

Cited as "1 ERA Para. 70,606"

Westcoast Resources, Inc. (ERA Docket No. 85-15-NG), September 27, 1985.

DOE/ERA Opinion and Order No. 89

Order Granting Blanket Authorization to Import Natural Gas from Canada

Background

On July 23, 1985, Westcoast Resources, Inc. (Westcoast) filed an application with the Economic Regulatory Administration (ERA) of the Department of Energy (DOE), pursuant to section 3 of the Natural Gas Act, for blanket authorization to import up to 50 Bcf per year of Canadian natural gas for two years, beginning on the date of the first delivery. The applicant, a corporation registered in the State of Delaware, is a wholly-owned subsidiary of Westcoast Petroleum Ltd., which, in turn, is a wholly-owned subsidiary of WTCL, a Canadian corporation which owns and operates an extensive natural gas pipeline and gathering system within the province of British Columbia.

Westcoast proposes to import gas supplied by WTCL and individual Canadian producers for direct sales to U.S. customers and to act as an agent for the sale of gas owned by others. The customers are expected to include gas distributors, pipelines, electric utilities and industrial and agricultural end-users. Westcoast would also act as a broker for U.S. gas purchasers and Canadian suppliers. The specific terms of each sale would be negotiated on an individual basis, including the price, volume, length of the arrangement, take-or-pay provisions and contract adjustment provisions.

The applicant proposes to file quarterly reports with the ERA. Each report would indicate for each month whether any transactions have been made and the details of such transactions including purchase and sales prices, volumes, any special contract price adjustments, duration of the agreements, ultimate sellers and purchasers, transporters, points of entry and markets served.

Westcoast asserts that no new pipeline facilities will be required in order to import the gas. The point of importation will be primarily at Sumas, Washington. Transportation will be provided by Northwest Pipeline Corporation and other pipeline and distribution systems to U.S. natural gas distributors or end users.

In support of its application, Westcoast asserts that the proposed

import will be competitive and is not inconsistent with the public interest. The terms of each sale arrangement will ensure the competitiveness of the import in the market being served. Westcoast maintains that it will not use the blanket authorization unless the gas is needed, competitive, and marketable in the market to be served. Also, it will not enter into contracts without assurances that the supply is reliable. The import will reduce unit transportation costs of pipeline systems and result in a greater sharing of fixed costs. Further, the import will provide an economical, interruptible natural gas supply to industry which will mean cost savings to U.S. industry.

The ERA issued a notice of the application on August 7, 1985, with protests, motions to intervene or comments to be filed by September 6, 1985.^{1/} Motions to intervene were filed by Cascade Natural Gas Corporation, Northwest Pipeline Corporation, Pacific Gas Transmission Company and Westcoast. With the exception of Westcoast, none of the intervenors expressed an opinion on the merits of the import proposal and none requested any further proceedings. Westcoast reiterated the position put forward in its application. This order grants intervention to all movants.

II. Decision

The application filed by Westcoast 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 DOE's natural gas import policy guidelines.^{3/} Under these guidelines, the competitiveness of an import arrangement in the markets served is the primary consideration for meeting the public interest test.

This application is similar to other blanket imports approved by the ERA.^{4/} The authorization sought would provide Westcoast with blanket import approval to negotiate and transact individual short-term, direct sale arrangements without further regulatory action.

The Westcoast arrangement for the import of Canadian gas, as set forth in the application, is consistent with the DOE policy guidelines. Further, no party objected to the proposed import. The fact that each spot sale will be voluntarily negotiated, short-term and market-responsive, as asserted in Westcoast's application, provides assurance that the transactions will be competitive. Under the proposed import, Westcoast customers will only purchase gas to the extent they need such volumes and the price is competitive. Thus, this arrangement will enhance competition in the market place.

After taking into consideration all the information in the record of this proceeding, I find that granting Westcoast blanket authority to import up to 50 Bcf annually of Canadian natural gas over a term of two years for sale in the domestic spot market is not inconsistent with the public interest.^{5/}

Order

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

A. Westcoast Resources Inc. (Westcoast) is authorized to import up to an annual volume of 50 Bcf of Canadian natural gas for a two-year period beginning on the date of first delivery.

B. Westcoast shall notify the ERA in writing of the date of first delivery of natural gas imported under Ordering Paragraph A above within two weeks after the date of such delivery.

C. With respect to the imports authorized by this order, Westcoast shall file with the ERA in the month following each calendar quarter, quarterly reports indicating, by month, whether sales have been made, and if so, giving the details of each transaction. The report shall include the purchase and sales price, volumes, any special contract price adjustments, take or make-up provisions, duration of the agreements, ultimate sellers and purchasers, transporters, points of entry, and markets served,

D. The motions to intervene as set forth in this Opinion and Order, are hereby granted, subject to the administrative procedures in 10 CFR Part 590, provided that participation of the intervenors shall be limited to matters specifically set forth in their motions 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. on September 27, 1985.

--Footnotes--

1/ 50 FR 31905, August 7, 1985.

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

3/ 49 FR 6684, February 22, 1984.

4/ See Cabot Energy Supply Corporation, 1 ERA Para. 70,124 (February 26, 1985); Northwest Alaskan Pipeline Company, 1 ERA Para. 70,585 (February 26, 1985); Tenngasco Exchange Corporation and LHC Pipeline Company, 1 ERA Para. 70,596 (May 6, 1985); Dome Petroleum Corporation, 1 ERA Para. 70,601 (July 0, 1985); and U.S. Natural Gas Clearinghouse, Ltd., 1 ERA Para. 70,602 (July 5, 1985).

5/ Because the proposed importation of gas will use existing pipeline facilities, DOE has determined that granting this application clearly is not a Federal Action significantly affecting the quality of the human 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.