

Cited as "1 ERA Para. 70,712"

Spot Market Corporation (ERA Docket No. 87-15-NG), July 22, 1987.

DOE/ERA Opinion and Order No. 182

Order Amending Blanket Authorization to Import Natural Gas from Canada and Granting Interventions

I. Background

On March 18, 1987, 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), requesting blanket authority to import additional volumes of Canadian natural gas. In a letter dated June 16, 1987, SMC recharacterized its application, without altering the effect of the request, as an amendment to its existing blanket import authorization. The applicant, a marketer and broker of natural gas, is a Texas corporation that has its principal place of business in Houston, Texas. By DOE/ERA Opinion and Order No. 142 (Order No. 142), issued August 27, 1987, SMC was authorized to import up to 50 Bcf of gas annually for a period of two years, beginning on the date of the first delivery, for sale on a short-term basis in the domestic spot market.^{1/} SMC proposes that the authorized import volume be raised so that the total would be 300 Bcf over the same term. At this time, deliveries of gas to SMC under Order No. 142 have not yet commenced, however, SMC anticipates the need for increased volumes for future sales.

As in the earlier application, the present request contemplates that the additional gas would be supplied by producers in the Canadian Provinces of Alberta and British Columbia. The gas would be made available to U.S. gas distributors, pipelines, electric utilities and industrial and agricultural end-users. SMC intends to purchase the gas and resell it or serve as an agent for the Canadian supplier or American buyer. The identities of the intended customers and the specifics of each sale are not known at this time. However, as envisioned by SMC, all transactions would be conducted through arms-length bargaining and the contract price will vary from sale to sale based on competition in the market. The specific location where the gas would enter the U.S. will also vary for different transactions with delivery points to be established during sales contract negotiations. No new facilities are proposed to implement the purchase and transportation of SMC's imports.

As before, SMC states that the proposed imports would be consistent with

the DOE's policy of promoting competition in the natural gas market. In addition, SMC states that the imports would provide a low-cost alternative supply to industry. Further, SMC argues that the imported gas would increase capacity utilization of U.S. pipelines, and thus reduce the cost per unit of throughput, which would benefit the pipelines' customers.

The ERA issued a notice of this application on April 3, 1987, inviting protests, motions to intervene, notices of intervention, and comments to be filed by May 18, 1987.^{2/} Motions to intervene without comment or request for additional procedures were filed by Northwest Alaskan Pipeline Company, El Paso Natural Gas Company, Northwest Pipeline Corporation, and Pacific Gas Transmission Company. This order grants intervention to these movants.

II. Decision

The application filed by SMC has been evaluated to determine if the proposed amendment of its existing import authorization meets the public interest requirements of Section 3 of the NGA. Under Section 3, imports are to be authorized unless there is a finding that they "will not be consistent with the public interest."^{3/} The Administrator is guided by the DOE's natural gas import policy guidelines. Under these guidelines, the competitiveness of an import in the markets served is the primary consideration for meeting the public interest test.^{4/}

The ERA concludes that SMC's import proposal is consistent with the DOE policy guidelines and that the reasons for granting the authorization for which the amendment is sought continue to apply. Under this proposal, no producer or customer is required to sell to or buy from SMC, and such parties are free to negotiate directly and independently for the purchase and sale of gas. The fact that each spot sale will be voluntarily negotiated, short-term, and market-responsive, as SMC asserts, provides assurance that the transactions will be competitive. It is clear that SMC'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 amending our previous authorization to increase the maximum amount of Canadian natural gas that SMC may import from the present level of 100 Bcf over a period of two years to 300 Bcf over the same term is not inconsistent with the public interest and approval should be granted. Consistent with our recent treatment of similar blanket applications, there will be no restriction on the daily and annual volumes that may be

imported. This maximizes the flexibility of spot market importers to provide gas supplies to meet customer demand.^{5/}

ORDER

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

A. Ordering Paragraph A of DOE/ERA Opinion and Order No. 142 (Order No. 142) issued August 7, 1986, is hereby amended to authorize Spot Market Corporation to import up to 300 Bcf of Canadian natural gas over a two-year period beginning on the date of the first delivery.

B. Except as modified by Ordering Paragraph A, all other terms and conditions in Order No. 142 shall continue to apply to the imports authorized herein.

C. 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 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 July 22, 1987.

--Footnotes--

1/ 1 ERA Para. 70,665.

2/ 52 FR 1582, April 17, 1987.

3/ 15 U.S.C. Section 717b.

4/ 49 FR 6684, February 22, 1984.

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.