

Cited as "1 ERA Para. 70,588"

Northern Natural Gas Company, Division of InterNorth, Inc. (ERA Docket No. 85-04-NG), February 28, 1985.

DOE/ERA Opinion and Order No. 75

Emergency Interim Order Granting Temporary Authorization to Increase the Daily Limit on Volumes of Natural Gas Imported From Canada

I. Background

On February 25, 1985, Northern Natural Gas Company, Division of InterNorth, Inc. (Northern), filed an application with the Economic Regulatory Administration (ERA) of the Department of Energy (DOE), pursuant to Section 3 of the Natural Gas Act, requesting emergency interim authorization to begin importing up to 100,000 Mcf of natural gas per day during the period March 1, 1985, through March 31, 1985, in addition to the 200,000 Mcf per day currently authorized for import from Consolidated Natural Gas Limited (Consolidated). The authorization for the additional daily volumes is to be effective upon approval by the Canadian National Energy Board (NEB). The additional volumes would be imported on a best-efforts, interruptible basis, at a price of not more than \$3.50 (U.S.) nor less than \$2.70 (U.S.) per MMBtu in accordance with the terms of Northern's gas purchase contract, as amended November 1, 1984. On February 28, 1985, Northern filed a supplement to the application clarifying the pricing provisions contained in the amending agreement.

Northern states that the interim emergency authorization of these increased volumes would allow the company to minimize its take-and-pay and take-or-pay exposure with its Canadian suppliers and to reduce the chance of a related, possible shutdown of its domestic gas production fields in the summer, thereby avoiding the negative impacts of these situations on the cost of its gas supplies in 1985.

In an import authorization issued August 29, 1980,^{1/} the ERA authorized Northern to import from Canada for the period November 1, 1981, through October 31, 1987, up to 200,000 Mcf of natural gas per day and up to 73,000,000 Mcf of natural gas per year through pipeline facilities near Emerson, Manitoba, minus whatever volumes Northern elected to import through pipeline facilities at Monchy, Saskatchewan, under a separate order issued by the Federal Energy Regulatory Commission (FERC) on June 27, 1980, in Docket No. CP80-22.2/ The additional volumes requested would be imported at the point near Emerson.

In support of its application, Northern states that it serves a temperature-sensitive market with significantly greater winter requirements than summer requirements. Northern states that because of annual contract obligations, it is necessary that Northern be able to import maximum volumes during the heating period (November through March) so that summer production cut-backs can be managed to avoid operational problems such as possible shut-ins of domestic producing fields, while still enabling Northern to meet minimum purchase requirements throughout its traditional U.S. supply areas. Under its contract with Consolidated, Northern has a minimum purchase obligation of 40.15 Bcf of natural gas for the 1984-85 contract year. The mid-January NEB approval of Northern's renegotiated contract with Consolidated precluded Northern from maximizing its imports under the contract during the early part of the winter heating season and thus jeopardized its ability to fulfill its minimum purchase obligation for the 1984-85 contract year. The proposed increase would enable Northern to accelerate its daily purchases of Canadian gas under the authorization without increasing the annual authorized volumes. As of April 1, 1985, imports will revert to the daily rate previously authorized.

II. Decision

In making a decision at this stage in the proceeding, Northern's request for expedited action was considered in light of the ERA's responsibility under Section 3 of the Natural Gas Act. It is apparent that the ERA is faced with a request it can honor only by acting now. While ordinarily a decision would not be made until expiration of the notice and comment period, Northern's application states reasons sufficient to justify an emergency import authorization of limited duration. An authorization at this time will enable Northern to minimize its take-and-pay and take-or-pay exposure with its Canadian supplier, meet minimum purchase requirements throughout its U.S. supply areas, and more effectively manage summer production cut-backs thus reducing the chance of a related, possible shutdown of its domestic gas production fields in the summer, thereby avoiding negative impacts on the cost of its gas supplies in 1985. A notice of the application and of this emergency order is being issued contemporaneously and will give the public an opportunity to participate in this proceeding. Whatever action is taken will be based on the results of these further proceedings.

In view of the above considerations and the facts asserted by the applicants, I find that granting this import on an emergency, interim basis for the limited term of March 1, 1985, to March 31, 1985, will not be inconsistent with the public interest.

III. Order

For the reasons set forth above, pursuant to Section 3 of the Natural Gas Act, the ERA hereby orders that:

A. Ordering Paragraph A of DOE/ERA Opinion and Order No. 19 (Order 19) is hereby amended to authorize Northern to import up to 300,000 Mcf per day of Canadian natural gas at a point near Emerson, Manitoba, for the period March 1 to March 31, 1985, consistent with the pricing and the other terms of the amending agreement submitted as part of the application in this docket.

B. Except as modified by Ordering Paragraph A, all other terms and conditions in Order 19 shall continue to apply to the imports authorized herein.

C. The authorizations granted in Ordering Paragraph A are subject to conditions and modifications as may result from further proceedings in this case.

Issued in Washington, D.C., February 28, 1985.

--Footnotes--

1/ DOE/ERA Opinion and Order 19, issued on August 29, 1980, in ERA Docket No. 79-24-NG (1 ERA Para. 70,518, Federal Energy Guidelines).

2/ See FERC order issued on June 27, 1980 (11 FERC Para. 61,340, Federal Energy Guidelines). In DOE Delegation Order No. 0204-8 (42 FR 61,491, December 5, 1977), the Secretary of Energy delegated to the FERC authority under Section 3 of the Natural Gas Act to approve importation of natural gas in connection with the construction and operation of the Alaska Natural Gas Transportation System (ANGTS). The pipeline facilities at Monchy connect the Northern Border Pipeline segment of the ANGTS with pipelines in the United States. That authority was redelegated to the ERA in DOE Delegation Order No. 0204-111 (49 FR 6690, February 22, 1984).