15 higher than the price which was proposed to have been paid a year earlier under the application which ERA denied in March.

The U.S.-Canadian border price established by the NEB is not cost derived; rather, it is a commodity price designed to establish an export price for Canadian gas which is equivalent to the substitution value of Canadian imports of foreign crude oil.

The DOE has recognized that imported natural gas can have a certain commodity value in excess of normal costs of production, delivery and markup. This has been the case with natural gas imported from Canada since 1974. Additionally, both Canada and the U.S. have recognized that the commodity price established for export sales of gas will not only reflect the substitution costs for foreign crude oils imported into Canada, but should be generally competitive with the alternate fuels with which it is competing in the respective service areas.

Northern provides natural gas service to 71 distributors in 10 states.10/ ERA contacted state energy offices in each of the affected states to obtain the most current information on wholesale price and type of fuel which competes predominantly with natural gas. That survey showed that No. 2 fuel oil and propane are the primary alternate fuels in six states, with virtually no No. 6 fuel oil being used in those states. No. 2 fuel oil is a primary alternate fuel in three of the remaining states served by Northern, but residual fuel oil is used in substantial, albeit secondary, volumes. Michigan reported Nos. 4, 5 and 6 residual fuel as being the primary alternate energy sources.

Average wholesale prices for No. 2 fuel oil, stated in terms of MMBtu's, span a range of $4.96 to $7.75. Propane varies between $4.20 and $5.08, and residual fuel oil is quoted as selling for $3.22 to $3.66. The state-by-state summaries are shown in Table 1.

The proposed composite border price of $4.01 per MMBtu attributed to the sale of SNG is somewhat in excess of the price of the residual fuel oils used in the ten state service area. However, the proposed composite price compares favorably with the range of prices in which the apparent primary alternate fuel in the service area, No. 2 fuel oil, is selling.

TABLE 1.

Cost Comparisons of Northern's SNG with Competing Fuels (December 1979) 1/

State	Prevailing Alternate Fuel (and Percent of Use) By Industrial & Commercial Users	Wholesale Price	Price MMBtu 2/
Illinois	No. 2 fuel oil	76-79 cents/gal	$5.50-5.72
Iowa	No. 2 fuel oil (75%)	78-80 cents/gal	5.65-5.79
	Propane (25%)	38-40 cents/gal	4.20-4.42
Kansas	No. 2 fuel oil (50%)	80 cents/gal	5.79
	Propane (50%)	46 cents/gal	5.08
Michigan	No. 2 fuel oil (25%)	70-75 cents/gal	5.07-5.43
	No. 4 fuel oil (15%)	57.9-65 cents/gal	3.92-4.40
	No. 5 fuel oil (15%)	53.9-58 cents/gal	3.65-3.93
	No. 6 fuel oil (60%)	57.9-63 cents/gal	3.92-4.27
Minnesota	No. 2 fuel oil (80%)	68.5-81.9 cents/gal	4.96-5.93
	Residual fuel oil	--	
	Propane	--	
Nebraska	No. 2 fuel oil	72-85 cents/gal	5.21-6.16
	No. 5 & 6 residual fuel oil	47.5-54 cents/gal	3.22-3.66
Oklahoma	No. 2 fuel oil 3/	107 cents/gal	7.75
S. Dakota	No. 1 fuel oil	92-94 cents/gal	6.59-6.81
	No. 2 fuel oil	91 cents/gal	6.59
Texas	No. 2 fuel oil (% distri-	85-87 cents	5.08-5.89
	No. 4 fuel oil (tribution	75-87 cents	3.66-3.93
	No. 6 fuel oil (of use is (not known)		
Wisconsin	No. 2 fuel oil	No Data	

1/ Information supplied to ERA by respective state energy office.

2/ Conversions made using the following factors:

1 bbl of No. 2 fuel =	5.8 million Btu
1 bbl of No. 5/No. 6 residual fuel =	6.2 million Btu
1 gallon of propane =	91,500 Btu
1 bbl of propane =	3.8 million Btu

3/ 14-20 customers with alternate fuel capability, No. 2 fuel oil only, supplied by independent refiners--the majority of natural gas consumers have no alternate capability.

2. Storage Costs

The $0.56 component is a separately negotiated charge for specific storage services to be performed Union for Northern. The Agreement provides that Northern is to receive the gas into its system only during the peak requirements months of November through March of each of the four heating seasons covered by the Agreement. This involves storage by Union of volumes of SNG obtained by it from Petrosar during the months of April through October, together with such storage by Union as may be required for delivery of volumes to Northern during the months of November through March.

Northern stated in its original application that storage costs would approximate $0.31 per Mcf as set forth in the original gas purchase agreement. ERA, in Opinion No. 5, did not dwell on this matter, but noted that the storage costs were one component of an overall composite border price which exceeded the border price established by the NEB for flowing natural gas. Northern's current proposal reflects separate pricing schedules which define the commodity price for the natural gas as well as distinguish a separate fee for the storage service which Union will provide.

Northern states that the current average on-system storage cost incurred to store gas in its company-owned fields is in the range of $0.55-$0.60 per MMBtu but points out that no such storage is available for additional supplies of gas. Furthermore, Northern reports that its cost of obtaining leased storage services from other entities ranges from $0.90 to $1.10 per MMBtu. Northern does not assert that the $0.56 storage fee represents Union's cost to store the gas, but rather is a negotiated price which is consistent with if not more favorable than alternative storage services available to Northern. Accordingly, Northern asserts that $0.56 per MMBtu for leased storage services provided by Union for the months of April through October is an equitable price.11/

3. Need for the Gas

In its Second Supplement, Northern asserts that its need for the subject gas is the same as for domestic gas: to shore up the company's dwindling gas reserves; to help meet the company's peak season contractual commitments; and to help fulfill the energy needs of its customers. Northern believes it would be inconsistent with the public interest to deny it and its customers access to this available supply of natural gas.

Northern also states that its utility customers are almost entirely dependent on Northern to fulfill their natural gas needs and that even with conservation, peak-shaving, and occasional customer supplemental supplies, there are present and continuing unmet natural gas needs in the distribution company markets served by Northern's system, particularly during the winter heating season.

The FERC has published its "Commission Staff Reports Impact of 1979-1980 Winter Curtailment for Twenty-Eight Pipeline Companies" (Curtailment Report). That Curtailment Report incorporates, beginning at page 137, a detailed analysis of Northern's potential natural gas supply and curtailment situation vis-a-vis the current winter heating season. The conclusion reached by Northern is that there will be no significant impact in its service area due to projected curtailments. In fact, Northern's most severe weather scenario projects curtailments in its priority 3 for 35 days, priorities 4 and 5 for 40 days, and priorities 7-10 for 55 days. However, it projects no plant closings if alternate fuels are available.12/

As pointed out by Union,13/ the natural gas which Northern proposes to import could be used, at least in part, to displace fuel oil and thereby to reduce U.S. dependence on imported oil. As Union correctly notes, ERA has recognized in formal rulemaking proceedings the desirability of increasing the use of natural gas to displace fuel oil.14/ ERA also notes the increased importance which the substitution value of natural gas has acquired by virtue of a recent decision of the NEB to reduce exports of crude oil to the United States.15/ The U.S. refineries which are likely to be most affected by these decisions are those which produce heating oil and other fuel oils for the northern tier of states served by Northern.15/

Finally, with regard to the question of regional need for the gas, there is ample, and uncontradicted evidence from Northern's gas distribution company customers that there is a need for the gas in the area served by Northern at the proposed import price.16/ Absent evidence to the contrary or even a request for a hearing on the subject, ERA finds the support expressed by the gas distribution companies served by Northern's system to be strongly persuasive on the question of regional need.16/

D. Conclusions

Upon review of the Second Supplement and the filings made in support thereof, ERA has determined that the project as restructured should be approved in all respects except with regard to the storage fee.

The revised proposal provides for an import price which will make natural gas economically available for customers' use. The $3.45 per MMBtu price for the natural gas is the current border price established by the NEB for natural gas exported to the U.S. As stated previously, the border price established by the NEB for export sales of natural gas is based on the commodity value of the natural gas in terms of its energy replacement cost to Canada and the alternate fuels against which it competes in the U.S. market place. This basic border price for pipeline natural gas has been approved by ERA in separate proceedings as reasonable and not inconsistent with the public interest.17/

As a matter of policy, where a general commodity-based border price for imported gas is established by the supplying country and is approved by the U.S., we will not approve a higher price negotiated by commercial firms. Exceptions will be made, however, where the foreign supplier is providing a special service that is distinct and separate from services which are a normal aspect of production, processing and delivery of the natural gas to the border and which would therefore normally be covered in the commodity export price.

When costs for such special services are presented for consideration by DOE, it will be incumbent upon the applicant to demonstrate that the proposed charges reflect actual costs associated with such services and are not negotiated simply to capture for the seller as much as possible of the difference between the approved border price and the price of the alternate fuels with which it competes. In addition, it must be convincingly demonstrated that such services are required to effect efficient utilization of the volumes throughout the customers' service system.

Here, Northern has adequately demonstrated that the storage service being provided by Union is a distinct and separate service that is not ordinarily provided to importers of Canadian gas. The agreement provides Northern with the advantage of being able to draw this gas supply only during the peak winter months. In order to be able to draw this gas only for peak shaving purposes, volumes of SNG must be stored during the summer months. This is a unique service that is not ordinarily covered in the commodity export price.

Northern has also demonstrated that these same storage services would not be obtained in the U.S. at a lower cost. The cost is comparable to that incurred by Northern for gas it stores in its own storage fields, but for which it no longer has capacity in its own facilities. The price proposed by Union is near or below that which Northern has typically had to pay other firms in the U.S. to store gas on a contract basis. Northern has not shown, however, that the price proposed by Union is consistent with its actual costs. Information provided by the applicants at ERA's request shows that the price proposed by Union is higher than it charges its Canadian customers for storage services.

Union's rate schedule number 15, Special Short Term General Storage and Transportation Contract Rates, on file with and approved by the Ontario Energy Board, is applicable to storage service rendered by Union for Canadian distribution companies.

This rate schedule provides for the assessment of a monthly billing charge which is the sum of a monthly demand charge of $2.25 (Canadian) for each Mcf of contract demand in effect during any contract year and a commodity charge of $0.045 (Canadian) assessed on each Mcf injected into or withdrawn from storage.

While exact charges for storage service using this rate schedule can be computed only where each month's actual service can be ascertained, ERA has calculated that under Union's rate schedule number 15, this charge could be as low as $0.19 (U.S.) per Mcf when assessed against the maximum yearly contractual deliveries of 10 Bcf.

In addition, unlike normal storage contracts where the purchaser retains title to the volumes of gas held in storage, Union would purchase the SNG stored for delivery to Northern and would not receive reimbursement unless the gas was delivered to and paid for by Northern. Therefore, Union would incur an interest charge associated with carrying the cost of the gas while it remains in storage that it does not incur for its existing storage customers. As with the storage fees, this cost-of-service charge must be reviewed in light of actual costs incurred and standard business practices of the industry.

The applicants, in a letter to ERA dated December 7, 1979, and made a part of the record, proposed to calculate interest on an average unit cost of

$4.70 (Canadian) 18/ for each Mcf of SNG held in storage. Thus, Union requests that interest be determined on the acquisition cost of a single, isolated supply of natural gas--the SNG it purchases from Petrosar--as opposed to the average acquisition cost of the full supply of gas it purchases and places in storage.

However, Union, like Northern, purchases its system supplies of natural gas from numerous sources and at varying prices. Standard practice in determining working capital allowance cost-of-service as established through numerous tariff proceedings in both Ontario and the U.S. is to compute interest on the average acquisition cost of all gas available for service supply. No compelling reason has been presented in this case to warrant deviation from this standard.

Therefore, we will approve a separate storage service charge in this proceeding only on condition that it is the sum of:

(1) The direct storage costs calculated in accordance with Union's rate schedule 15, approved by the Ontario Energy Board; and

(2) A working capital allowance based on the cost of carrying the volumes of gas held in storage for this project, the average cost of gas acquired by Union for its overall system supply, and the prime bank lending rates prevailing in Ontario, Canada.

The working capital allowance will be calculated as follows:

3.5 Bcf of SNG will be imputed to have been injected for this project in a five-month period commencing August 1, 1979 and ending January 1, 1980, which is the amount of time necessary to accumulate such a balance based upon Petrosar's SNG output.

This initial imputed stored volume of 3.5 Bcf will be multiplied by Union's average cost of all gas purchased during the same 5-month period to obtain an initial dollar balance of investment by the company as of January 1, 1980. A dollar balance will also be calculated for the first day of each of the 12 succeeding months by adding or subtracting Union's average cost of gas injected or withdrawn from storage in the preceding month. This series of calculations will yield 13 monthly balances from which 12 mid-month averages will be derived. These 12 averages will be totaled and divided by 12 to obtain an average investment in storage for the first year of operation. This average investment in gas in storage will be used to calculate the working capital allowance, using the average Ontario prime interest rate prevailing during the calculation period.

The above method, using as a starting point the balance on January 1 of each year and ending with the balance on January 1 of the following year, will be used in each of the remaining years of the contract to determine the working capital allowance for each year.

The surcharge per Mcf of gas imported by Northern will be calculated by spreading the direct storage costs and working capital allowance for each year as determined by the above-described method over the total volumes imported in that year.

In order for ERA to monitor compliance with this condition, Northern will be required to file a report with the Economic Regulatory Administration 30 days from the end of each rate period. This report will detail the basis for calculating the working capital allowance surcharge, including computations of the 12 mid-monthly averages of gas in storage, Union's calculation of its average natural gas acquisition cost, and a statement of the prime bank lending rate used in deriving the charge.

Provided the agreement between Northern and Union is renegotiated to carry out the foregoing method of calculating the separate storage surcharge, we believe the application as supplemented is not inconsistent with the public interest. The eight interveners that are major customers of Northern support its application as supplemented, and indicate a need for and willingness to purchase the supply of natural gas at the proposed import price.19/ Their support reinforces Northern's assertions that approval of the application will help reduce curtailments, permit Northern to provide improved and more reliable service to its customers, carry out DOE's policy of using pipeline supplies of natural gas to displace fuel oil and thereby reduce U.S. dependence on imported oil. Also, the natural gas is available now; no new construction or expansion of existing facilities is involved.20/

ERA's approval of the import price approved by the NEB is limited to the current border price of $3.45 per MMBtu. A blanket approval of any future change in the Canadian border price for exported natural gas would be inappropriate; accordingly, the composite import price approved here must be reviewed anew if the border price is raised during the term of the import project.

For reasons stated above, ERA finds that the proposed import of natural gas from Canada pursuant to the revised agreement between Union and Northern is not inconsistent with the public interest within the meaning of Section 3 of the NGA, provided the terms of the provisions relating to a separate storage surcharge are revised to be consistent with this opinion and order.

Order

A. Authorization is hereby granted to Northern to import from Canada up to 75,000 Mcf per day of natural gas during the heating season (November 1 through March 31) beginning in 1979 and ending in 1983.

B. Northern is hereby authorized to import the volumes authorized in paragraph A. above at a base price of $3.45 (U.S.) per MMBtu (equal to the current authorized Canadian border price). Further review and authorization by ERA will be necessary for any increase in this price.

C. Northern is also authorized to pay Union a separate storage service charge, the sum of which shall not exceed:

1. The direct storage costs calculated in accordance with Union's rate schedule No. 15, Special Short-Term General Storage and Transportation Contract Rates, as approved by the Ontario Energy Board; and

2. A working capital allowance to be calculated in accordance with paragraphs D, E, and F below.

D. 3.5 Bcf of SNG will be imputed to have been injected for this project in a five-month period commencing August 1, 1979 and ending January 1, 1980. This initial imputed stored volume will be multiplied by Union's average cost of all gas purchased during the same 5-month period to obtain an initial dollar balance of investment by the company as of January 1, 1980.

E. A dollar balance will also be calculated for the first day of each of the 12 succeeding months by adding or subtracting Union's average cost of gas injected or withdrawn from storage in the preceding month. This series of calculations will yield 13 monthly balances from which 12 mid-month averages will be derived. These 12 averages shall be totaled and divided by 12 to obtain the average investment in storage for the first year of operation. This average investment in gas in storage shall be used to calculate the working capital allowance, using the average Ontario prime interest rate prevailing during the calculation period.

F. The above method, using as a starting point the balance on January 1 of each year and ending with the balance on January 1 of the following year, shall be used in each of the remaining years of the contract to determine the working capital allowance for each year.

G. The surcharge per Mcf of gas imported shall be calculated by prorating the direct storage costs and working capital allowance for each calendar year over the total volumes imported by Northern during each such year.

H. Northern shall file a report with the Import/Export Division, Economic Regulatory Administration, 2000 M Street, N.W., Room 4126, Washington, D.C. 20461, 30 days from the end of each rate period. This report will detail the basis for calculating the working capital allowance surcharge, including computations of the 12 mid-monthly averages of gas in storage, Union's calculation of its average natural gas acquisition cost, and a statement of the prime bank lending rate used in deriving the charge.

I. Authorization is hereby granted to Great Lakes amending its current import authorizations in FERC Docket Nos. CP66-11, et al., to permit deliveries in Minnesota and Michigan of the gas proposed to be imported by Northern.

Issued in Washington, D.C., on January 15, 1980.

--Footnotes--

1/ See 43 FR 16380 (April 18, 1978). Pursuant to section 301 and section 402(f) of the Department of Energy Organization Act, jurisdiction over imports and exports of natural gas is vested in the Secretary of Energy. The Secretary has delegated to the Administrator of the Economic Regulatory Administration, in Delegation Order No. 0204-4, authority to regulate the "exportation and importation of natural gas pursuant to the provisions of section 3 of the Natural Gas Act. . . ."

2/ See 43 FR 21715 (May 19, 1978).

3/ The interveners and dates of their filings are: Union Gas Limited, April 10, 1978; Minnesota Gas Co., April 24, 1978; Iowa-Illinois Gas & Electric Co. and Iowa Power & Light Co., May 1, 1978; Iowa Electric Light & Power Co., May 2, 1978; Northern Illinois Gas Co., May 10, 1978; Iowa Public Service Co. and North Central Public Service Co., May 11, 1978; Public Service Commission of Wisconsin, May 22, 1978; Northern States Power Co. (Minnesota) and Northern States Power Co. (Wisconsin), July 24, 1978.

4/ See Glossary.

5/ On May 5, 1978, Northern filed with ERA a First Supplement to its original application, the details of which are not relevant here.

6/ 44 FR 33459, June 11, 1979. Four companies which already had been granted status as interveners petitioned for intervention in response to the June 11 notice: Iowa-Illinois Gas & Electric Co., June 18, 1979; Northern States Power Company (Minnesota) and Northern States Power Company (Wisconsin), June 18, 1979; and, Iowa Public Service Company, July 13, 1979. No new petitioners for intervention responded to the notice, and no interventions need be granted in this order.

7/ Opinion No. 5 at 16.

8/ Letter from Applicants to ERA dated December 7, 1979.

9/ Opinion No. 5 at 12-15.

10/ Illinois, Iowa, Kansas, Minnesota, Nebraska, Oklahoma, South Dakota, Texas, Michigan, and Wisconsin.

11/ Our analysis of the proposed storage fee shows that the price charged to Northern for the volumes of gas actually stored would approximate $0.875 per MMBtu. If Union delivers to Northern the maximum annual volume of 10 Bcf, the cost to Northern for storage would be $5,460,000 (at a conversion rate of Mcf = .795 MMBtu). Union has indicated that the average annual volumes in storage would be approximately 6.4 Bcf. This would amount to $0.875 per MMBtu assessed on the gas actually stored.

12/ FERC Docket Nos. TC79-94, et al., September 1979.

13/ Joinder of Union Gas Limited in Motion for Expedited Consideration, July 19, 1979.

14/ E.g., 10 CFR Part 595, 44 FR 20398 (April 5, 1979). See also Opinion No. 12, Border Gas, Inc., ERA Docket No. 79-31-NG, at 13-14 (December 29, 1979) (where ERA determined that it is in the national interest to displace imported oil with pipeline imports of natural gas from Mexico).

15/ NEB Press Releases of September 11, 1979 and September 19, 1979.

16/ Joint Statement of Support of Northern Distributor Group, April 24, 1979.

17/ Interim Order authorizing the importation of natural gas at the newly established border price, ERA Docket Nos. 79-23-NG, et al. (November 2, 1979).

18/ This is the applicants' estimate of the average cost of SNG purchased from Petrosar over the four-year contract.

19/ See Joint Statement of Support of Northern Distribution Group, April 24, 1979.

20/ DOE has determined that granting authorization to import the requested volumes of natural gas is not a Federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act. Therefore, no environmental impact statement or environmental assessment is required.