

Cited as "1 ERA Para. 70,809"

Petro-Canada Hydrocarbons, Inc. ERA Docket No. 88-36-NG, September 6, 1988.

## DOE/ERA Opinion and Order No. 269

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

### I. Background

On June 22, 1988, Petro-Canada Hydrocarbons, Inc. (PCH), 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) and DOE Delegation Order No. 0204-111, to extend for one year its existing two-year blanket authorization to import Canadian natural gas for short-term and spot market sales to customers in the United States. PCH, a wholly-owned subsidiary of Petro-Canada Inc. (PCI), was authorized by the ERA in DOE/ERA Opinion and Order No. 100 (Order No. 100)<sup>1/</sup> to import up to 150 Bcf of Canadian natural gas over a two-year term beginning on the date of first delivery. PCI reported that first delivery was made on March 2, 1987, and therefore the existing term expires March 3, 1989. PCH requests approval to extend the term of its current authorization for a one-year term to March 3, 1990, to import up to 75 Bcf of Canadian natural gas.

The gas would continue to be supplied by PCI or other supply sources as may become available and imported by PCH, either as agent of PCI or on PCH's own behalf, for sale to local gas distribution companies, natural gas pipelines, and direct sale customers in California, the Pacific Northwest, the Midwest, and other market areas in the U.S. The specific terms of each import and sale would be negotiated on an individual basis including the price and volumes. PCH intends to use existing pipeline facilities to transport the gas. PCH proposes to file reports with the ERA within 40 days after the end of each calendar quarter giving details of the individual transactions. In Order No. 100 the ERA required these reports to be filed in the month following each calendar quarter. PCH's quarterly reports filed with the ERA indicate that approximately 5.2 Bcf of natural gas were imported under Order No. 100 as of June 30, 1988.

In support of its application, PCH maintains that the provisions of each spot sale, including the price and volumes, would be freely negotiated between PCH and its U.S. purchasers, thus ensuring that the imports will reflect

market conditions. Therefore, PCH contends that its proposal is consistent with the DOE's policy guidelines on the regulation of imported natural gas and, as the ERA determined in Order No. 100, not inconsistent with the public interest. According to PCH, the proposed extension would simply continue its existing import arrangement for short-term, spot sales.

The ERA issued a notice of this application on July 11, 1988, inviting protests, motions to intervene, notices of intervention, and comments to be filed by August 17, 1988.<sup>2/</sup> Motions to intervene without comment or request for additional procedures were filed by Northwest Pipeline Corporation and El Paso Natural Gas Company. This order grants intervention to these movants.

## II. Decision

The application filed by PCH has been evaluated to determine if the proposed extension of its existing import authorization meets the public interest requirements of Section 3 of the NGA. Under Section 3, imports must be authorized unless there is a finding that they "will not be consistent with the public interest."<sup>3/</sup> 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.

PCH's proposal for the continued importation of natural gas is consistent with the DOE policy guidelines and the reasons for granting the original authorization continue to apply for the proposed extension. Under this arrangement, no supplier or customer is required to sell to or buy from PCH, 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 PCH asserts, provides assurance that the transactions will be competitive. It is clear that PCH's customers will only purchase gas to the extent they need such volumes and the price is competitive, and 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 Order No. 100 by granting PCH blanket authorization to import up to 75 Bcf of Canadian natural gas for a one-year period from March 3, 1989, through March 3, 1990, is not inconsistent with the public interest and should be approved.<sup>4/</sup>

ORDER

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

A. The import authorization previously granted to Petro-Canada Hydrocarbons, Inc. (PCH), by the Economic Regulatory Administration (ERA) in DOE/ERA Opinion and Order No. 100, issued January 3, 1986, in Docket No. 85-29-NG, is hereby amended by granting PCH authorization to import up to 75 Bcf of natural gas for one year beginning March 3, 1989, through March 3, 1990.

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

C. With respect to the imports authorized by this Order, PCH 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 purchase(s), including those other than PCH, 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.

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 September 6, 1988.

--Footnotes--

1/ 1 ERA Para. 70,618 (January 3, 1986).

2/ 53 FR 27065, July 18, 1988.

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

4/ An import authorization for natural gas in cases not involving new construction is categorically excluded by the DOE from further documentation

under the National Environmental Policy Act, 42 U.S.C. 4321, et seq. (See 53 F.R. 29934, August 9, 1988).