

Cited as "1 ERA Para. 70,589"

Northern Natural Gas Company, Division of InterNorth, Inc. (ERA Docket No. 85-04-NG), March 26, 1985.

## DOE/ERA Opinion and Order No. 75A

Order Granting Authorization to Temporarily Increase Daily Import of Natural Gas 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, for emergency interim authorization to import 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 additional volumes were to 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.

According to the application, the emergency authorization of these increased volumes would allow Northern 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,<sup>1/</sup> 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/<sup>2/</sup> The additional volumes requested were to be imported at Emerson through facilities of Northern's transporter of the gas, Great Lakes Gas Transmission Company.

In support of its application, Northern stated that it serves a

temperature-sensitive market with significantly greater winter requirements than summer requirements. The company stated that because of annual contract obligations, it was necessary for them to 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. 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 approval by the Canadian National Energy Board 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 were to revert to the daily rate previously authorized.

Based on the above facts, the ERA issued an order on February 28, 1985, authorizing on an emergency interim basis the requested increase in volumes during the month of March 1985 in advance of public notice.<sup>3/</sup>

## II. Interventions and Comments

A notice of the application and the emergency order was also issued on February 28, 1985.<sup>4/</sup> The notice invited protests and petitions to intervene, which were to be filed by March 20, 1985. A joint motion to intervene was filed late by Northern States Power Company of Minnesota, Northern States Power Company of Wisconsin and Lake Superior District Power Company which neither opposed the application nor requested the right to be heard further. Since this late filing does not delay the proceeding, prejudice Northern's rights, or otherwise adversely affect the issuance of a decision in this docket, the ERA accepts the late filing and grants intervention to the movants.

## III. Decision

Northern's application has been evaluated in accordance with the Administrator's authority to determine if the proposed import meets the public interest requirements of Section 3 of the Natural Gas Act. The Administrator is guided by the Secretary of Energy's policy relating to the regulation of natural gas imports.<sup>5/</sup> Under this policy 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.

It has been determined that approval of Northern's request to increase its daily imports, on a temporary basis, is not inconsistent with the public interest. The authorization for an increased daily volumetric rate is for a short period of time on a best efforts, interruptible basis, with no change in the annual or the total volumes under the existing import authorization. This decision rests primarily on the finding that increasing the daily volumes enables Northern to minimize its take-and-pay and take-or-pay exposure with its Canadian supplier while at the same time permitting it operational flexibility to manage its overall gas supply. Further, it appears that the additional imports at this time may lower the overall cost of gas to Northern's customers in 1985. Finally, no one objected to the proposed amendment.

Accordingly, I find that approving Northern's application to increase its daily volume limitation to 300,000 Mcf for the limited term of March 1, 1985, to March 31, 1985, is not inconsistent with the public interest and should be granted.<sup>6/</sup>

#### Order

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

A. Ordering Paragraph A of DOE/ERA Opinion and Order No. 19 (Order 19) is hereby amended to authorize Northern Natural Gas Company, Division of InterNorth, Inc. (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.

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 motion for leave to intervene by Northern States Power Company of Minnesota, Northern States Power Company of Wisconsin and Lake Superior District Power Company, is hereby granted, subject to such rules of practice and procedures as may be in effect, provided that participation of the intervenors shall be limited to matters affecting asserted rights and interests specifically set forth in their motion for leave to intervene and not herein specifically denied, and that the admission of such intervenors shall not be construed as recognition that they might be aggrieved because of any order issued in these proceedings.

Issued in Washington, D.C., March 26, 1985.

--Footnotes--

1/ Northern Natural Gas Company, DOE/ERA Opinion and Order 19, issued August 29, 1980 (1 ERA Para. 70,518).

2/ See FERC order issued June 27, 1980 (11 FERC Para. 61,340). 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 Canadian segment of the ANGTS prebuilt system 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).

3/ Northern Natural Gas Company, DOE/ERA Opinion and Order No. 75, issued February 28, 1985, in ERA Docket No. 85-04-NG.

4/ 50 FR 8772, March 5, 1985.

5/ 49 FR 6684, February 22, 1984.

6/ Because the additional volumes will be transported through existing pipeline facilities, DOE has determined that granting this application clearly is not a Federal action significantly affecting the quality of the human 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.