

Cited as "1 ERA Para. 70,840"

Kerr-McGee Chemical Corporation (ERA Docket No. 88-67-NG), January 31, 1989.

DOE/ERA Opinion and Order No. 299

Order Granting Short-Term Import Natural Gas from Canada

I. Background

On October 28, 1988, Kerr-McGee Chemical Corporation (Kerr-McGee Chemical) 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 two years its authorization to import up to 18,000 Mcf per day of Canadian natural gas from KM Gas Company. That authorization which was approved in DOE/ERA Opinion and Order No. 155 (Order 155),^{1/} issued November 15, 1986, expired October 31, 1988. Kerr-McGee Chemical would use this gas in the operation of equipment and space heating at its inorganic chemical manufacturing plants located near Trona and Argus, California. Both Kerr-McGee Chemical and KM Gas are wholly-owned subsidiaries of Kerr-McGee Corporation, which owns oil and gas leasehold interests in the Canadian Province of Alberta.

The volumes supplied by KM Gas will come from the parent company and other Canadian sources. Kerr-McGee Chemical states that the gas would be imported at Kingsgate, British Columbia, and be transported from that point via existing pipeline facilities of Pacific Gas Transmission Company to the California border and then to Kerr-McGee Chemical's plants through intrastate pipelines owned by Pacific Gas and Electric Company. The applicant asserts that no new domestic pipeline facilities will be required to provide the transportation services.

The gas would be sold to Kerr-McGee Chemical at a negotiated rate, which is currently \$1.938 (U.S.) per MMBtu. At any time under the contract, on 15 days notice, either Kerr-McGee Chemical or KM Gas may nominate a new price at which the gas will be sold. Absent agreement on a new price, the contract may be terminated by either party. There is no take-or-pay or minimum bill requirement associated with the gas purchase contract.

In support of its application, Kerr-McGee Chemical asserts that the proposed extension of the short-term import authorization approved in Order 155 is not inconsistent with the public interest since the extension requested

would ensure continued access to a reliable source of competitively priced natural gas and thus enable Kerr-McGee Chemical to maintain consistent and efficient operations. The applicant also states that transportation of this imported supply would benefit other U.S. consumers by lowering per unit transportation costs.

The ERA issued a notice of this application on November 25, 1988, inviting protests, motions to intervene, notices of intervention, and comments to be filed by January 3, 1989.^{2/} No interventions or comments were received.

II. Decision

The application filed by Kerr-McGee Chemical has been evaluated to determine if the proposed extension of its previous 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."^{3/} This determination 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.

Kerr-McGee Chemical's proposed short-term arrangement to import Canadian natural gas is consistent with the DOE policy guidelines. The pricing provisions under the arrangement assure that the gas would be competitive and market responsive over the term of the authorization. Under this short-term arrangement, the volumes would be imported on a best-efforts, interruptible basis. Kerr-McGee Chemical would have the sole discretion to nominate the volumes of gas it desires to purchase, and Kerr-McGee's decision would be based on the competitiveness of this gas with alternative gas supplies. Further, no party intervened to oppose the application.

After taking into consideration all the information in the record of this proceeding, I find that granting the two-year authority requested by Kerr-McGee Chemical is not inconsistent with the public interest and thus should be granted.^{5/}

ORDER

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

A. Kerr-McGee Chemical Corporation (Kerr-McGee Chemical) is authorized to import up to 18,000 Mcf per day of Canadian natural gas delivered at

Kingsgate, British Columbia, over a two-year term beginning on the date of first delivery, in accordance with the provisions established in its October 13, 1986, gas purchase contract with KM Gas Company submitted as part of the application in this docket.

B. Kerr-McGee Chemical shall notify the Economic Regulatory Administration (ERA) in writing of the date of first delivery of natural gas authorized in Ordering Paragraph A above within two weeks after deliveries begin.

C. With respect to the imports authorized by this Order, Kerr-McGee Chemical 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.

D. Kerr-McGee Chemical shall file with the ERA the terms of any renegotiated contract price or other contract modifications within two weeks of their effective date.

Issued in Washington, D.C. on January 31, 1989.

--Footnotes--

1/ 1 ERA Para. 70,678.

2/ FR 48716, December 2, 1988.

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

4/ FR 6684, February 22, 1984.

5/ 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).