

Cited as "1 ERA Para. 70,776"

MidCon Sales, Inc. (ERA Docket No. 88-06-NG), May 13, 1988.

DOE/ERA Opinion and Order No. 240

Order Granting Blanket Authorization to Import Natural Gas and Granting Interventions

I. Background

On February 9, 1988, MidCon Sales, Inc. (MidCon Sales), 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 Bcf per year of Canadian natural gas over a two-year period, beginning on the date of the first delivery, for short-term and spot market sales to customers in the United States.

MidCon Sales, a marketer of natural gas, is a Delaware corporation with its principal place of business in Lombard, Illinois. MidCon Sales is an indirect wholly-owned subsidiary of MidCon Corp., and Occidental Petroleum Corporation. MidCon states that this gas will be purchased from Canadian suppliers and sold at competitive prices to local distribution companies, pipelines, electric utilities, commercial and industrial end-users. The specific terms of each import and sale would be negotiated on an individual basis, including the price and volumes, and will be based on competition in the marketplace.

MidCon Sales proposes to import the gas through existing pipeline facilities, and does not propose the construction of any new facilities. The firm proposes to file quarterly reports within 30 days following each calendar quarter showing the details of each transaction.

In support of its application, MidCon Sales asserts that the authorization requested is in the public interest because it would enhance competition and provide consumers with lower-priced gas supplies.

The ERA issued a notice of the application on March 10, 1988,¹ inviting protests, motions to intervene, notices of intervention, and comments to be filed by April 18, 1988. Motions to intervene without comments or requests for additional procedures were filed by Pacific Gas Transmission Company, Northwest Pipeline Corporation, and El Paso Natural Gas Company. This order

grants intervention to these movants.

II. Decision

The application filed by MidCon Sales has been evaluated to determine if the proposed import arrangement conforms to Section 3 of the NGA. Under Section 3, an import must be authorized unless there is a finding that it "will not be consistent with the public interest." 2/ The ERA Administrator is guided by the DOE's natural gas import policy guidelines. Under the guidelines, the competitiveness of an import in the markets served is the primary consideration for meeting the public interest test.3/

This application is similar to other blanket imports approved by the ERA.4/ The authorization sought would provide MidCon Sales with blanket import approval to negotiate and transact individual, short-term sale arrangements without further regulatory action.

MidCon Sales' 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 MidCon Sales' application, provides assurance that the transactions will be competitive. Under the proposed import, MidCon Sales' 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 MidCon Sales authority to import up to 200 Bcf of Canadian natural gas 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. MidCon Sales, Inc. (MidCon Sales), is authorized to import up to 200 Bcf of Canadian natural gas over a two-year period, beginning on the date of first delivery.

B. This natural gas may be imported through any existing pipeline facilities.

C. MidCon Sales shall notify the Economic Regulatory Administration (ERA) in writing of the date of first delivery of natural gas imported under Ordering Paragraph A above within two weeks after deliveries begin.

D. With respect to the import authorized by this Order, MidCon Sales shall file with the ERA within 30 days following each calendar quarter, quarterly reports indicating whether purchases of imported gas have been made, and if so, giving, by month, the total volume of the imports in Mcf and the average purchase price per MMBtu at the international border. The reports shall also provide the details of each transaction, including the names of the seller(s) and purchaser(s), including those other than MidCon Sales, estimated or actual duration of the agreement(s), transporter(s), points of entry, market(s) served, and, if applicable, the per unit (MMBtu) demand/commodity charge breakdown of the 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 specially set forth in their motions to intervene and not herein specifically denied, and that 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 May 13, 1988.

--Footnotes--

1/ 53 FR 8801, March 17, 1988.

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

3/ 49 FR 6684, February 22, 1984.

4/ Windward Energy and Marketing Company, 1 ERA Para. 70,751 (January 22, 1988); Standard Gas Marketing Company, 1 ERA Para. 70,750 (January 22, 1988); Mobile Gas Company, Inc., 1 ERA Para. 70,745 (January 6, 1988); Texaco Gas Marketing, Inc., 1 ERA Para. 70,740 (December 11, 1987); and Associated Natural Gas, Inc., 1 ERA Para. 70,741 (December 11, 1987).

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.