Cited as "1 FE Para. 70,323"

Vermont Gas Systems, Inc. (FE Docket No. 90-01-NG), June 7, 1990.

DOE/FE Opinion and Order No. 400

Order Granting Blanket Authorization to Import and Export Natural Gas

I. Background

On January 5, 1990, Vermont Gas Systems, Inc. (Vermont), 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 blanket authorization to import up to 20 Bcf of Canadian natural gas and to export up to 20 Bcf of domestically produced natural gas to Canada on an interruptible or firm basis for a term of two years beginning on the date of the first import or export. This applicant is a Vermont corporation with its principal place of business in Burlington, Vermont. It proposes to import and export natural gas, either for its own system supply use or as an agent for others, for short-term, spot market sales to United States or Canadian customers, including, but not limited to, gas distribution companies, pipelines, and industrial end-users. Vermont states that the specific terms of each of the proposed import and export transactions would be negotiated on an individual basis to reflect market conditions. Vermont request authority to import and export gas using existing facilities at the international boundary of the United States and Canada near Philipsburg, Quebec and Highgate Springs, Vermont.

In support of its application, Vermont maintains that the provisions of each spot transaction, including the price and volumes, would be freely negotiated, thus assuring that transactions will reflect market conditions. Therefore, Vermont contends that its import proposal is consistent with DOE's policy guidelines on the regulation of imported and exported natural gas. The company also maintains that the proposed imports and exports will further the goals of reducing trade barriers and encouraging the operation of market forces between the U.S. and Canada.

Vermont intends to use existing pipeline facilities for the transportation of the volumes to be imported and exported, and proposes to file quarterly reports detailing each transaction.

A notice of the application was issued on February 13, 1990, inviting protests, motions to intervene, notices of intervention, and comments to be filed by March 26, 1990.1/ No comments were received.

II. Decision

The application filed by Vermont has been evaluated to determine if the proposed import/export arrangement meets the public interest requirements of section 3 of the NGA. Under section 3, and import or export must be authorized unless there is a finding that it "will not be consistent with the public interest." 2/ With regard to import authorizations, the determination 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. In reviewing natural gas export applications, the domestic need for the gas to be exported is considered, and any other issues determined to be appropriate in a particular case.

Vermont's uncontested import/export proposal for Canadian and U.S. natural gas, as set forth in the application, is consistent with section 3 of the NGA and the DOE's international gas trade policy. We believe that Vermont's market-based approach for negotiating short-term imports and exports will enhance competition in gas markets. Under the proposed arrangement, short-term transactions will be negotiated in response to the marketplace, and thus must reflect the true value of the commodity being traded, or no gas sales presumably would take place. In addition, the current domestic gas supply situation, coupled with the short-term, market-responsive nature of the contracts into which Vermont proposes to enter, indicate that it is unlikely the proposed export volumes will be needed during the term of this authorization. Finally, Vermont's proposal, like other blanket import/export proposals that have been approved,4/ will further the Secretary's policy goals of reducing trade barriers by encouraging market forces to achieve a more competitive distribution of goods between the U.S. and Canada.

After taking into consideration all the information in the record of this proceeding, I find that granting Vermont blanket authorization to import up to 20 Bcf of Canadian natural gas and to export up to 20 Bcf of domestically produced natural gas to Canada over a two-year term beginning on the date of the first import or export under contracts of two years or less, is not inconsistent with the public interest and should be approved.

ORDER

For the reasons set forth above, under section 3 of the Natural Gas Act, it is ordered that:

A. Vermont Gas Systems, Inc. (Vermont), is authorized to import up to 20 Bcf of Canadian natural gas and to export to Canada up to 20 Bcf of domestically produced natural gas over a two-year term beginning on the date the first import or first export commence.

B. This natural gas may be imported or exported utilizing existing pipeline facilities on the international border near Philipsburg, Quebec and Highgate Springs, Vermont.

C. Within two weeks after deliveries begin, Vermont shall notify the Office of Fuels Programs, Fossil Energy, Room 3F-056, FE-50, 1000 Independence Avenue, S.W., Washington, D.C. 20585, in writing the date that the first import or first export authorized in Ordering Paragraph A above occurs.

D. With respect to the imports and exports authorized by this Order, Vermont shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports indicating whether sales of imported and/or exported natural gas have been made, and if so, giving, by month, the total volume of the imports and exports in MMcf and the average purchase price for imports and exports per MMBtu at the international border. The reports shall also provide the details of each import or export transaction, including the names of the seller(s), and the purchaser(s), including those other than Vermont, estimated or actual duration of the agreement(s), transporter(s), points of entry or exit, 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 or make-up provisions.

Issued in Washington, D.C., on June 7, 1990.

--Footnotes--

1/ 55 FR 6418, February 23, 1990.

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

3/ 49 FR 6684, February 22, 1984.

4/ See, e.g., Nicholson & Associates, Inc., 1 FE Para. 70,205 (March 23, 1989); Cornerstone Natural Gas Company, 1 FE Para. 70,216 (April 12, 1989); Transamerican Natural Gas Corp., 1 FE Para. 70,220 (April 28, 1989); and Chevron Natural Gas Services, Inc., 1 FE Para. 70,223 (May 9, 1989).