

Cited as "1 FE Para. 70,227"

Midwestern Gas Transmission Company, Viking Gas Transmission Company (FE Docket No. 89-25-NG), June 19, 1989.

DOE/FE Opinion and Order No. 318

Order Transferring Authorizations to Import Natural Gas from Canada and Granting Interventions

I. Background

On April 17, 1989, Midwestern Gas Transmission Company (Midwestern) and Viking Gas Transmission Company (Viking), filed a joint application pursuant to Section 3 of the Natural Gas Act (NGA) and DOE Delegation Order No. 0204-127, requesting that the authorizations to import Canadian natural gas previously granted to Midwestern be transferred to Viking. Viking would accept all terms and conditions under the import authorizations and the transfer would not result in a change in the provisions of Midwestern's current gas supply arrangements.

Viking, a Delaware corporation with its principal place of business in Houston, Texas, is a wholly owned subsidiary of Midwestern, which is in turn, a wholly owned subsidiary of Tennessee Gas Pipeline Company (Tennessee). The parent corporation for these related businesses is Tenneco Inc.

Midwestern is an interstate natural gas pipeline corporation which owns and operates two separate natural gas pipelines, a Northern System and a Southern System. The Northern System imports all of its gas supply from Canada and extends southeasterly from the Canadian border near Emerson, Manitoba, through Minnesota, North Dakota, and Wisconsin where the gas is sold for resale. In contrast, the Southern System originates in Tennessee, and stretches in a northwesterly direction through Kentucky and Indiana before terminating near Joliet, Illinois. Virtually all of the Southern System's gas supply is obtained from Tennessee.

In 1988, Midwestern formed Viking so that its Northern and Southern Systems would be operated through separate corporate entities. On April 6, 1989, the Federal Energy Regulatory Commission¹ authorized Viking to acquire and operate Midwestern's Northern System. Viking will assume Midwestern's rights and obligations under Midwestern's service agreements and Midwestern's supply arrangements.

In the present application Midwestern is proposing to transfer its import authorizations attendant to the Northern System to Viking.

Midwestern is currently authorized to import a total quantity of 380,560 Mcf of gas per day from TransCanada PipeLines Ltd. (TransCanada) under four gas purchase contracts. The long-term authorizations were granted to Midwestern by the Federal Power Commission (FPC) in Opinion No. 577, issued April 30, 1970,^{2/} and the ERA by order issued in Docket No. 78-0009-NG on November 9, 1979,^{3/} and in Opinion and Order No. 57A, issued April 18, 1985.^{4/} In addition, the ERA issued Opinion and Order No. 113 on March 21, 1986,^{5/} granting Midwestern authority to import up to 200 Bcf of Canadian gas over a two-year period, beginning on the date of first delivery. Midwestern has not commenced deliveries under this authorization.

Viking and Midwestern assert that the Northern and Southern Systems are physically separated and face different commercial demands and climatic conditions. As a result, they contend that the two systems call for different managerial, operational, and regulatory approaches. Separate ownership would structure the legal relationship between the Northern System and its customers to reflect the actual economic relationship.

To transfer ownership and control of the Northern System to Viking, it is necessary to transfer Midwestern's import authorizations attendant to the Northern System to Viking. Viking and Midwestern assert that this transfer of import authorizations is not inconsistent with the public interest and should be approved.

A notice of this application was issued on May 9, 1989, inviting protests, motions to intervene, notices of intervention, and comments to be filed by June 1, 1989.^{6/} Motions to intervene without comment or request for additional procedures were filed by Western Gas Marketing Limited and ANR Pipeline Company. This order grants intervention to these movants.

II. Decision

The application filed by Midwestern and Viking has been evaluated to determine if the proposed import arrangement meets the public interest requirements of Section 3 of the NGA. Based on the application, the only significant change represented by this joint petition is the proposed transfer of the import authority from Midwestern to Viking. TransCanada would remain the supplier of the gas and the contractual terms and volumes imported would remain the same. Accordingly, the competitiveness of the import arrangements, need, and security of supply are not issues to be considered in this particular case. The single relevant issue in this case is the impact of the transfer of the import authority on Midwestern's customers.

Midwestern and Viking contend that the proposed transfer of import authorizations is not inconsistent with the public interest. This contention is uncontested. The firms assert that with the transfer, they would be able to

structure the legal relationship between the affected customers and the interstate natural gas pipeline that serves those customers in a manner that more accurately reflects the actual economic relationship. Further, according to the applicants, the proposed transfer would permit regulatory treatment of the two systems to be more sharply focused. For these reasons, they contend, the proposal fosters reliable and economical natural gas service.

The uncontested proposed transfer of Midwestern's import authorizations to Viking is part of an effort by Midwestern to improve its operational efficiency. The Midwestern authorizations would be transferred to its wholly owned subsidiary, Viking. Viking will succeed Midwestern as buyer under the contracts underlying the authorizations. In no other respect will the terms and conditions of these contracts change. Only the identity of the importer will change. Further, Viking and Midwestern do not seek to construct any facilities. We find no evidence that the proposed transfer of Midwestern's import authorizations to Viking would have a negative impact on Midwestern's customers.

After taking into consideration all of the information in the record of this proceeding, I find that transferring Midwestern's authorizations to import natural gas from Canada to Viking is not inconsistent with the public interest.

ORDER

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

A. Viking Gas Transmission Company (Viking) is authorized to continue importing natural gas under authorizations granted to Midwestern Gas Transmission Company (Midwestern). The orders in FPC Docket Nos. G-18313 et al., CP66-121, CP70-25, and CP79-76, and in ERA Docket Nos. 77-004-NG, 78-009-NG, 81-32-NG, and 86-03-NG are amended to substitute Viking for Midwestern.

B. Except as modified by paragraph A, all terms and conditions in the outstanding FPC and ERA orders authorizing Midwestern to import natural gas from Canada as set forth above shall remain in effect.

C. This Opinion and Order shall become effective as of the date of the transfer of ownership and control of the Northern System of Midwestern to Viking. Midwestern shall notify the Office of Fuels Programs, Fossil Energy, FE-50, Room 3F-056, 1000 Independence Avenue, S.W., Washington, D.C. 20585, within 10 days of the date of the transfer.

Issued in Washington, D.C., June 19, 1989.

--Footnotes--

1/ FERC Docket No. CP88-679-000.

2/ 43 FPC 635.

3/ unpublished.

4/ 1 ERA Para. 70,592

5/ 1 ERA Para. 70,635.

6/ 54 FR 21280, May 17, 1989.