

Cited as "1 ERA Para. 70,583"

Great Lakes Transmission Company (ERA Docket No. 83-07-NG), January 23, 1985.

DOE/ERA Opinion and Order No. 70

Order Extending Authorization to Import and Export Canadian Natural Gas

I. Background

On October 26, 1983, Great Lakes Transmission Company (Great Lakes) filed an application with the Economic Regulatory Administration (ERA) of the Department of Energy (DOE), pursuant to Section 3 of the Natural Gas Act, to amend the term of its current authorization to import and export up to 815,000 Mcf of natural gas per day from and to TransCanada Pipelines Limited (TransCanada).^{1/} The amendment would permit Great Lakes to continue to import and export natural gas for the account of TransCanada from November 1, 1992, when its current authority expires, to November 1, 2005.

Great Lakes supplemented its ERA filing on April 13, 1984, in response to the policy guidelines on natural gas imports issued by the Secretary of Energy on February 15, 1984,^{2/} to state that the policy did not apply to its import. Pursuant to the procedural order accompanying the policy statement,^{3/} Great Lakes on December 12, 1984, requested that the ERA process its application to extend its authorization.

Great Lakes operates a pipeline system extending from the international boundary near Emerson, Manitoba, the point at which it connects with the facilities of TransCanada, across northern Minnesota, Wisconsin, and Michigan, until it reconnects with TransCanada's eastern Canadian facilities at two points on the international boundary near St. Clair and Sault Ste. Marie, Michigan. Under an agreement dated September 12, 1967, as amended, Great Lakes supplies transportation services for TransCanada.

Great Lakes was initially granted authority to import and export Canadian natural gas by the Federal Power Commission (FPC) in Order No. 521, issued on June 20, 1967, in Docket No. CP66-112,^{4/} and later amended by the FPC on June 1, 1971, in Docket No. CP71-223.^{5/} On September 8, 1981, Great Lakes and TransCanada amended their transportation agreement to extend its term through October 31, 2005. Great Lakes is currently authorized to import into and export from the United States up to 815,000 Mcf per day of Canadian natural gas to be transported for the account of TransCanada. The gas is

delivered by TransCanada to Great Lakes at Emerson. Great Lakes returns the equivalent volumes to TransCanada at Sault Ste. Marie and St. Clair for sale in Canadian markets.

Great Lakes states that gas shipments for TransCanada represent nearly 55 percent of its system throughput, which makes it heavily dependent on TransCanada as a source of revenue. Great Lakes contends that extension of the contract with TransCanada is a necessary condition for continued short and long-term financing of its operation. Based on the downstream revenues the extended contract would provide, Great Lakes expects the extension to enhance greatly its ability to finance additional construction, make improvements to its system, and ensure adequacy of service.

Great Lakes submits that the volumes transported for TransCanada have enabled it to provide free gas exchange services to some of its customers. Great Lakes asserts that this service gives it greater flexibility to direct the flow of gas within its system and avoids the necessity of either back-hauling gas on existing facilities or constructing additional transportation facilities.

According to Great Lakes, extension of its current authorization would provide several other benefits. The greatest benefit would be that Great Lakes' capacity will continue to be fully utilized which will help minimize rates for all customers. Great Lakes further submits that approval of its application would be in the public interest since no domestic supply of gas exists in the area served by Great Lakes which could replace the volumes being transported for TransCanada.

II. Interventions and Comments

Notice of Great Lakes' application was issued on January 30, 1984, and published in the Federal Register on February 6, 1984,⁶ inviting protests, motions to intervene, or notices of intervention and written comments. The notice provided a 30-day public response period ending March 7, 1984. No responses were received.

III. Decision

Great Lakes' application has been evaluated to determine if extension of the import and export arrangement meets the public interest requirements of Section 3 of the Natural Gas Act. Under Section 3, imports and exports are to be authorized unless there is a finding that they "will not be consistent with the public interest." ⁷ The Administrator is guided by the Secretary of

Energy's policy relating to the regulation of natural gas imports, and by Delegation Order No. 0204-111.8/ With respect to imports, under the policy guidelines the competitiveness of the arrangement is the primary consideration for meeting the public interest test, with security of the supply and need being other considerations. The primary consideration bearing on exports is the lack of domestic need for the gas.

The competitiveness of Great Lakes' arrangement is not an issue in this case because the volumes being imported are redelivered to Canada and are not sold to U.S. consumers. Inasmuch as the volumes are being imported and exported for TransCanada's account and are not sold on the U.S. market, the only relevant issue is the impact of the import and export on Great Lakes and its customers.

Great Lakes contends that no domestic supply of gas exists in its market area that could be carried to replace the volumes being transported for TransCanada. It further states that without new customers and supplies to replace these volumes, Great Lakes would experience serious capacity utilization problems. The high-volume shipments for TransCanada have enabled Great Lakes to minimize rates for its U.S. customers through the wider allocation of its fixed costs. Moreover, Great Lakes would have difficulty providing gas exchange services for its customers without the use of gas delivered for TransCanada.

The long-term nature of the Great Lakes/TransCanada contract should continue to provide Great Lakes the assurance it needs to obtain future short- and long-term financing as well as the ability to improve service to its customers. Historically, TransCanada has proven itself a dependable source of supply for Great Lakes.

The record in this proceeding has been reviewed and Great Lakes' arrangement is found to be reasonable and beneficial. No member of the public has come forward to contend otherwise.

Great Lakes will use only existing facilities to import and export volumes under its amended agreement, and the volumes to be imported and exported will remain the same. Thus no environmental impacts are anticipated.^{9/}

Accordingly, the ERA has determined that approval of the amendment to Great Lakes' contract extending its current import and export authorization is not inconsistent with the public interest, and should be granted.

Order

For the reasons set forth above, pursuant to Section 3 of the Natural Gas Act, it is ordered that:

The import and export authorization previously issued by the Federal Power Commission (FPC) to Great Lakes Transmission Company by FPC Order Lo. 521, issued on June 20, 1967, in Docket No. CP66-112 (37 FPC 1070), and later amended on June 1, 1971, in Docket No. CP71-223 (45 FPC 1037), is hereby further amended to extend the authorized volumes to permit Great Lakes to import and export up to 815,000 Mcf of Canadian natural gas per day for the period November 1, 1992, to November 1, 2005.

Issued in Washington, D.C., January 23, 1985.

--Footnotes--

1/ 49 FR 4428, February 6, 1984.

2/ 49 FR 6684, February 22, 1984.

3/ 49 FR 6691, February 22, 1984.

4/ 37 FPC 1070.

5/ 45 FPC 1037.

6/ 49 FR 4428, February 6, 1984.

7/ 15 U.S.C. Sec. 717b.

8/ 49 FR 6690, February 22, 1984.

9/ The DOE has determined that, because existing pipeline facilities will be used, granting authorization to import and export the requested volumes of natural gas is clearly not a Federal action significantly affecting the quality of the environment within the meaning of the National Environmental Policy Act (42 U.S.C. 4321, et seq.) and therefore an environmental impact statement or environmental assessment is not required.