

Cited as "1 ERA Para. 70,607"

Great Lakes Transmission Company (ERA Docket No. 85-16-NG), September 30, 1985.

## DOE/ERA Opinion and Order No. 90

Order Approving an Amendment to Extend Delivery Pressure Agreement for Imported Natural Gas from Canada

### I. Background

On August 19, 1985, Great Lakes Gas 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 (NGA), requesting the ERA to amend its authorization relating to the purchase of pressurization services from TransCanada PipeLines Limited (TransCanada). The amendment would extend for five years, or indefinitely if permitted by the ERA, Great Lakes' authority to receive Canadian natural gas at a delivery pressure of not less than 750 pounds per square inch (psig) and to pay TransCanada a compression service charge pursuant to a "delivery pressure agreement" dated July 1, 1975, as amended. Great Lakes' current authorization expires October 31, 1985.<sup>1/</sup>

Great Lakes, a Delaware corporation whose principal place of business is Detroit, Michigan, is presently authorized to purchase approximately 120,763 MMcf of natural gas annually from TransCanada at a point on the United States-Canadian international boundary near Emerson, Manitoba, for resale in the United States and for compressor fuel and other company uses. Great Lakes is authorized to transport approximately 301,127 MMcf of natural gas annually for the account of TransCanada, Texas Eastern Transmission Company, Tennessee Gas Pipeline Company, a Division of Tenneco, Inc., and ANR Pipeline Company, from the Emerson interconnection to various delivery points on Great Lakes' pipeline system. Great Lakes is also authorized to transport gas from the Emerson interconnection on behalf of Northern Natural Gas Company, a Division of InterNorth, Inc.

Great Lakes requests an extension of the authorization for the compression services purchased from TransCanada. The current authorization allows Great Lakes to import volumes at no less than 750 psig rather than 550 psig, and to pay the unit surcharge for these services on gas delivered by TransCanada at the Emerson delivery point. Both the Federal Power Commission and the ERA have previously authorized this service agreement with

TransCanada.<sup>2/</sup> Great Lakes has requested that the authorization be granted for an indefinite period, on a year-to-year basis as stipulated in the contract, but will accept a limited five-year extension if necessary.

In support of the extension, Great Lakes states that it again compared the relative costs of constructing its own compression facilities with the cost of purchasing continued compression service from TransCanada, and found that installation of a 24,000 horsepower compressor unit required to produce the requisite line pressure would cost 2.53 cents (U.S.) per Mcf, compared to the present TransCanada charge of 0.79 cents (U.S.) per Mcf. The cost of installing and operating a compressor unit and gas aftercooler was compared with the current compression charge of 0.20 cents (Canadian) per Mcf, plus an additional charge calculated by multiplying .0025 times 105 percent of the price in cents (Canadian) per Mcf under TransCanada's Manitoba zone rate schedule calculated at 100 percent load factor. Great Lakes contended that the inclusion of the Manitoba zone rate clause in this formula, under which only about .1% of an increase in the Manitoba zone rates would be added to the compressor charge, was deemed necessary to protect TransCanada against any future changes in the price of gas purchased by TransCanada to be used as compressor fuel. Great Lakes contends that, at an annual throughput of approximately 391,855 MMcf, its customers would save approximately \$6.80 million annually if the gas is compressed by TransCanada.

The ERA issued a notice of the application on August 20, 1985, inviting protests, motions to intervene or comments to be filed by September 25, 1985.<sup>3/</sup> Northern Natural Gas Company, Division of InterNorth, Inc. (Northern) filed a motion to intervene, but made no substantive comment on the application. This order grants intervention to Northern.

## II. Decision

Great Lakes' application has been evaluated in accordance with the Administrator's authority to determine if the proposed import arrangement meets the public interest requirements of Section 3 of the Natural Gas Act (NGA). Under Section 3, an import is to be authorized unless there is a finding that it "will not be consistent with the public interest."<sup>4/</sup>

In view of the information and cost calculations provided by Great Lakes and the absence of any objections to extension of the delivery pressure agreement, the ERA finds that the public interest would be served by permitting continued payment of the pressurization charge to TransCanada. Great Lakes has maintained adequate deliverability on its system since 1972 by paying TransCanada for pressurization service without the construction of a

24,000 horsepower compressor unit. Great Lakes has demonstrated that it is economically advantageous to continue to have TransCanada provide such service. Thus, its arrangement fully comports with the public interest test contained in Section 3 of the NGA. The ERA also finds it reasonable that Great Lakes' authorization be extended for the indefinite year-to-year term provided in the agreement rather than for a limited five-year period, provided TransCanada can continue to render adequate gas pressurization service at a cost that is less than Great Lakes would have to pay if required to build and operate its own compression facilities.

After taking into consideration all of the information in the record of this proceeding, I find that extension of the authorization requested by Great Lakes for an indefinite year-to-year term 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:

A. The authorization previously granted to Great Lakes Gas Transmission Company (Great lakes) by DOE/ERA Opinion and Order No. 22 issued October 22, 1980, is hereby amended to permit Great Lakes to continue to pay TransCanada PipeLines Limited compression service charges for an indefinite year-to-year term in accordance with the delivery pressure agreement submitted as part of Great Lakes' application.

B. The authorization granted herein shall apply to all volumes of Canadian natural gas for which Great Lakes has authorizations pursuant to Section 3 of the Natural Gas Act from the Economic Regulatory Administration or the Federal Power Commission to import, export, or to transport for the account of others, or for which such authorizations may be granted during the term of this authorization, subject to the terms and conditions of those authorizations.

C. Great Lakes shall file a report of contract amendments pursuant to Section 590.407 of the ERA's rules for the import and export of gas (49 FR 35302, September 6, 1984) concerning each amendment to the delivery pressure agreement approved herein.

D. The motion to intervene, as set forth in this order, is hereby granted, subject to the administrative procedures in 10 CFR Part 590, provided that participation of the intervenor shall be limited to matters affecting

asserted rights and interests specifically set forth in the motion to intervene and not herein specifically denied, and that the admission of such intervenor shall not be construed as recognition that it might be aggrieved because of any order issued in these proceedings.

Issued in Washington, D.C., on September 30, 1985.

--Footnotes--

1/ Great Lakes Gas Transmission Company, DOE/ERA Opinion and Order No. 22, issued October 22, 1980 (1 ERA 70, 521).

2/ See 47 FPC 1085, 51 FPC 973, 54 FPC 1730, and supra, note 1.

3/ 50 FR 34892, August 08, 1985.

4/ 15 U.S.C. Sec. 717(b).