

Cited as "1 ERA Para. 70,576"

St. Lawrence Gas Company, Inc. (ERA Docket No. 84-13-NG), December 3, 1984.

DOE/ERA Opinion and Order No. 64

Order Authorizing an Increase in the Daily Volumes of Natural Gas Imported from Canada

I. Background

On October 10, 1984, St. Lawrence Gas Company, Inc. (St. Lawrence) filed an application to amend its existing import authorization to increase its maximum daily volumes of natural gas to be imported from 43,000 Mcf to 50,000 Mcf during its contract year ending October 31, 1985. St. Lawrence is an intrastate distribution system serving residential, commercial, and industrial customers in St. Lawrence County, New York, near the Canadian border. The gas will be imported from Niagara Gas Transmission Limited (Niagara) on an interruptible, best-efforts basis at a price of \$4.40 (U.S.) per MMBtu.

Under its current authorization granted in DOE/ERA Opinion and Order No. 33,1/ St. Lawrence may import up to 9.7 Bcf of natural gas on an annual basis and a daily maximum of 43,000 Mcf from an affiliate, Niagara, a Canadian corporation which purchases its gas from TransCanada PipeLines Limited (TransCanada).

In its application, St. Lawrence furnished a copy of an agreement dated August 29, 1984, in which TransCanada agreed to supply Niagara up to 10,000 Mcf per day of additional gas on an interruptible, best-efforts basis for the contract year ending October 31, 1985. The contract provides for a maximum volume of approximately 200,000 Mcf of additional gas, and is designed specifically to accommodate the additional daily volumes requested by St. Lawrence. No other provisions of the existing import authorization are changed.

St. Lawrence retains its ability under its existing contract to take any daily volume up to the contract maximum without penalty and continues to have no take-or-pay or minimum annual bill obligations. Volumes will be purchased from Niagara at \$4.40 (U.S.) per MMBtu unless the gas qualifies for the Volume Related Incentive Price (VRIP) at \$3.40 (U.S.) per MMBtu.

St. Lawrence asserts that the improved marketability of its gas in relation to alternative fuels, primarily imported fuel oil, has demonstrated a

need for increased daily volumes to fully satisfy all its customers' anticipated demands during the coming year. Further, the applicant states that under its current approved method of monthly volume allocation for the Canadian VRIP program, the requested increased daily volumes can be expected to increase the volumes to which the lower \$3.40 per MMBtu price can be applied, resulting in greater savings to its customers. The applicant asserts that this could result in an average unit cost of gas lower than \$4.40 (U.S.) per MMBtu for those months in which takes exceed the pertinent base quantity.

In support of its application, St. Lawrence states that the requested increase in the authorized daily maximum would enable it to satisfy fully the demands for firm service and for expanded interruptible load when supplies are available during the forthcoming contract year. The applicant asserts that, due to increased marketability of its gas in its service area, it estimates that, unless the requested increase in daily volumes is authorized, it will be required to curtail service to interruptible customers during possibly 15 to 20 days of the 1984-85 winter heating season. Without the proposed increase, those interruptible customers are likely to shift to imported fuel oil at approximately \$5.13 per MMBtu equivalent (compared to about \$4.32 per MMBtu for gas) during the curtailment period and possibly beyond.

II. Interventions and Comments

Notice of St. Lawrence's application was issued on October 16, 1984, and published in the Federal Register on October 23, 1984,^{2/} inviting protests, motions to intervene, or notices of intervention and written comments. The notice provided a 30-day public response period ending November 23, 1984. No responses were received.

III. Decision

The St. Lawrence 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." ^{3/} The Administrator is guided by the Secretary of Energy's policy relating to the regulation of natural gas imports.^{4/} 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.

No single element of an import arrangement determines its

competitiveness. Rather, each arrangement is considered in its entirety. Here, the applicant only increases its authorized daily-take potential and will continue to incur no take-or-pay or minimum bill obligations in connection with this import. The volumes will be imported on a best-efforts, interruptible basis, and only to the extent that St. Lawrence needs such gas. This flexibility will ensure that the gas will only be imported when needed and if the price is competitive. Furthermore, this arrangement will enable St. Lawrence to meet the seasonal needs of all its customers including those with interruptible service. We note finally that the requested increased daily import requires the use of only existing transmission facilities.^{5/}

Overall, this import arrangement is reasonable, flexible and market competitive when viewed as a whole, and thus complies with the policy guidelines. Furthermore, no member of the public came forward to contend otherwise. St. Lawrence has satisfactorily demonstrated that its imported gas is competitive and that the requested increase in maximum authorized daily volumes will enable it to fully respond to the anticipated needs of its market.

After taking into consideration all information in the record of this proceeding, I find that the authorization requested by St. Lawrence is not inconsistent with the public interest and thus should be granted.

Order

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

A. Ordering paragraph A of DOE/ERA Opinion and Order No. 33 issued June 22, 1981, is hereby amended to authorize St. Lawrence Gas Company, Inc. (St. Lawrence) to increase the daily volumes of natural gas imported from Canada from 43,000 Mcf to no more than 50,000 Mcf per day during the period November 1, 1984 to October 31, 1985.

B. St. Lawrence is hereby authorized to import the volumes authorized in Ordering Paragraph A above at a unit price not to exceed \$4.40 (U.S.) per MMBtu.

Issued in Washington, D.C. on December 1, 1984.

--Footnotes--

1/ DOE/ERA Opinion and Order No. 33, issued June 22, 1981, in ERA Docket No. 80-11-NG, St. Lawrence Gas Company Inc., (1 ERA 70,532, Federal Energy

Guidelines).

2/ 49 FR 42615, October 23, 1984.

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

4/ 49 FR 6684, February 22, 1984.

5/ 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.