Cited as "1 ERA Para. 70,534"

Vermont Gas Systems, Incorporated (ERA Docket No. 80-15-NG), July 2, 1981

DOE/ERA Opinion and Order No. 34

Order Authorizing Increased Importation of Natural Gas from Canada

[Opinion and Order]

I. Background

On May 30, 1980, Vermont Gas Systems, Inc. (Vermont), under Section 3 of the Natural Gas Act (NGA), filed an application with the Economic Regulatory Administration (ERA) for authorization to increase its importation of natural gas from Canada by 500 Mcf per day. Vermont seeks to amend its current importation authorization by increasing its maximum daily volume from 20,700 Mcf to 21,200 Mcf effective November 1, 1981.1/

Vermont imports its entire natural gas supply from TransCanada Pipeline Ltd. (TransCanada) with delivery at the international boundary, near Highgate Springs, Vermont.2/ Vermont sells and distributes its entire natural gas supply within the State of Vermont, serving nine communities in Northwestern Vermont.

The additional import volumes will be delivered through existing facilities and no new facilities will be constructed.3/ Vermont proposes to pay the current authorized border price of U.S. $4,94 per MMBtu for this gas.4/

On April 21, 1981, Vermont filed a motion for ERA to issue expeditiously an order granting the authorization. On May 7, 1981, the Vermont Department of Public Service (VDPS), as part of its notice of intervention, responded in support of the motion. No other answers or responses to the motion were received. This order responds to Vermont's application and motion.

On April 29, 1981, Vermont, under the provisions of 18 CFR Section 153.8, filed on an informational basis an Amending Agreement, dated March 25, 1981, between TransCanada and Vermont. The agreement amends the take-or-pay provision of Vermont's Gas Purchase Contract by making it applicable only after Vermont purchases volumes in excess of 10 Bcf per contract year. If Vermont were to take 21,200 Mcf per day for an entire contract year, it could import only slightly more than 3.7 Bcf.

II. Intervention and Comment

Notice of receipt of Vermont's application was published in the Federal Register on June 26, 1980 (45 FR 43246). In that notice, ERA solicited comments, protests, petitions to intervene, and notices of intervention. None were received during the specified filing period.

However, on May 7, 1981, the VDPS filed a notice of intervention out of time. Due to the clear interest of the VDPS in this proceeding, its notice of intervention is accepted. In its filings, the VDPS supports Vermont's application and states that "Canadian gas imports are more secure and more reliable than the primary alternative for residential and commercial consumers in the State of Vermont--imported oil." In addition, the VDPS concludes that "[f]avorable and prompt action upon this application is a vital interest to the Department."

III. Decision

In accordance with our responsibility under Section 3 of the Natural Gas Act, we have evaluated Vermont's request to import additional volumes of natural gas and find that on balance such import is not inconsistent with the public interest and should be authorized. This determination was made in view of the circumstances present in this case which override our unresolved concerns about increased dependency on imported natural gas by U.S. purchasers.

Vermont currently obtains its entire system supply of natural gas from a single Canadian exporter. Vermont has previously indicated that it has neither a practical means of obtaining any gas supplies from domestic sources nor a contingency plan for other gas supplies.5/ The closest domestic source of natural gas is owned by Tennessee Natural Gas Pipeline Company at a point of potential interconnection 144 miles south of Vermont's pipeline system. Vermont states the capital and annual costs of service would render the construction of a pipeline and related facilities necessary to reach a point of interconnection with Tennessee unreasonable.

Our concern about increased reliance on Canadian natural gas has been raised previously in consolidated ERA Docket Nos. 80-01-NG, et al., Inter-City Minnesota Pipelines Ltd., Inc., et al.6/ Because this issue and other issues raised in Docket Nos. 80-01-NG, et al. may be more appropriately considered in bilateral discussions with Canadian officials, ERA suspended final resolution of the consolidated dockets until after government-to-government talks.7/

In its application, Vermont states that the additional volumes are "required to meet expected growth in Vermont's market requirements and to compensate to some extent for the reduction in the minimum total heating value of the gas delivered." In its April 21, 1981 motion, Vermont indicates that the portion of the increased import volume to meet growth in market requirements will be used to serve "new residential and commercial customers."

In examining this application, we have given substantial weight to the VDPS view that supplies of Canadian gas are an important source of energy in Vermont and "more secure and more reliable than the primary alternative for residential and commercial consumers in the State of Vermont--imported oil." This assessment by the state planning agency charged with the responsibility of ensuring "the continuity of utility service on reasonable terms" is highly significant. Because all the gas at issue will be sold and consumed within the State of Vermont, the VDPS is clearly in a position to assess carefully the need for this gas, as well as the possible risks associated with dependence on imported gas supplies.

In view of the small volume of gas requested, the VDPS' concurrence in Vermont's intention to serve new customers, and the need to use some of the gas for heating value adjustment, our concern about Vermont's increased dependency on imports has been mitigated. In addition, the recent contract amendment effectively exempting Vermont from any take-or-pay obligation for the foreseeable future will eliminate one of our other primary concerns about natural gas imports. Therefore, we find the authorization sought by Vermont is not inconsistent with the public interest.

Nevertheless, we have strong reservations about authorizing growth in the volume of natural gas imported by a company with no alternate gas supply or contingency plan to deal with even a temporary interruption of its imported gas supply, such as is the case with Vermont. Because this and other issues with respect to Canadian imports raised by ERA in earlier proceedings and applicable to all of Vermont's gas imports remain before us, we are specifically reserving the right to take additional action in this docket should the need arise in the future. Accordingly, the parties are hereby placed on notice that any conditions subsequently adopted may be applied retroactively to the date of approval of this import if necessary and appropriate in the circumstances.

Order

For the reasons set forth above, ERA hereby orders that:

A. Pursuant to Section 3 of the Natural Gas Act, the Order of the

Federal Power Commission, dated January 30, 1976, in its Docket No. CP-76-100 with respect to Vermont Gas Systems, Inc. (Vermont) is hereby amended to authorize Vermont to import a total of up to 21,200 Mcf of natural gas per day beginning November 1, 1981, from Canada.

B. Pursuant to Section 3 of the Natural Gas Act, Vermont is hereby authorized to import the volumes specified in Paragraph A above at a unit price not to exceed U.S. $4.94 per MMBtu (U.S. $4.17 per GJ).

C. Pursuant to Section 3 of the Natural Gas Act, the authorization granted herein is subject to such conditions as may result from further proceedings in this case. Applicants and intervenors in this proceeding shall be bound by opinions and orders issued in further proceedings in this case.

Issued in Washington, D.C. on July 2, 1981.

--Footnotes--

1/ Vermont's current maximum daily import authorization was established by order of the Federal Power Commission, issued on January 30, 1976, in FPC Docket No. CP76-100.

2/ TransCanada is authorized under the National Energy Board of Canada License GL-19 to export a maximum daily volume of 600,000 cubic meters (21,200 Mcf). In accordance with an amending agreement dated April 29, 1980, to its Gas Purchase Contract with TransCanada, Vermont is eligible to purchase up to 21,200 Mcf daily beginning on November 1, 1981.

3/ DOE has determined that granting authorization to import the requested volumes of natural gas is not a Federal action significantly affecting the quality of the 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.

4/ In DOE/ERA Opinion and Order No. 29, issued March 27, 1981, in ERA Docket Nos. 81-09-NG, et al., Pacific Gas Transmission Company, et al., ERA found that the current border price of U.S. $4.94 per MMBtu for Canadian natural gas was reasonable and not inconsistent with the public interest.

5/ See Prepared Direct Testimony of Raymond A. Ransom, dated August 22, 1980, submitted in ERA Docket Nos. 80-01-NG, et al., Inter-City Minnesota Pipelines Ltd., Inc., et al. and also appended to Vermont's April 21, 1981 motion in this docket.

6/ See DOE/ERA Opinion and Order Nos. 14, issued February 16, 1980 (1 ERA Para. 70,502), 14A, issued April 1, 1980 (1 ERA Para. 70,507), 14B, issued May 15, 1980 (1 ERA Para. 70,508), and Prehearing Order, issued July 9, 1980 (1 ERA Para. 70,505).

7/ See DOE/ERA Order Suspending Consideration of Import Cases Pending Outcome of Inter-Governmental Discussions, issued on December 16, 1980, in Docket Nos. 80-01-NG, et al., Inter-City Minnesota Pipelines Ltd., Inc., et al.

Appendix

Vermont Gas Systems, Inc.
ERA Docket No. 80-15-NG

Applicant	Represented By
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