

Cited as "1 ERA Para. 70,633"

Czar Resources Inc. (ERA Docket No. 86-07-NG), March 19, 1986.

DOE/ERA Opinion and Order No. 111

Order Granting Blanket Authorization to Import Natural Gas from Canada

## I. Background

On January 17, 1986, Czar Resources Inc. (Czar) 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), for blanket authorization to import up to 30 Bcf of Canadian natural gas per year over a two-year period, beginning on the date of first delivery. The applicant, a corporation registered in the state of Delaware, is a wholly-owned subsidiary of Czar Resources Ltd. (Czar Ltd.), a Canadian corporation.

Czar proposes to import gas supplied by Czar Ltd. and, in addition, intends to act as agent for the sales of gas owned by other Canadian producers for spot and short-term sales. Czar intends to import the gas through Eastport, Idaho, and/or Sumas, Washington. The customers are expected to include industrial users and agricultural end-users, electric utilities, pipelines and distribution companies. Czar states that the price, terms and conditions for each proposed sale will be negotiated at arms length between the parties to ensure that the import will be competitive.

The applicant proposes to file quarterly reports with the ERA. Each report would indicate by month the transactions made during the period and the details of such transactions including price, volumes, term of the agreement, contract adjustment provisions, if any, supply source, U.S. purchaser, market served, and points of entry.

Czar anticipates that transportation of the gas will be through the systems of Northwest Pipeline Corporation (Northwest) and/or Pacific Gas Transmission Company (PGT), although other existing pipelines may be utilized. This, according to Czar, will spread pipeline fixed costs over larger volumes and thus lower the unit cost of transportation.

In support of its application, Czar asserts that the proposed import will be competitive and is consistent with the public interest. The terms of each sale arrangement will ensure the competitiveness of the import in the market being served. Czar maintains that the proposed import conforms with the

DOE objective of encouraging a short-term sales market.

The ERA issued a notice of the application on January 24, 1986, with protests, motions to intervene, or comments to be filed by March 6, 1986.<sup>1/</sup> Motions to intervene, without comment or request for additional procedures, were received from Northwest, PGT, and Southern California Gas Company. This order grants intervention to these movants.

## II. Decision

The application filed by Czar 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 NGA. Under Section 3, an import is to be authorized unless there is a finding that it "will not be consistent with the public interest."<sup>2/</sup> The Administrator is guided by the DOE's natural gas import policy guidelines.<sup>3/</sup> Under these guidelines, the competitiveness of an import 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.<sup>4/</sup> The authorization sought would provide Czar with blanket import approval to negotiate and transact individual, short-term sale arrangements without further regulatory action.

The Czar arrangement for the import of Canadian gas, as set forth in the application, is consistent with the DOE policy guidelines. The fact that each spot sale will be voluntarily negotiated, short-term, and market-responsive, as asserted in Czar's application, provides assurance that the transactions will be competitive. Under the proposed import, Czar 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 Czar blanket authority to import up to 30 Bcf of Canadian natural gas per year over a term of two years is not inconsistent with the public interest.<sup>5/</sup>

## Order

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

A. Czar Resources Inc. (Czar) is authorized to import up to a total volume of 30 Bcf of Canadian natural gas per year over a two-year period beginning on the date of first delivery.

B. Czar 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, Czar shall file with the ERA within 30 days following each calendar quarter, quarterly reports indicating whether sales of imported gas have been made, and if so, giving, by month, the total MMcf of the imports and the average purchase and sales price per MMBtu. The report shall also provide the details of each transaction including the names of the sellers and purchasers, duration of the agreements, transporters, points of entry, markets served and, if applicable, any demand/commodity charge breakdown of the contract price, any special contract price adjustment clauses, or take-or-pay and any make-up provisions.

D. The motions to intervene as set forth in this Opinion and Order are hereby granted, 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 March 19, 1986.

--Footnotes--

1/ 51 FR 4417, February 4, 1986.

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

3/ 49 FR 6684, February 22, 1984.

4/ See e.g., Tenngasco Exchange Corp. and LHC Pipeline Company, 1 ERA Para. 70,596 (May 6, 1985); Dome Petroleum Corporation, 1 ERA Para. 70,601 (July 2, 1985); U.S. Natural Gas Clearinghouse, Ltd., 1 ERA Para. 70,602 (July 5, 1985); Westcoast Resources, Inc., 1 ERA Para. 70,606 (September 27, 1985); Northeast Gas, Inc., unpublished (December 20, 1985); Poco Petroleum, Inc., 1 ERA Para. 70,621 (January 17, 1986).

5/ Because the proposed importation of gas will use existing pipeline

facilities, DOE has determined that granting this application is clearly not a major 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.