

Cited as "1 ERA Para. 70,644"

Chieftain International, Inc. (ERA Docket No. 86-18-NG), May 16, 1986.

DOE/ERA Opinion and Order No. 122

Order Granting Blanket Authorization to Import Natural Gas from Canada

I. Background

On March 7, 1986, Chieftain International, Inc. (Chieftain) 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 10 Bcf annually of Canadian natural gas over a two-year period beginning on the date of first delivery. The applicant, a corporation registered in the state of Nevada, is an affiliate of Chieftain Development Co. Ltd. (Chieftain Development), a Canadian corporation.

Chieftain proposes to import gas supplied by Chieftain Development or other Canadian suppliers on its own behalf for sales to U.S. purchasers and to act as a broker or agent on behalf of U.S. purchasers and/or Canadian suppliers. The gas would be sold on a short-term basis to U.S. purchasers, including gas distribution companies, pipelines, electric utilities, and industrial and agricultural users. The specific terms for each sale, including price and volumes, would be negotiated at arm's length to be responsive to current market conditions for natural gas. Chieftain intends that the imported gas would be transported through existing pipeline facilities. It proposes to file quarterly reports with the ERA.

The ERA issued a notice of the application on March 13, 1986, inviting protests, motions to intervene, or comments to be filed by April 21, 1986.¹ Motions to intervene, without comment or request for additional procedures, were received from Northwest Pipeline Corporation, Southern California Gas Company, Pacific Gas Transmission Company, and El Paso Natural Gas Company. This order grants intervention to these movants.

II. Decision

The application filed by Chieftain 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." 2/ The Administrator is guided by the DOE's natural gas import policy guidelines.3/ 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 imports4/ approved by the ERA. The authorization sought would provide Chieftain with blanket import approval to negotiate and transact individual, short-term sale arrangements without further regulatory action.

The Chieftain 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 Chieftain's application, provides assurance that the transactions will be competitive. Under the proposed import, Chieftain's 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 marketplace.

After taking into consideration all the information in the record of this proceeding, I find that granting Chieftain blanket authority to import up to 10 Bcf of Canadian natural gas annually over a term of two years 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. Chieftain International, Inc. (Chieftain) is authorized to import up to 10 Bcf of Canadian natural gas annually over a two-year period beginning on the date of first delivery.

B. Chieftain 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 import authorized by this Order, Chieftain 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 volume in MMcf of the imports and the average purchase price per MMBtu at the border. The reports shall also provide the

details of each transaction, including the names of the sellers and purchasers, estimated or actual 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, and any make-up or take-or-pay provisions.

D. The motions to intervene, as set forth in this Opinion and Order, are hereby granted, provided that participation of each intervenor shall be limited to matters specifically set forth in its motion to intervene and not herein specifically denied, and that the admission of each intervenor shall not be construed as recognition that it might be aggrieved because of any order issued in these proceedings.

Issued in Washington, D.C. on May 16, 1986.

--Footnotes--

1/ 51 FR 9702, March 20, 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, Inc., 1 ERA Para. 70,602 (July 5, 1985); Westcoast Resources, Inc., 1 ERA Para. 70,606 (September 27, 1985); Northeast Gas, Inc., 1 ERA Para. 70,613 (December 20, 1985); El Paso Gas Marketing Company, 1 ERA Para. 70,104 (March 27, 1986); PGC Marketing Inc., 1 ERA Para. 70,639 (March 28, 1986); Natgas (U.S.) Inc., 1 ERA Para. 70,640 (April 14, 1986).

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