

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

_____)
MICHIGAN CONSOLIDATED GAS COMPANY) FE DOCKET NO. 91-88-NG
_____)

ORDER EXTENDING AUTHORIZATION TO IMPORT NATURAL GAS
FROM CANADA, REVOKING EMERGENCY INTERIM ORDER,
AND GRANTING INTERVENTION

DOE/FE OPINION AND ORDER NO. 587

FEBRUARY 28, 1992

I. BACKGROUND

On October 17, 1991, Michigan Consolidated Gas Company (Michcon) 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, to extend its authorization to import from Canada up to 50,000 Mcf of natural gas per day over a three-year period beginning on January 23, 1992, the day after its authority under DOE Order 96, as amended by Orders 135 and 296, was scheduled to expire. 1/

The import facilitates an energy exchange between MichCon and Esso Chemical Canada, a division of Imperial Oil Limited (Imperial). Under that exchange, Shell Western E&P (Shell) extracts ethane from natural gas sold to MichCon. The ethane is transported by Shell and Dome Petroleum Corporation to Canada where it is used as a feedstock in Imperial's Sarnia, Ontario, petrochemical plant. In exchange for the ethane, Imperial purchases a Btu equivalent volume of natural gas from TransCanada Pipelines Limited (TPCL). It is this gas that MichCon seeks authority to import, via the Great Lakes Gas Transmission Company pipeline, to MichCon's facilities in the United States. MichCon notes that the operational problems on its natural gas distribution system that require it to conduct this natural

1/ 1 ERA Para. 70,614 (December 20, 1985); 1 ERA Para. 70,658 (July 14, 1986); and 1 ERA Para. 70,837 (January 19, 1989).

gas/ethane exchange have not changed since MichCon filed its previous application. In that application, MichCon explained that a high level of ethane in its gas would prevent it from maintaining the stable Btu quality demanded by its industrial customers. Further, at times, a higher concentration of mercaptan sulphur remains with the ethane in the gas and causes an increase in the number of leak complaints, especially during the fringe heating months.

A notice of the application was published in the Federal Register on January 6, 1992, inviting protests, motions to intervene, notices of intervention and comments to be filed by February 3, 1992.² Since the comment period extended beyond the date MichCon's authorization, as most recently extended by Order 296, would expire, MichCon contacted DOE/FE on January 17, 1992, and requested emergency authority under 10 CFR 590.403 to continue to import natural gas. In an order issued on January 17, 1992, DOE extended MichCon's import authority on an interim emergency basis until the comment period in FE Docket No. 91-88-NG closed and a decision could be made on MichCon's October 17, 1991, application. On January 31, 1992, Great Lakes Gas Transmission Limited Partnership filed a motion to intervene. This Order grants intervention to the movant.

² 57 FR 406, January 6, 1992.

II. DECISION

MichCon's application to extend its import authority has been evaluated to determine if the proposed import arrangement meets the public interest requirements of section 3 of the NGA. Under section 3, an import must be authorized unless there is a finding that it "will not be consistent with the public interest." 3/ This determination is guided by DOE's natural gas import policy guidelines 4/, under which the competitiveness of an import in the markets served is the primary consideration for meeting the public interest test.

MichCon's uncontested import proposal, as set forth in the application, is consistent with section 3 of the NGA and DOE import policy. As MichCon notes, the energy exchange arrangement was freely negotiated by the participating parties, MichCon incurs no additional cost above what it pays Shell for the domestic natural gas prior to the exchange, and the natural gas is imported on existing facilities. Further, as MichCon explains in both its October 17, 1991, application and its January 16, 1992, request for an emergency interim authorization, the energy exchange is essential if MichCon is to provide a uniform quality of gas to its customers, especially those customers that require a stable Btu content for their industrial processes.

After taking into consideration all of the information in the record of this proceeding, I find that extending MichCon's

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

4/ 49 FR 6684, February 22, 1984.

authority to import from Canada up to 50,000 Mcf of natural gas per day, over a three-year term ending January 22, 1995, is not inconsistent with the public interest 5/.

ORDER

For 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, issued to Michigan Consolidated Gas Company (MichCon) on December 20, 1985, as amended by DOE/ERA Opinion and Order Nos. 135 and 296, is further extended to authorize MichCon to import from Canada up to 50,000 Mcf per day of natural gas through January 22, 1995, pursuant to the provisions of the energy exchange agreements with Esso Chemical Canada and Shell Western E&P Inc.

B. This natural gas may be imported at a point on the U.S.-Canadian border near Emerson, Manitoba, where existing facilities are located.

C. With respect to the natural gas imports authorized by this Order, the applicant shall file with the Office of Fuels Programs, Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, within 30 days following each calendar quarter, quarterly reports

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

indicating whether imports of natural gas have been made, and if so, giving by month, the total volume of the imports in Mcf. If no imports 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.

D. The first quarterly report required by Ordering Paragraph C 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, 1992.

E. The emergency interim authority granted to Michigan Consolidated Gas Company in DOE Order No. 575 is hereby revoked.

F. The motion to intervene filed by Great Lakes Gas Transmission Limited Partnership is hereby granted provided that its participation shall be limited to matters specifically set forth in their motion to intervene and not herein specifically denied, and that admission of this intervenor shall not be construed as recognition that it is aggrieved because of any order issued in this proceeding.

Issued in Washington, D.C., on February 28, 1992.

Charles F. Vacek
Deputy Assistant Secretary
for Fuels Programs
Office of Fossil Energy