

Cited as "1 ERA Para. 70,842"

Gulf Energy Marketing Company (ERA Docket No. 86-65-NG), March 11, 1987.

DOE/ERA Opinion and Order No. 164

Order Granting Blanket Authorization to Import Natural Gas from Canada

I. Background

On December 24, 1986, Gulf Energy Marketing Company (Gulf Energy) 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 200,000 Mcf of Canadian natural gas per day or a maximum quantity of 150 Bcf over a two-year period beginning on the date of first delivery. Gulf Energy, an affiliate of Valley Gas Transmission, Inc., and a wholly-owned subsidiary of Gulf Energy Development Corporation, would purchase gas from various Canadian suppliers for direct sales to U.S. customers on a short-term and spot basis.

The applicant, a Delaware corporation having its principal place of business in San Antonio, Texas, states that the gas would be obtained from individual producers, pipeline companies and producer groups and associations. The customers are expected to include distribution companies, agricultural users, pipelines, industrial end-users, and other prospective users in the U.S. domestic market.

In support of its authorization request, Gulf Energy asserts that the short-term nature of its sales will minimize the potential for undue long-term dependence on foreign gas supplies and that any shipments of Canadian gas will be based on the specific needs of the ultimate purchasers of the gas, and will reflect market conditions existing at the time of negotiation of the purchase agreement. Further, Gulf Energy anticipates that the majority of the short-term and spot sales of Canadian gas sold to U.S. purchasers will be used to displace higher priced domestic energy supplies. Gulf Energy contends that its proposed import will be competitive and is therefore consistent with the Secretary's policy guidelines on the regulation of imported natural gas.^{1/}

Gulf Energy states that it intends to use existing transmission systems and does not require the construction of any new pipeline facilities in order to import the gas. It proposes to file quarterly reports with the ERA.

The ERA issued a notice of application on January 23, 1987.^{2/} Pacific

Gas Transmission Company, Northwest Pipeline Corporation, Northwest Alaskan Pipeline Company and El Paso Natural Gas Company filed motions to intervene but did not express an opinion on the merits of the application. This order grants intervention to these movants.

II. Decision

The application filed by Gulf Energy has been evaluated 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."^{3/} The Administrator is guided by the DOE's natural gas import policy guidelines.^{4/} 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.^{5/} The authorization sought would provide Gulf Energy with blanket import approval to negotiate and transact individual, short-term sale arrangements without further regulatory action.

Gulf Energy's 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 Gulf Energy's application, provides assurance that the transactions will be competitive. Under the proposed import, Gulf Energy'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 market place.

After taking into consideration all the information in the record of this proceeding, I find that granting Gulf Energy blanket authority to import up to 150 Bcf of Canadian natural gas over a term of two years is not inconsistent with the public interest.^{6/}

ORDER

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

A. Gulf Energy Marketing Company (Gulf Energy) is authorized to import up to a total volume of 150 Bcf of Canadian natural gas over a two-year period

beginning on the date of first delivery.

B. Gulf Energy 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, Gulf Energy 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.

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 11, 1987.

--Footnotes--

1/ 49 FR 6684, February 22, 1984.

2/ 52 FR 2582, January 23, 1987.

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

4/ See supra note 1.

5/ See e.g., Hadson Canada Inc., 1 ERA Para. 70,667 (September 9, 1986); NatGas (U.S.), Inc., 1 ERA Para. 70,668 (September 23, 1986); Western Gas Marketing U.S.A., Ltd., 1 ERA Para. 70,675 (November 6, 1986); Direct Energy Marketing Limited, 1 ERA Para. 70,681 (December 16, 1986); and Forest Marketing Corp., 1 ERA Para. 70,686 (January 30, 1987).

6/ 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 Environment Policy Act (42 U.S.C. 4321, et seq.) and therefore an environmental impact statement or environmental assessment is not required.