Cited as "1 ERA Para. 70,555"

Inter-City Minnesota Pipelines Ltd. (ERA Docket No. 82-15-NG), October 4, 1983

DOE/ERA Opinion and Order No. 52

Order Approving Amendment of Authorization to Import and Export Canadian Natural Gas by Inter-City Minnesota Pipelines Ltd.

I. Introduction

In this order the Administrator of the Economic Regulatory Administration (ERA) of the Department of Energy (DOE) approves the amendment to the authorization of Inter-City Minnesota Pipelines Ltd. (Minnesota Pipelines) requested by Minnesota Pipelines on October 14, 1982, ERA Docket No. 82-15-NG. Minnesota Pipelines proposed to amend its authorization to import and export Canadian natural gas to increase volumes imported from Canada and then exported for use in Canada, and to remove all daily limits on the amounts to be imported and exported. These modifications were requested by Minnesota Pipelines to provide the operational flexibility required in its transportation service for the Canadian portion of the pipeline. The Administrator finds that these modifications will have no adverse impact on Minnesota Pipelines' services or operations in the United States and will enable the firm to adapt to changing market conditions in Canada and the United States.

II. Background

Minnesota Pipelines is the owner of the United States portion of an international pipeline that begins in Manitoba, Canada, enters the United States, reenters Canada, and reenters the United States, terminating in Minnesota. The owner of the Canadian portion of the pipeline is ICG Transmission Holdings Ltd. (Transmission), a Canadian pipeline company. Because of the number of international border crossings made by the pipeline, three licenses have been issued by the National Energy Board (NEB) of Canada to Transmission for its operations.

The NEB licenses issued to Transmission are:

--GL28, which permits the export at Sprague, Manitoba, of gas that will be sold by Minnesota Pipelines in western Minnesota.

--GL30, which provides both import and export authority allowing Transmission to export at Sprague and reimport at Baudette, Manitoba, the volumes not specifically allocated for sale in western Minnesota.

--GL29, which allows Transmission to export at International Falls, Minnesota, gas which will be sold at the pipeline terminus in the United States.

By orders dated August 10, 1970, and amended September 26, 1973, in Docket No. CP70-289 and on July 16, 1975, in CP75-139 and modified on August 2, 1977, in CP77-115,1/ the Federal Power Commission (FPC) granted import and export authority to Minnesota Pipelines that closely tracks the NEB licenses. The major exception is that the NEB authorizes Transmission to substitute a rolling average for the annual volumes. The effect of a rolling average is to make available in any year a quantity which, when averaged with all export quantities for previous years, does not exceed total export quantities for all years. The FPC rejected this approach in its order of August 2, 1977.

In its present application for technical modification, Minnesota Pipelines requests authorization to transport up to 5,502 MMcf annually for Transmission. The annual 5,502 MMcf is calculated first by subtracting from the total deliveries to date under each NEB license the total FPC authorizations in CP75-139. The result, representing remaining amounts as of the end of the 1981 contract year, is then divided by the remaining 13 years of export license term.

In addition, in its application Minnesota Pipelines states that to provide the necessary operational flexibility, it is further requested that all daily limitations be removed and in its place, the ERA continue the condition imposed by the FPC in CP75-139, which holds transportation volumes to a level that allows sufficient volumes to serve contract demand for all United States customers during the license term.

On June 17, 1983, the ERA sent a deficiency letter to the Inter-City Gas Corporation asking for clarification of the application for technical amendment which it filed. The July 27, 1983 response which the ERA has received provides a sufficient record for the Administrator to issue a final order.

There are no protests, petitions to intervene, or notices of intervention in this proceeding.

III. Discussion

Minnesota Pipelines requests authority to shift the volumetric allocations among its three NEB licenses because the terms of the various FPC certificates do not mirror the NEB licenses. The NEB licenses address total volumes whereas the FPC certificates distinguish between transportation and sales volumes.

Minnesota Pipelines proposes further to increase the volumes it will import into the United States at Sprague for transportation through the United States, export to Canada, and sale in Ontario. These increased volumes would allow Minnesota Pipelines to take those volumes that it was unable to take in the early years of its operation without increasing the total quantities approved for the export license term. The increase in these volumes does not affect those volumes authorized for sale in western Minnesota. Further, this proposal is not a request for a rolling average (earlier rejected by the DPC) but rather a fixed annual amount which will apply over the remaining life of the licenses.

The requested change in authorized volumes for transportation would change Minnesota Pipeline's current authorization in the following manner:

	Current Authorization MMcf Annually	Amended Authorization MMcf Annually
Imports at Sprague (GL28 and GL30) ...	12,786	14,602
Sales in western Minnesota (GL28) ...	400	400
Export to Canada (GL 30)...	12,386	14,202
Sales in Ontario (GL30 less GL29)...	3,686	5,502
Sales in International Falls (GL29) ...	8,700	8,700

In assessing the impact of Minnesota Pipelines' proposed amendment to its authorization, the interests of Minnesota Pipelines' U.S. customers must be carefully considered. Nothing in the proposed modifications will alter the amount of natural gas available for sale in the United States. Should U.S.

demand increase, a prospect not anticipated by Minnesota Pipelines, the current authorized annual volume of 400 MMcf should permit the company to meet such demand.2/ Canadian customers pay that portion of the total cost of service which is attributable to transportation volumes. Thus, the costs that must be absorbed by U.S. rate payers are reduced if declining U.S. demand can be offset by serving increased Canadian transportation demand.

The removal of daily limits would allow Minnesota Pipelines added operational flexibility in transporting volumes consumed by Transmission and in meeting any unusually high requirements of Boise Cascade Corporation which uses over 80 percent of the system's volumes.3/

Order

For the reasons set forth above, pursuant to section 3 of the Natural Gas Act, the ERA Administrator orders:

A. Annual volumes in this authorization shall be modified to permit Minnesota Pipelines to import 14,602 MMcf at Sprague, Manitoba, and export 14,202 MMcf at Baudette, Manitoba, and to reimport at International Falls, Minnesota, such volumes not exceeding 14,202 MMcf as are required to serve the contract demand of Inter-City Gas Corporation.

B. All daily limits for all sales and transportation service shall be removed.

C. Minnesota Pipelines shall continue to assure an adequate supply of natural gas to its U.S. customers during the term of its authorization.

D. Except as modified herein, all other terms and conditions of Minnesota Pipelines' existing authorization remain in force.

Issued at Washington, D.C., on October 4, 1983.

--Footnotes--

1/ 44 FPC 262 (1970); 50 FPC 868 (1973); 54 FPC 191 (1975); 59 FPC 1462 (1977).

2/ See the table on page 7 mf Minnesota Pipelines' application which shows the peak annual volume taken under GL28 to be 363 MMcf, 11/01/78 to 10/31/79, and the annual volume taken under GL28 from 11/01/80 to 10/31/81 to be 291 MMcf. The current authorized annual volume of 400 MMcf would allow for a 27% increase in demand from the 291 MMcf annual volume in western Minnesota. Further, on page 4 of their July 27, 1983 letter, Minnesota Pipelines estimates total U.S. demand on their system to be 5,300 MMcf in 1983, declining to 4,700 MMcf in 1987.

3/ See page 2 of the testimony of Robert J. Martin, Director of Energy Management for the Paper Group of Boise Cascade Corporation, which is attached to Minnesota Pipelines' July 27, 1983 letter and was submitted to the Federal Energy Regulatory Commission in Docket No. RP 82-81. See pages 8-9 of Minnesota Pipelines' application which enumerate several factors which can lead to unusually high requirements.