

Cited as "1 ERA Para. 70,837"

Michigan Consolidated Gas Company (ERA Docket No. 88-68-NG), January 19, 1989.

DOE/ERA Opinion and Order No. 296

Order Approving an Amendment to an Authorization to Import Natural Gas from Canada

I. Background

On November 2, 1988, Michigan Consolidated Gas Company (MichCon) 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), to amend an existing natural gas import authorization granted by the ERA on December 20, 1985, in DOE/ERA Opinion and Order No. 96 (Order 96).¹ Order 96 was subsequently amended by DOE/ERA Opinion and Order No. 135 (Order 135)² to increase the import from 13,000 Mcf per day of Canadian natural gas to 50,000 Mcf during any one day during a three-year period beginning on the date of first delivery. The current application seeks to extend the import authorization, which expires on January 22, 1989, for an additional three years.

MichCon's import authority permits the implementation of agreements with Esso Chemical Canada (ECC), a Division of Imperial Oil Limited (Imperial), and Shell Western E&P Inc. (Shell) for the exchange, on an equivalent Btu basis, of natural gas for ethane. The gas is purchased by Imperial from TransCanada Pipe Lines Limited (TransCanada) and transported from the point of importation by Great Lakes Gas Transmission Company (Great Lakes) to Belle River Mills, Michigan, and then delivered to MichCon for use in its distribution system.

The import of natural gas by MichCon, a Michigan corporation with its principal place of business in Detroit, represents part of an energy exchange of natural gas for ethane gas that is being sold by Shell to MichCon. Historically, the ethane was removed by Shell at its extraction facilities at Kalkaska, Michigan, and was eventually exported for use as a primary feedstock for a petrochemical plant operated by Imperial's ECC Division at Sarnia, Ontario. In April 1985, however, Shell notified MichCon that it could no longer market this ethane and that it would leave the ethane in the gas that is supplied to MichCon. The exchange enabled Shell to restart its existing extraction facility at Kalkaska, Michigan, to remove ethane from the natural gas sold to MichCon.

The high level of ethane in the gas results in a significantly higher Btu content when compared to MichCon's other sources of supply. This causes operational problems for MichCon and its customers, especially those that require a stable Btu content for their industrial processes. In addition, at times, a higher concentration of mercaptan sulfur remains with the ethane in the gas and causes an increase in the level of leak complaints, particularly during fringe heating season months.

To correct the operational problems, MichCon entered into agreements with ECC and Shell which allowed Shell to market the ethane. The ethane extracted by Shell at Kalkaska, Michigan, is delivered to ECC which then returns an equivalent amount of energy in the form of natural gas to MichCon. Great Lakes delivers the natural gas to MichCon at its existing delivery point at Belle River Mills. The extracted ethane is transported through Shell's existing natural gas liquids pipeline to Marysville, Michigan, and then exported by Dome Petroleum Corp.

In support of its earlier application, MichCon stated that the proposed import of natural gas was not inconsistent with the public interest, because the resulting substitution of natural gas for ethane would allow MichCon to overcome operational problems and provide a more uniform quality of gas to its customers.

The ERA issued a notice of this application on November 4, 1988, inviting protests, motions to intervene, notices of intervention, and comments to be filed by December 15, 1988.^{3/} The ERA received no interventions or comments pertaining to this application.

II. Decision

The MichCon application to amend its order has been reviewed to determine if it conforms with Section 3 of the NGA. Under Section 3, the Administrator must issue an order authorizing an import unless there is a finding that the import "will not be consistent with the public interest." ^{4/} In making this finding, the Administrator is guided by the DOE policy guidelines for natural gas imports.^{5/} Under this policy, the competitiveness of an import arrangement in the markets served is the primary consideration for meeting the public interest test.

MichCon seeks to have its existing import authorization extended for three years. The energy exchange arrangement was freely negotiated by the participating parties and the natural gas is imported on an interruptible basis through existing facilities.^{6/} The circumstances which existed when the

ERA approved this import in Order 96 and amended it in Order 135 have not changed. Further, no party opposed extending this existing import authorization for an additional three years.

After taking into consideration all information in the record of this proceeding, I find that the amendment requested by MichCon to extend by an additional three years 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. DOE/ERA Opinion and Order No. 96 (Order 96) issued to Michigan Consolidated Gas Company (MichCon) on December 20, 1985, as amended by DOE/ERA Opinion and Order No. 135, is further amended to authorize MichCon to import up to 50,000 Mcf of Canadian natural gas during any one day for an additional three-year period to begin on January 23, 1989, pursuant to the provisions of the energy exchange agreements with Esso Chemical Canada and Shell Western E&P Inc.

B. The import authorized in Ordering Paragraph A above does not change the total volume of 14,248 MMcf authorized in Order 96.

C. Ordering Paragraph C of Order 96, requiring reports to show quantities of natural gas imported, remains applicable.

Issued in Washington, D.C. on January 19, 1989.

--Footnotes--

1/ 1 ERA Para. 70,614.

2/ 1 ERA Para. 70,658.

3/ 53 FR 45959, November 15, 1988.

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

5/ 49 FR 6684, February 22, 1984.

6/ Because the proposed exportation of natural gas will use existing

facilities, the DOE has determined that granting this application is clearly not a major Federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act (NEPA) (42 U.S.C. 4321, et seq.) and therefore an environmental impact statement or environmental assessment is not required. Be advised that in cases not involving new construction the DOE has issued a proposed categorical exemption to NEPA (See 53 FR 29934, August 9, 1988).