

Cited as "1 ERA Para. 70,791"

Natural Gas Marketing Services Cooperative Association Inc. (ERA Docket No. 88-14-NG), July 21, 1988.

DOE/ERA Opinion and Order No. 256

Order Granting Blanket Authorization to Import Natural Gas from Canada

I. Background

On March 21, 1988, Natural Gas Marketing Services Cooperative Association Inc. (NGMS) 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 3.6 Bcf of natural gas during a two-year period from a variety of Canadian suppliers, beginning on the date of the first delivery. NGMS, a Pennsylvania corporation with its principal place of business in Murray, Pennsylvania, plans to import the Canadian gas for short-term and spot sales in the U.S. domestic market.

Under the import proposal, NGMS would import gas, either on its own behalf or as agent on behalf of suppliers or purchasers, for sale to a range of purchasers, including local distribution companies, pipelines and commercial and industrial end users. The specific terms of each import sale would be negotiated on an individual basis and would reflect market conditions existing at the time of the negotiation of the purchase agreement. NGMS intends to use existing pipeline facilities in transporting the imported Canadian gas. Further, NGMS states that it will notify the ERA of the date of first delivery of the gas and will file quarterly reports within 30 days following each calendar quarter.

In support of its application, NGMS asserts that the short-term and spot gas sales made under the proposed import arrangement would be based on the specific needs of purchasers and would reflect market conditions existing at the time of negotiation. These negotiations according to the application would therefore be "premised on meeting competition in the marketplace." Security of supply is not an issue, NGMS states, because the nature of the proposed transactions removes the potential for undue long-term dependence on foreign sources of energy. In addition, NGMS anticipates that it will be contracting with a number of Canadian suppliers for available supplies. In case any one Canadian supplier is unable to perform, NGMS will have the ability to substitute another supplier in a particular spot transaction.

The ERA issued a notice of this application on April 12, 1988, inviting protests, motions to intervene, notices of intervention, and comments to be filed by May 19, 1988.^{1/} No motions to intervene or comments were filed.

II. Decision

The application filed by NGMS 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."^{2/} The Administrator is guided by the DOE's natural gas import policy guidelines.^{3/} Under these guidelines, the competitiveness of an import in the markets served is the primary consideration for meeting the public interest test.

NGMS' proposed arrangement for importing gas, as set forth in the application, is consistent with the DOE policy guidelines. This import arrangement, similar to other blanket arrangements approved by the ERA,^{4/} would provide NGMS with blanket import approval, within prescribed limits, to negotiate and transact individual, short-term purchase arrangements without further regulatory action.

The fact that each purchase will be voluntarily negotiated, short-term, and market-responsive, as asserted in application, provides assurance that the transactions will be competitive. Under the proposed import, NGMS will only purchase gas to the extent it needs such volumes and the price is competitive. Further, no party objected to the proposed import.

After taking into consideration all the information in the record of this proceeding, I find that granting NGMS blanket authority to import an aggregate of up to 3.6 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. Natural Gas Marketing Services Cooperative Association Inc. (NGMS) is authorized to import an aggregate of up to 3.6 Bcf of Canadian natural gas over a two-year period, beginning on the date of first delivery.

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

C. NGMS shall notify the ERA in writing of the date of first delivery of natural gas authorized in Ordering Paragraph A above within two weeks after deliveries begin.

D. With respect to the imports authorized by this Order, NGMS 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 MMcf 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 the purchaser(s), including those other than NGMS, 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, and special contract price adjustment clauses, and any take-or-pay provisions.

Issued in Washington, D.C., on July 21, 1988.

--Footnotes--

1/ 53 FR 12806, April 19, 1988.

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

3/ 49 FR 6684, February 22, 1984.

4/ See e.g., North Canadian Resources, 1 ERA Para. 70,768 (March 28, 1988); Amtran Gas Transmission, Inc., 1 ERA Para. 70,767 (March 25, 1988); Development Associates, Inc., 1 ERA Para. 70,765 (March 22, 1988); and American Central Gas Pipeline Co., 1 ERA Para. 70,763 (March 18, 1988).

5/ Because the proposed importation of gas will use existing pipelines 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.