

Cited as "1 FE Para. 70,371"

Pacific Gas Transmission Company (FE Docket No. 89-62-NG), March 6, 1990.

DOE/FE Opinion and Order No. 387

Order Granting Extension of Long-Term Authorization to Import Natural Gas from Canada and Granting Interventions

I. Background

On September 12, 1989, Pacific Gas Transmission Company (PGT) filed an application with the Office of Fossil Energy (FE) of the Department of Energy (DOE) under section 3 of the Natural Gas Act (NGA) and DOE Delegation Order Nos. 0204-111 and 0204-127, for an extension of PGT's existing import authorization, which expires October 31, 1993. The extension requested would allow continued importation of natural gas from Canada at the currently authorized level of up to 1,023 MMcf per day through October 31, 2005. The gas would continue to be imported under the terms of PGT's existing gas sales contract with Alberta and Southern Gas Company Ltd. (Alberta and Southern) via the import point near Kingsgate, British Columbia and transported by PGT's existing pipeline facilities through the states of Washington, Idaho and Oregon, for delivery at the California border to PGT's only sales customer, Pacific Gas and Electric Company (PG&E).

PGT is a natural gas company engaged in the business of transporting, purchasing, importing and selling gas in interstate commerce, and is a wholly-owned subsidiary of PG&E. PG&E is a public utility providing electric and natural gas service to northern and central California. PGT is currently authorized to import up to 1,023 MMcf of natural gas per day through October 31, 1993, pursuant to DOE/ERA Opinion and Order Nos. 63 and 63A (Order 63A), issued November 1, 1984, and April 2, 1985, respectively,^{1/} in accordance with the provisions of a January 31, 1961, gas sales contract with Alberta and Southern, as amended.

According to PGT's application, in October 1986, the Canadian National Energy Board (NEB) consolidated seven existing natural gas import licenses issued to Alberta and Southern into one consolidated license, No. GL-99, and extended the term of Alberta and Southern's export license from October 31, 1993, to October 31, 1994. The NEB approved volumes for export at the same level as PGT is authorized to import through October 31, 1993. On June 8, 1989, the NEB replaced License No. GL-99 with a new export License No. GL-111, authorizing the continued export of natural gas at the same volume levels as

under License No. GL-99 for a period of 11 years beginning November 1, 1994, and ending October 31, 2005. PGT's gas import application seeks to extend the term of its existing import authorization at presently authorized levels to correspond to Alberta and Southern's gas export authorization.

In support of its application, PGT states that the extension of the import authorization requested is needed to satisfy long-term supply needs of its sole sales customer, PG&E, which cannot be obtained from other sources of supply. PGT also states that the imported gas is competitive and will remain so over the extended import term requested because of the flexibility provided for by the price adjustment and redetermination provisions in the gas sales contract with Alberta and Southern, which is the same contract that formed the basis for PGT's existing import authorization. PGT indicates that the terms of the existing gas sales contract with Alberta and Southern, that became effective November 1, 1984, would remain in effect during the extended term of the import project. This contract provided for a commodity rate at the international border of \$2.99 (U.S.) per MMBtu, subject to semi-annual review and adjustment, plus a demand charge based on actually incurred costs of transporting the gas within Canada to the export point. PGT asserts that under the most recent commodity price determination, established in early 1989, the commodity rate was set at \$1.90 (U.S.) per MMBtu for the next succeeding 15-month period.

A notice of this application was issued November 30, 1989, inviting protests, motions to intervene, notices of intervention, and comments to be filed by January 10, 1990.^{2/} El Paso Natural Gas Company, Northwest Pipeline Corporation and Mojave Pipeline Company filed motions to intervene without comment. Notice of intervention, without comment, was filed by the Public Utilities Commission of the State of California. This order grants intervention to these movants.

II. Decision

The application filed by PGT has been evaluated to determine if the proposed import arrangement meets the public interest requirements of section 3 of the NGA. Under section 3 of the NGA, an application to import natural gas must be approved unless there is a finding that it "will not be consistent with the public interest."^{3/} FE is guided in making its determination by the DOE's natural gas import policy guidelines.^{4/} Under these guidelines, the competitiveness of an import in the market served is the primary consideration for meeting the public interest test. Need for the import and security of supply are also considerations in long-term import arrangements.

PGT's uncontested import proposal as set forth in the application is consistent with section 3 of the NGA and the DOE policy guidelines. The guidelines direct DOE to look for, as indicia of competitiveness, flexible contract arrangements which permit the parties to respond to changing market conditions over the life of the import. The PGT/Alberta and Southern gas purchase contract provides such flexibility in the form of semi-annual price review and redetermination provisions. Previously, in issuing Order 63-A, DOE concluded that PGT's import arrangement based on this same gas purchase contract was competitive and would remain so over the term of the contract arrangement. There is no information in the record of this proceeding on which to base a different conclusion for the proposed extended term of the import arrangement.

PGT's proposed extension of its import arrangement would continue service to an established and, according to PGT, growing market in central and southern California and would be supported by Canadian sources of supply that have been secure and reliable since 1961. Further, no one has questioned need for the gas nor security of the supply source.

After taking into consideration all the information in the record of this proceeding, I find that granting PGT an extension of its existing import authority, which expires October 31, 1993, to allow continued importation of natural gas at the currently authorized level of up to 1,023 MMcf per day through October 31, 2005, is not inconsistent with the public interest.

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 issued by the Federal Power Commission to Pacific Gas Transmission Company (PGT) under Docket Nos. G-17350, G-17351 and G-17352 on August 5, 1960 (24 FPC 134), as amended in Docket Nos. CP 65-213, CP 65-214 and CP 65-215 on June 14, 1966 (35 FPC 1003), as amended in Docket Nos. CP 67-187 and CP 67-188 on October 30, 1968 (40 FPC 1147), as amended in Docket Nos. CP 69-346 and CP 69-347 on March 13, 1970 (43 FPC 418), and as amended by DOE/ERA Opinion and Order No. 63 on November 1, 1984 (1 ERA Para. 70,574) and DOE/ERA Opinion and Order No. 63A on April 2, 1985 (1 ERA Para. 72,385) is hereby further amended to extend the term of the authorization expiring October 31, 1993, to October 31, 2005.

B. With respect to the natural gas authorized to be imported by this order, PGT shall file with the Office of Fuels Programs within 30 days

following each calendar quarter, quarterly reports showing, by month, the quantities of natural gas in Mcf imported under this authorization, and the average price per MMBtu paid for those volumes at the international border. The price information shall include a demand-commodity charge breakdown on a monthly and per unit (MMBtu) basis, as well as the average delivered price at the California border per MMBtu.

C. 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 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 6, 1990.

--Footnotes--

1/ Pacific Gas Transmission Company, DOE/ERA Opinion and Order No. 63, issued November 1, 1984 (1 ERA Para. 70,574) and DOE/ERA Opinion and Order No. 63A, issued April 2, 1985 (1 ERA Para. 72,385).

2/ 54 FR 50812, December 11, 1989.

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

4/ 49 FR 6684, February 22, 1984.