

Cited as "1 ERA Para. 70,608"

Vermont Gas Systems, Inc. (ERA Docket No. 85-17-NG), October 15, 1985.

DOE/ERA Opinion and Order No. 91

Order Amending Authorization To Import Natural Gas From Canada

### I. Background

On August 23, 1985, Vermont Gas Systems, Inc. (Vermont Gas), filed an application with the Economic Regulatory Administration (ERA) of the Department of Energy (DOE) pursuant to Section 3 of the Natural Gas Act (NGA), to amend its existing authorization to import up to 100,000 Mcf of additional natural gas from Canada on a best-efforts, interruptible basis during each of the contract years ending October 31, 1986, and October 31, 1987, from TransCanada Pipe Lines Limited (TransCanada).

Pursuant to FOE/ERA Opinion and Order No. 41,1/ Vermont Gas is currently authorized to import up to 24,800 Mcf per day of natural gas from TransCanada on a firm basis, and an additional volume of up to 100,000 Mcf on a best-efforts, interruptible basis during the 1984-1985 contract year (from November 1, 1984, to October 31, 1985). Pursuant to DOE/ERA Opinion and Order No. 39,2/ Vermont Gas is authorized to continue importing at the 24,800 Mcf per day level during the 1985-1986 contract year (from November 1, 1985, to October 31, 1986) and to increase this to 25,600 Mcf per day during each of the next four contract years ending October 31, 1991.

With its application, Vermont Gas submitted a July 1, 1985, amendment to its February 16, 1966, gas purchase contract with TransCanada extending the sale of up to 100,000 Mcf per contract year of additional natural gas on a best-efforts, interruptible basis to the 1985-86 and 1986-87 contract years. Under its March 25, 1981, amendment to its gas purchase contract with TransCanada, Vermont Gas incurs no take-or-pay obligation until after it has taken 10 Bcf of gas in any contract year. Since the annual volume limitation imposed by the Canadian National Energy Board on TransCanada's exports to Vermont Gas in its License GL-19, as amended, is 6.5 Bcf per year on a firm basis, the take-or-pay provision will not be invoked.

Vermont Gas purchases its entire supply of natural gas from TransCanada, a Canadian corporation, and is totally dependent upon TransCanada for its gas supply. The delivery point is at the international boundary between Highgate Springs, Vermont, and Phillipsburg, Province of Quebec, Canada. Vermont Gas

sells and distributes this gas supply entirely within the state of Vermont.

The additional volumes requested will be delivered through existing facilities and Vermont Gas anticipates that purchases of interruptible gas will be made at a price not in excess of \$3.40 per MMBtu, in accordance with Canada's Volume Related Incentive Pricing Program (VRIP). The VRIP, which involves a two-tier pricing system, provides for a discount of gas purchases in excess of the base volumes computed according to a formula administered by the Canadian Minister of Energy, Mines and Resources. Pursuant to an October 17, 1983, amendment to its gas purchase contract with TransCanada, Vermont Gas' purchases during the 1983-1984 winter months (November 1983 through April 1984) were allocated between base volumes and the incentive volumes. Vermont Gas and TransCanada are considering a continuation of this allocation system as well as other pricing formulae. Vermont Gas states that, in any event, the interruptible gas will only be imported when the price is competitive.

In support of its application, Vermont Gas stated its belief that the import of additional volumes of natural gas from Canada on a best-efforts, interruptible basis conforms to the DOE's policy guidelines because the gas will be imported only when it is competitively priced. Vermont Gas stated that the continuation of interruptible volumes from Canada is not inconsistent with the public interest as it will permit Vermont Gas to meet immediate market demands of industrial customers who would otherwise use oil, will not effect the total volume of gas which TransCanada is authorized to export to Vermont Gas, will reduce the need to import oil from less secure countries, and will not result in the incurrence of any take-or-pay obligation.

Notice of Vermont Gas' application was issued on August 30, 1985, inviting protests or petitions to intervene.<sup>3/</sup> Responses were due October 7, 1985. None was received.

## II. Decision

The Vermont Gas application has been reviewed to determine if it conforms with Section 3 of the NGA. Under Section 3, the Administrator shall issue an order authorizing an import unless there is a finding that the import "will not be consistent with the public interest." <sup>4/</sup> In making this finding, the Administrator is guided by Delegation Order No. 0204-111 and the statement of policy issued by the Secretary of Energy relating to regulation of natural gas imports.<sup>5/</sup> Under this policy, the competitiveness of an import arrangement in the markets served is the primary consideration for meeting the public interest test.

No single element of an import arrangement determines its competitiveness. Rather, each arrangement is considered in its entirety. Here, the applicant will 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, through existing facilities,<sup>6/</sup> and only to the extent that Vermont Gas needs such gas. This flexibility will ensure that the gas will be imported only when the price is competitive. Furthermore, this arrangement will enable Vermont Gas to meet market demands of its industrial customers who would otherwise use oil.

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

### Order

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

A. The import authorization granted in DOE/ERA Opinion and Order No. 39, issued March 1, 1982, in ERA Docket No. 81-33-NG, as amended by DOE/ERA Opinion and Order No. 61, issued October 4, 1984, in ERA Docket No. 84-08-NG, permitting Vermont Gas Systems, Inc. (Vermont Gas) to supplement its firm imports with additional volumes of up to 100,000 Mcf on a best-efforts, interruptible basis during the contract year ending October 31, 1985, is hereby further amended to permit Vermont Gas to import up to 100,000 Mcf of additional gas on a best-efforts, interruptible basis during each of the contract years ending October 31, 1986, and October 31, 1987.

B. Vermont Gas is hereby authorized to import the volumes authorized in Ordering Paragraph A above at a unit price not to exceed \$3.40 (U.S.) per MMBtu.

C. Vermont Gas shall file with the ERA in the month following each calendar quarter, quarterly reports showing, by month, the quantities of natural gas imported under this authorization, and the average price paid per MMBtu for those volumes, and shall file similar data for the firm imports authorized under DOE/ERA Opinion and Order No. 39.

Issued in Washington, D.C., on October 15, 1985.

--Footnotes--

1/ 1 ERA Para. 70,571.

2/ 1 ERA Para. 70,544.

3/ 50 FR 36470, September 6, 1985.

4/ 15 U.S.C. 717b.

5/ 49 FR 6684, February 22, 1984.

6/ 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. 4301, et seq.) and therefore an environmental impact statement of environmental assessment is not required.