

Cited as "1 ERA Para. 70,666"

Vermont Gas Systems, Inc. (ERA Docket 86-37-NG), September 5, 1986.

DOE/ERA Opinion and Order No. 143

Order Amending Authorization to Import Natural Gas from Canada

I. Background

On June 12, 1986, 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 increase its import of firm volumes of Canadian natural gas from TransCanada PipeLines Limited ((TransCanada) from 25,600 Mcf per day to 28,000 Mcf per day during the contract year ending October 31, 1987, up to 30,000 Mcf per day during the contract year ending October 31, 1988, and up to 32,000 Mcf per day during the contract year ending October 31, 1989.

Pursuant to DOE/ERA Opinion and Order No. 39,1/ Vermont Gas is currently authorized to import up to 25,600 Mcf per day of natural gas from TransCanada on a firm basis during the five contract years beginning November 1, 1986, and ending October 31, 1991. Pursuant to DOE/ERA Opinion and Order No. 91,2/ Vermont Gas is authorized to supplement its firm imports with additional volumes from TransCanada of up to 100,000 Mcf on a best-efforts, interruptible basis during the contract year ending October 31, 1987.

With its application, Vermont Gas submitted a February 13, 1986, amendment to its November 28, 1985, gas purchase contract with TransCanada providing for the increased quantities of firm imports requested. Under its contract with TransCanada, Vermont Gas incurs no take-or-pay or minimum bill obligation. The contract has a two-tier pricing formula which provides for a lower rate for purchases in excess of a base volume of 3.25 Bcf per contract year. The average price is based upon charges of \$4.40 (U.S.) per MMBtu for the base volumes and \$3.40 (U.S.) per MMBtu for volumes in excess of the base volumes. The price is subject to monthly adjustments to ensure that it is competitive with major alternative energy sources in the market served by Vermont Gas.

The additional volumes requested will be delivered through existing facilities. 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, Quebec, Canada. Vermont Gas sells and distributes this gas supply entirely within the state of Vermont.

In support of its application, Vermont Gas states that the pricing provisions of the November 28, 1985, contract serve to ensure that the additional gas supplies will be imported on a price-competitive basis. It also asserts that the market demands in Vermont Gas' service area justify the additional firm volumes requested and that the increased imports will enable it to meet this demand. Also, Vermont Gas points out that natural gas represents only five percent of the total energy demand in Vermont and that the state is more dependent upon other energy imports, primarily petroleum, that are imported from countries less secure and less reliable than Canada.

Notice of Vermont Gas' application was issued on July 3, 1986, inviting protests, motions to intervene, or comments to be filed by August 13, 1986.^{3/} Western Gas Marketing Limited (WGML) intervened in favor of the application. This order grants intervention to WGML.

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."^{4/} The Administrator is guided by DOE's policy guidelines on natural gas imports.^{5/} 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 penalty and, because there is no minimum bill obligation in connection with this import, Vermont Gas will only import to the extent that it needs such gas. The price of the gas is subject to monthly adjustments to ensure that it is competitive with the prices of major competitive energy sources in Vermont Gas' market area. The flexibility of these terms will ensure that the gas will be imported only when the price is competitive. The volumes will be imported through existing facilities.^{6/}

After taking into consideration all information in the record of this proceeding, I find that the amended 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 to Vermont Gas Systems, Inc. (Vermont Gas), 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. 91, issued October 15, 1985, in ERA Docket No. 85-17-NG, is hereby further amended to permit Vermont Gas to import up to 28,000 Mcf of natural gas per day on a firm basis during the contract year ending October 31, 1987, up to 30,000 Mcf of natural gas per day during the contract year ending October 31, 1988, and up to 32,000 Mcf of natural gas per day during the contract year ending October 31, 1989.

B. Vermont Gas is hereby authorized to import the volumes authorized in Ordering Paragraph A above in accordance with the pricing provisions and other terms of its November 28, 1985, gas purchase contract with TransCanada PipeLines Limited.

C. Vermont Gas shall file with the ERA in the month following each calendar quarter, quarterly reports showing, by month, the quantities in Mcf of natural gas imported under this authorization and the average price paid per MMBtu for those volumes. The reporting requirements contained in Paragraph C of DOE/ERA Opinion and Order No. 91 remain in effect.

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

Issued in Washington, D.C., on September 5, 1986.

--Footnotes--

1/ 1 ERA Para. 70,544 (March 1, 1982).

2/ 1 ERA Para. 70,608 (October 15, 1985).

3/ 51 FR 25392, July 14, 1986.

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

5/ 49 FR 6684, February 22, 1984.

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