

Cited as "1 ERA Para. 70,584"

The Washington Water Power Company (ERA Docket No. 85-02-NG), February 15, 1985.

DOE/ERA Opinion and Order No. 71

Order Approving Amendment of Authorization to Import Canadian Natural Gas

I. Background

On January 8, 1985, The Washington Power Company (Washington Water Power) filed an application and motion for expedited consideration with the Department of Energy's (DOE) Economic Regulatory Administration (ERA) pursuant to Section 3 of the Natural Gas Act to amend the existing natural gas import authorization granted by the ERA on October 31, 1984, in Opinion and Order No. 62 (Order 62).¹ Order 62 authorized Washington Water Power to import from Amoco Canada Petroleum Company (Amoco Canada) up to 15,000 Mcf of natural gas per day until a maximum of 11 Bcf has been imported, for resale to one industrial and two institutional customers in eastern Washington State for a two-year period at an average weighted cost of \$2.70 (U.S.) per MMBtu.

Washington Water Power, a combination electric and gas utility located in Spokane, Washington, provides gas at retail to residential, commercial and industrial customers in eastern Washington and northern Idaho. The volumes it proposes to import would be transported for Amoco Canada by Westcoast Transmission Co., Ltd. (Westcoast) from British Columbia to the interconnection of Westcoast's facilities of Northwest Pipeline Corporation (Northwest) at the international border in the vicinity of Sumas, Washington. Northwest would then transport the gas to the applicant's service area in northeast Washington.

Washington Water Power filed this application to amend its current authorization in response to the Canadian National Energy Board's (NEB) disapproval of the application for an export license filed by Amoco Canada on October 31, 1984. The NEB denied Amoco Canada's request on December 24, 1984, on the grounds that the proposed export price of \$2.70 per MMBtu was below the Toronto city gate price set by the Canadian government as the minimum export price.

On January 3, 1985, Washington Water Power amended its agreement with Amoco Canada to establish a Canadian price of \$3.637 per gigajoule, equal to

about \$2.90 (U.S.) per MMBtu at the time of filing.^{2/} The price charged to two of the three customers, Fairchild Air Force Base and Northwest Alloys, Inc., (\$3.50 per MMBtu) would not change. The increase in price for the imported gas would result from eliminating Washington State University as a customer. According to Washington Water Power's original application,^{3/} Washington State University was the lowest priced service under the arrangement and would have accounted for nearly 38 percent of the authorized import volumes.

Under the amended contract with Amoco Canada, only aggregate volumes have been changed. The revised arrangement would require Washington Water Power to provide gas service to Northwest Alloys, Inc. and Fairchild Air Force Base at the same maximum daily and annual volumes and take-and-pay factors as before:

| Item | (Quantities in Mcf) | | Total |
|--|---------------------|----------------|-----------|
| | Fairchild 4/ | N.W. Alloys 5/ | |
| Annual contract quantities... | 400,000 | 1,200,000 | 1,600,000 |
| Contract year take-and-pay quantities... | 400,000 | 1,000,000 | 1,400,000 |
| Maximum daily rate ... | 2,500 | 4,100 | 6,600 |
| Daily take-and-pay factor ... | 1,100 | 2,740 | 3,840 |

As provided in the original contract, the amended agreement permits the parties to extend the contract for additional one-year periods. If the contract is extended, it requires the parties to redetermine the contract price 40 days prior to the beginning of any additional period. In the event they are unable to reach an agreement on price, the agreement will terminate effective October 31 of the applicable calendar year.

Another amendment to the agreement would give Washington Water Power the right to refuse to take the imported gas if the price were to become uneconomical. No other provisions were amended. The authorized import rate of up to 15,000 Mcf per day would remain unchanged.

In support of its application, Washington Water Power states that the gas import would be competitive and not inconsistent with the public interest. According to the applicant, importation of the gas will in no way impair its

ability to continue rendering natural gas service at reasonable rates. It demonstrates this by comparing the current \$3.81 per MMBtu it must pay Northwest to the amended price of \$2.90 (U.S.) per MMBtu it would pay Amoco Canada, a difference of approximately \$0.91 per MMBtu. Washington Water Power also contends that only existing facilities would be required to implement the proposed import. Therefore, no environmental impacts are anticipated.

Washington Water Power asserts that the elimination of service to Washington State University does not change the essential nature of its contract because the rate to the two remaining customers is still low enough to make service economical for those customers. It further states that none of the reasons given in support of its original application have changed.

Washington Water Power has requested that ERA expeditiously approve the amendment because one of its industrial customers, Northwest Alloys, has a critical and immediate need for the gas. Northwest Alloys has indicated that further delay of service would be unacceptable and, given its special circumstances, it may convert to coal if gas is not available soon. The ERA agreed to consider the application on an expedited basis.

II. Intervention and Comments

The ERA issued a notice of the application on January 14, 1985.⁶ The notice invited protests or petitions to intervene, which were to be filed by February 6, 1985. No comments were received.

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."⁷ The Administrator is guided by the Secretary of Energy's policy relating to the regulation of natural gas imports, and by Delegation Order No. 0204-111.⁸ Under the policy guidelines, the competitiveness of the import arrangement is the primary consideration for meeting the public interest test, with security of the supply and need being other considerations.

As previously concluded in Order 62, Washington Water Power's proposed arrangement for the import of Canadian gas is consistent with the competitiveness criterion. The agreement was freely renegotiated between Washington Water Power and its supplier and customers. The volumes will be

imported on a short-term basis, and Washington Water Power reserves the right to refuse gas deliveries if they become uneconomical. In eliminating service to Washington State University, the lowest priced of its three authorized customers, Washington Water Power raised its average imported gas cost from \$2.70 to about \$2.90 per MMBtu. In doing so, however, the original rate of \$3.50 per MMBtu that the two remaining customers will pay has not changed from the import arrangement originally authorized, nor have the annual gas purchase and take-and-pay obligations changed for those customers. The competitive price advantage which caused those customers to enter into the agreement remains.^{9/} Thus it is determined that this arrangement remains consistent with the policy guidelines.

After taking into consideration all information in the record of this proceeding, I find that the amended authorization requested by Washington Water Power is not inconsistent with the public interest and should be granted.^{10/}

Order

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

A. Ordering Paragraph A of DOE/ERA Opinion and Order No. 62 (Order 62), issued October 31, 1984, is hereby amended to authorize Washington Water Power 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 amended contract submitted as part of its application to amend its authorization.

B. Except as modified by Ordering Paragraph A, all other terms and conditions in Order 62 shall continue to apply to the imports authorized herein.

Issued in Washington, D.C., February 15, 1985.

--Footnotes--

1/ 49 FR 44523, November 7, 1984.

2/ 1 gigajoule = .95 MMBtu or approximately .95 Mcf.

3/ ERA Docket 84-10-NG, September 14, 1984.

4/ Fairchild Air Force Base is located near Spokane, Washington.

5/ The Northwest Alloys, Inc. plant is located near Addy, Washington.

6/ 50 FR 2712, January 18, 1985.

7/ 15 U.Q.C. Sec. 717b.

8/ 49 FR 6684, February 22, 1984.

9/ The commodity rate Washington Water Power pays to Northwest is \$3.81 (U.S.) per MMBtu compared to the Amoco Canada resale price of \$3.50 per MMBtu.

10/ 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.