

Cited as "1 ERA Para. 70,665"

Spot Market Corporation (ERA Docket No. 86-38-NG), August 27, 1986.

DOE/ERA Opinion and Order No. 142

Order Granting Blanket Authorization to Import Natural Gas from Canada

### I. Background

On June 24, 1986, Spot Market Corporation (SMC) 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 50 Bcf of Canadian natural gas annually for a two-year period beginning on the date of first delivery. Under the proposal, SMC would receive its supply of gas from Canadian producers in the Provinces of Alberta and Saskatchewan and resell it on a short-term or spot basis to U.S. purchasers, including pipelines, distribution companies, electric utilities, and industrial and agricultural end-users. SMC would act on its own behalf and as a broker or agent on behalf of U.S. purchasers and Canadian suppliers. The specific terms of each import and sale would be negotiated on an individual basis including the price and volumes.

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 each transaction.

At the time of application, the location where the gas would enter the U.S. had not yet been finalized. In a letter dated July 24, 1986, SMC notified the ERA that the points of importation would be Detroit, Michigan; Huntingdon, British Columbia; Kingsgate, British Columbia; Cardston, British Columbia; Aden, British Columbia; Monchy, Saskatchewan; Emerson, Manitoba; Sprague, Manitoba; Niagara Falls, Ontario; Cornwall, Ontario; and Philipsburg, Quebec. We note that there are existing interconnections at each import point linking major U.S. and Canadian pipeline systems.

In support of its application, SMC asserts that the proposed import would be competitive and would not be inconsistent with the public interest. The terms of each sale would be negotiated at arms length to ensure the competitiveness of the import. SMC maintains that the proposed import conforms with the DOE objective of encouraging a short-term, spot sales market. In addition, SMC argues that the import would reduce unit transportation costs of pipeline systems and result in a greater sharing of fixed costs. Further, SMC

states that the import would provide a low cost alternative supply to industry.

The ERA issued a notice of the application on July 3, 1986.<sup>1/</sup> Motions to intervene, without comment or request for additional procedures, were received from Pacific Gas Transmission Company, Southern California Gas Company, Northwest Alaskan Pipeline Company, and Northwest Pipeline Corporation. This order grants intervention to these movants.

## II. Decision

The application filed by SMC 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 SMC with blanket import approval to negotiate and transact individual, short-term, sale arrangements without further regulatory action.

The SMC proposed 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 SMC's application, provides assurance that the transactions will be competitive. Under the proposed import, SMC 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 SMC blanket authority to import up to 50 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. Spot Market Corporation (SMC) is authorized to import up to a total volume of 50 Bcf of Canadian natural gas per year over a two-year period beginning on the date of first delivery.

B. This natural gas may be imported at any point on the international border where existing pipeline facilities are located.

C. SMC 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.

D. With respect to the imports authorized by this Order, SMC 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 of the imports in MMcf and the average purchase and sales price per MMBtu at the international border. The report 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 take-or-pay or make-up provisions.

E. 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 August 27, 1986.

--Footnotes--

1/ 51 FR 25392, July 14, 1986.

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

3/ 49 FR 6684, February 22, 1984.

4/ See e.g., Yankee International Company, 1 ERA Para. 70,641 (April 29, 1986); Community Gas Acquisition, Inc., 1 ERA Para. 70,642 (May 15, 1986); Ocelot Energy Corporation, 1 ERA Para. 70,643 (May 15, 1986); Chieftain International, Inc., 1 ERA Para. 70,644 (May 16, 1986); NHP Energy, Inc., 1

ERA Para. 70,655 (June 19, 1986); and ITRP/Kimball Gas Ventures, A Joint Venture, 1 ERA Para. 70,656 (June 24, 1986).

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