

Cited as "1 ERA Para. 70,572"

The Washington Water Power Company, (ERA Docket No. 84-10-NG), October 31, 1984.

DOE/ERA Opinion and Order No. 62

Order Granting Authorization to Import Natural Gas from Canada

I. Background

On September 14, 1984, The Washington Water Power Company (Washington Water Power) filed an application with the Economic Regulatory Administration (ERA) of the Department of Energy (DOE), pursuant to Section 3 of the Natural Gas Act, to import up to 15,000 Mcf per day of Canadian natural gas for a term of two years from November 1, 1984, through October 31, 1986. Washington Water Power, a combination electric and gas utility, entered into a contract with Amoco Canada Petroleum Company Ltd. (Amoco Canada) of Calgary, Alberta, Canada, to obtain the gas at a price of \$2.70 (U.S.) per MMBtu. The applicant is obligated to take or pay for approximately 40 percent of maximum daily quantities, provided adequate pipeline capacity is available. The agreement would allow the parties to extend the contract for additional one-year periods on the condition that the contract price is redetermined 60 days prior to the beginning of any additional period.

Washington Water Power, whose principal place of business is in Spokane, Washington, intends to sell the gas to one industrial and two institutional customers located in northeastern Washington State. Westcoast Transmission Co., Ltd. (Westcoast) would transport the gas from Amoco's Pointed Mountain Field in British Columbia to its interconnection with the facilities of Northwest Pipeline Corporation (Northwest) at the international border between Canada and the United States in the vicinity of Sumas, Washington. Northwest would then transport the gas to the applicant's service area in northeast Washington. Northwest holds a blanket certificate from the Federal Energy Regulatory Commission (FERC) to transport natural gas. Washington Water Power's existing distribution system will be used to complete the ultimate delivery of the gas.

According to the applicant, the proposed gas import will help reduce the fixed costs of its system by adding new, high-volume users to its base--an economic benefit to the existing 75,000 customers. In addition, no new facilities will be required to implement the proposed import.

Washington Water Power further asserts in its application that the gas is competitive and not inconsistent with the public interest. It supports this by comparing the current \$3.81 per MMBtu cost it pays to purchase gas from Northwest to the proposed rate, a difference of approximately \$1.11 (U.S.) per MMBtu. The \$2.70 per MMBtu price would also be \$0.55 per MMBtu lower than the composite cost of fuels the proposed new customers presently use. It is further asserted by Washington Water Power that the importation of Canadian gas will in no way impair its ability to continue rendering natural gas service at reasonable rates.

II. Interventions and Comments

A notice of Washington Water Power's application was issued on September 28, 1984.^{1/} The notice invited protests and petitions to intervene, which were to be filed by October 24, 1984. One timely petition to intervene was filed by Northwest, and one late notice of intervention was filed on October 06, 1984, by the Washington Utilities and Transportation Commission in support of the application. Northwest did not oppose granting the import authorization as long as the gas is used for the purposes stated by Washington Water Power. Furthermore, Northwest requested no additional procedures but merely intervened to protect its interest. However, Northwest did question Washington Water Power's ability to maintain the low cost of transportation service during the contract period. Northwest was of the opinion that it may not be able to transport gas to Washington Water Power under its FERC blanket certificate but may have to seek a case-specific authorization under Section 7(c) of the Natural Gas Act at higher rates than presently being charged. This order grants intervention to Northwest and to the Washington Utilities and Transportation Commission.

III. Decision

Washington Water Power's application has been evaluated in accordance with the Administrator's authority to determine if the proposed import arrangement meets the public interest requirements of Section 3 of the Natural Gas Act. Under Section 3, an import is to be authorized unless there is a finding that it "will not be consistent with the public interest."^{2/} The Administrator is guided by the Secretary of Energy's policy relating to the regulation of natural gas imports.^{3/} Under these policy guidelines, the competitiveness of an import arrangement in the markets served is the primary consideration for meeting the public interest test. The need for the import and the security of the import supply are other considerations.

Washington Water Power's arrangement comports with this public interest

test. The terms and conditions of the contract between Washington Water Power and its supplier, Amoco Canada, are flexible and provide assurance that the imported gas will remain competitive over the contract period. The volumes will be imported on a short-term basis and at a proposed rate substantially less than the \$3.81 per MMBtu currently charged the applicant by Northwest. Under the contract the parties are required to redetermine the price prior to any extension of the contract term. These and the other contract terms and conditions, taken together, demonstrate that the arrangement is competitive.

As set forth in the gas import policy statement, the question of the need for an import is answered by its competitiveness. The security of this import supply is not a major issue as the gas is to be purchased on a short-term basis. Washington Water Power has also demonstrated that its supply of natural gas would be reliable inasmuch as its annual requirement is insignificant compared to Amoco Canada's estimated 58 Bcf of recoverable reserves. Finally, the proposed import involves only existing facilities.

After taking into consideration all information in the record of this proceeding, I find that the authorization requested by Washington Water Power is not inconsistent with the public interest and thus should be granted.^{4/}

Order

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

A. Washington Water Power is authorized to import up to 15,000 Mcf of Canadian natural gas per day for a two-year period beginning on the date of first delivery, and to continue thereafter on a year-to-year basis until terminated by either party, or until a maximum of 11 Bcf has been imported, whichever occurs first, in accordance with the pricing and other provisions established in the contract submitted as part of its application.

B. Washington Water Power shall notify the ERA in writing of the date of first delivery within two weeks after deliveries begin.

C. Washington Water Power shall file with the ERA the terms of any renegotiated price that may become effective after the initial 24-month period within two weeks after its effective date.

D. The petitions for leave to intervene, as set forth in this Opinion and Order, are hereby granted, subject to such rules of practice and procedures as may be in effect, provided that participation of the intervenors

shall be limited to matters affecting asserted rights and interests specifically set forth in their petition for leave to intervene and not herein specifically denied, and that the admission of such intervenors shall not be construed as recognition that they might be aggrieved because of any order issued in these proceedings.

Issued in Washington, D.C., October 31, 1984.

--Footnotes--

1/ 49 FR 39210, October 4, 1984.

2/ 15 U.S.C. Sec. 717b.

3/ 49 FR 6684, February 22, 1984.

4/ Because the proposed importation of gas will use existing pipeline facilities, DOE has determined that granting this application 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.