

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

_____)
CENTRA GAS MANITOBA) FE DOCKET NO. 90-84-NG
_____)

ORDER APPROVING LONG-TERM AUTHORIZATION
TO EXPORT NATURAL GAS TO CANADA AND
GRANTING INTERVENTION

DOE/FE OPINION AND ORDER NO. 573

DECEMBER 31, 1991

I. BACKGROUND

On September 25, 1990, as supplemented June 7 and June 17, 1991, ICG Utilities (Manitoba) Ltd. (ICG) filed an application with the Office of Fossil Energy (FE) of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA) and DOE Delegation Order Nos. 0204-111 and 0204-127, requesting authorization to export up to 13.5 Bcf of natural gas to Canada over a term beginning on the date of first delivery through March 31, 1995. Effective January 31, 1991, ICG changed its name to Centra Gas Manitoba (Centra). In order to implement a November 1, 1990, gas sales contract with Coastal Gas Marketing Company (Coastal), Centra, a Canadian corporation, intends to use existing pipeline facilities in the United States to export gas by backhaul 1/ to TransCanada PipeLines Limited (TransCanada). TransCanada would then deliver the backhaul volumes to Centra near Winnipeg, Manitoba. Coastal, a natural gas marketing company and a Delaware corporation located in Houston, Texas, has arranged for the storage and backhaul transportation of natural gas on the systems of ANR Pipeline Company (ANR) and Great Lakes Gas Transmission Company (Great Lakes). Great Lakes interconnects with ANR in central Michigan and crosses northern

1/ The America Gas Association defines backhaul as a transaction that results in a direction opposite of the aggregate physical flow of gas in the pipeline. This is typically achieved when the transporting pipeline redelivers gas at a point(s) upstream from the point(s) of receipt. A backhaul condition will exist as long as the aggregate backhaul transactions total less than the aggregate forward haul transactions. A backhaul transaction can result in a delivery by non-delivery or cut back (reduction) of physical flow at a delivery point.

Michigan, Wisconsin, and Minnesota before interconnecting with TransCanada's facilities near Emerson, Manitoba.

The gas will be constructively exported at Emerson and will not involve, Centra points out, any physical movement of gas across the border at that point. Coastal will deliver the gas it sells to Centra to storage facilities owned by ANR at Farwell, Michigan. Centra's gas will be backhauled from Farwell, by displacement on Great Lakes, to Emerson, from where it will be further backhauled by TransCanada.

According to the application, the gas sales contract between Centra and Coastal provides for delivered service at Emerson under a two-part price consisting of a demand and commodity charge. The demand charge, a two or three-part charge depending on the contract year and volumes nominated by Centra, would not exceed \$.27 per MMBtu for the first year. The commodity charge consists of a gas charge tied to average spot gas prices, plus a carrying charge to reflect inventory costs and a transportation charge for firm transportation from receipt point to delivery point. Coastal has entered into separate contracts with ANR for storage and transportation and Great Lakes for backhaul transportation.

In support of its application, Centra maintains that, since the price for the backhaul gas is market-based, there is a presumption there is no domestic need for the gas. In addition, Centra submits that granting its application would be in the public interest since it advances the DOE's policy goals of

reducing trade barriers and promoting reliance on free market forces to achieve a more competitive crossborder trade.

A notice of the application was issued on July 24, 1991, inviting protests, motions to intervene, notice of intervention and comments to be filed by August 29, 1991. 2/ Motions to intervene without comment were filed by TransCanada, Great Lakes and Western Gas Marketing Limited (WGM). This order grants intervention to these movants.

II. DECISION _____

The application filed by Centra has been evaluated to determine if the proposed export arrangement meets the public interest requirements of section 3 of the NGA. Under section 3, an export must be authorized unless there is a finding that it "will not be consistent with the public interest." 3/ In reviewing natural gas export applications, domestic need for the natural gas to be exported is considered, and any other issues determined to be appropriate in a particular case.

Centra's uncontested export proposal, as set forth in the application, is consistent with section 3 of the NGA and DOE's international trade policy. The export price will be market-based and the arrangement, by giving Centra practical "access" to U.S. storage facilities, will reduce trade barriers between the U.S. and Canada and encourage the efficient transportation and storage of natural gas. In addition, the export will provide

2/ 56 FR 36055, July 30, 1991.

3/ 15 U.S.C. 717b.

marketing opportunities for U.S. producers. Accordingly, after taking into consideration all of the information in the record of this proceeding, I find that authorizing Centra authorization to export up to 13.5 Bcf of natural gas to Canada over a term beginning on the date of first export through March 31, 1995, is not inconsistent with the public interest. 4/

ORDER

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

A. Centra Gas Manitoba (Centra) is authorized to export to Canada up to 13.5 Bcf of natural gas beginning on the date of first delivery through March 31, 1995, in accordance with the provisions of Centra's supply and transportation agreements with Coastal Gas Marketing Company and TransCanada PipeLines Limited which were described in the application filed in this proceeding and are discussed in this Opinion and Order.

B. This natural gas is authorized for export by backhaul, as proposed by Centra, at the international border near Emerson, Manitoba, (Noyes, Minnesota) through the existing pipeline facilities of Great Lakes Gas Transmission Company.

4/ Because the proposed exportation of gas will use existing facilities, DOE has determined that granting this application is not a major 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. See 40 CFR 1508.4 and 54 FR 12474 (March 27,
1989).

C. The authorization is effective immediately and shall continue through March 31, 1995.

D. Centra shall notify the Office of Fuels Programs (OFP), Fossil Energy, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, in writing of the date of initial deliveries of natural gas exported under Ordering Paragraph A above within two weeks after deliveries begin.

E. With respect to the exports authorized by this Opinion and Order, Centra shall file with OFP, within 30 days following each calendar quarter, quarterly reports showing by month, the total volume of natural gas exported by backhaul in Mcf and the average purchase price information shall be reported separately, including a demand/commodity/reservation charge breakdown on a monthly and per unit (MMBtu) basis. If no exports have been made, a report of "no activity" for that calendar quarter must be filed. Failure to file quarterly reports may result in termination of this authorization.

F. The first quarterly report required by paragraph E of this order is due not later than April 30, 1992, and should cover the period from the date of this order until the end of the current calendar quarter March 31, 1991.

G. The motions to intervene filed by Great Lakes, TransCanada and WGM are hereby granted specifically set forth in their motions to intervene and not herein specifically denied, and that admission of these interventions shall not be construed

as recognition that they may aggrieved because of any order issued in this proceeding.

Issued in Washington, D.C., December 31, 1991.

Clifford P. Tomaszewski
Acting Deputy Assistant Secretary
for Fuels Programs
Office of Fossil Energy