

to connect MIDCO's well to Northern Natural's system. Construction commenced July 18, 1985 and was completed and the line tied in on July 29, 1985.

CLARCO's agreement to purchase gas from MIDCO, the separate written agreement to sell the gas to Northern Gas Marketing, and its substantial expenditures in reliance thereon prior to October 9, 1985 demonstrate sufficient economic substance to satisfy the revised standard. However, the information submitted thus far does not show that the transaction was of a type which qualifies for transitional treatment. Accordingly, prior to final resolution of the rehearing petitions, CLARCO will be given a further opportunity to make this threshold showing by submitting a copy of an agreement executed on or before October 9, 1985 evidencing the destination or use of the gas with respect to the transportation leg for which transitional treatment is sought.

North Central Public Service Company

On April 3, 1986, North Central Public Service Co. (North Central), a local distribution company that serves parts of Minnesota and Iowa, requested a waiver in order to permit the transportation of gas out of storage.⁹

North Central states that on August 10, 1984, it entered into a transportation agreement with ANR Pipeline Company (ANR) providing for the transportation of natural gas incident to a storage arrangement between North Central and Michigan Consolidated Gas Company's Interstate Storage Division (MichCon). North Central's written transportation agreement with ANR provided for transportation service pursuant to section 311 of the Natural Gas Policy Act for a two-year term, the maximum allowable under § 284.102(b)(1) of the Commission's Regulations. Prior to the commencement of transportation service, however, the parties verbally agreed that the term of service would be extended at the appropriate time¹⁰ for

an additional six months to coincide with the term of the storage arrangement. Service under the transportation agreement commenced on August 29, 1984. North Central's August 13, 1984 storage arrangement with MichCon provided that gas would be injected into storage over an eighteen-month period and then withdrawn from storage over a twelve-month period.

North Central further states that it paid ANR over \$278,000 for the transportation and delivery of gas to MichCon and over \$321,000 to MichCon for the injection and physical storage of the gas. North Central states that the payments were made after the written contract was executed and after the verbal agreement to extend the contract for an additional six months was made, but before October 9, 1985.

We previously have authorized transportation of gas from storage pursuant to a verbal agreement entered into prior to October 9, 1985, when the transportation from storage was part of a broader transportation agreement that was commenced prior to October 9, 1985 by transporting that same gas into storage.¹¹ In essence, what North Central and ANR have is a single transaction of transporting gas into storage and back out from storage. That transaction was commenced pursuant to a written transportation agreement executed prior to October 9, 1985, and the transportation itself was commenced prior to October 9, 1985.

Prior to October 9, 1985, and in reliance on both the written transportation agreement and the written storage agreement, North Central expended significant funds to purchase gas and transport it into storage. This satisfies the revised standard. North Central relied to its detriment upon the verbal agreement to transport the gas back out of storage. North Central would be precluded from retrieving its own gas from storage if the verbal agreement is not given effect. The six-month extension agreed to is within the parameters of extensions permitted under former § 284.105 of the Commission's regulations.

Accordingly, we grant North Central's request for waiver of the transitional provisions of § 284.105 of the regulations to the extent necessary to permit the transportation agreement between North Central and ANR to continue for an extended six-month period.

Endevco, Inc.

Leaf River Forest Products, Inc. owns a paper mill in Mississippi that uses propane and fuel oil as its fuel source. Because of the "turnaround in the natural gas market in the last few years," Leaf River has decided to convert to natural gas. To that end, Endevco¹² and Leaf River entered into negotiations in early 1985 whereby Endevco proposed to sell gas to Leaf River and to construct a pipeline in order to connect Leaf River's plant to United Gas Pipe Line Company.

In reliance on these negotiations, Endevco entered into an oral agreement with United on or about May 30, 1985, whereby United agreed to transport gas for Endevco's system supply under section 311 of the NGPA. Further, on July 24, 1985, Endevco executed a written agreement to purchase gas in Texas from Anatole Exploration, Inc. Endevco has also secured gas supplies from other producers for sale to Leaf River.

In order to connect Anatole's wells to United's system, Endevco constructed two miles of gathering lines at an estimated cost of \$200,000. Construction was completed in August 1985, i.e., after the sales agreement was executed and in reliance thereon. The gas supplies obtained from the other producers would be delivered into United's system through three existing connections.

The gas purchase contract between Endevco and Anatole Exploration, and Endevco's subsequent expenditures to connect Anatole's wells to United's system prior to October 9, 1985, satisfies the revised standard. The waiver request is granted.

Trinity Pipeline Company

In September 1985, Trinity, an intrastate pipeline, orally agreed to sell up to 5,000 Mcf of gas per day to a local distribution company in Texas. In late September 1985, ANR Pipeline Company orally agreed to transport gas under section 311 of the NGPA from a producer in Texas to Trinity. A written transportation agreement was executed on October 8, 1985.

By October 3, 1985, and prior to the execution of a written transportation contract, Trinity had ordered equipment, had surveyed a right-of-way, and had constructed some facilities in order to carry out this transaction. Trinity spent

⁹ On February 28, 1986, North Central filed a similar request for waiver to permit the transportation of gas out of storage to meet immediate winter heating season requirements for the February 27 to March 31, 1986 period. We dismiss North Central's first request as moot.

¹⁰ Section 284.106(c) of the Commission's regulations in effect at the initiation of the transportation agreement provided that extension reports be filed not less than ninety days prior to the expiration of a contract for the transportation of gas authorized under § 284.102(a). To extend ANR's transportation agreement with North Central under the former regulations, the filing of an extension report would have been required in May, 1986. Prior to that date, however, the Commission issued Order No. 436. Extension reports are not needed or required for the transactions under Order No. 436.

¹¹ Regulation of Natural Gas Pipelines After Partial Wellhead Decontrol (Valley Gas Company), 33 FERC ¶ 61,302 (issued November 27, 1985), 50 FR 51,844.

¹² Endevco owns and operates several intrastate pipeline systems in various states, including Mississippi. Endevco states that its facilities and operations within Mississippi are exempt from regulation under either section 1(b) or 1(c) of the Natural Gas Act.