

Cited as "1 FE Para. 70,328"

Semco Energy Services, Inc. (FE Docket No. 90-18-NG), June 20, 1990.

DOE/FE Opinion and Order No. 401

Order Granting Blanket Authorization to Import Natural Gas from Canada

## I. Background

On March 21, 1990, Semco Energy Services, Inc. (Semco), 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, requesting blanket authority to import up to a 800 Bcf over a two-year term beginning on July 1, 1990, the expiration of its current import authorization granted in DOE/ERA Opinion and Order No. 193 (Order 193).<sup>1/</sup> Semco was authorized in Order 193 to import up to 400 Bcf of Canadian natural gas for short-term and spot-market sales over a two-year term that expires on June 30, 1990.

Semco, a wholly-owned subsidiary of Southeastern Michigan Gas Enterprises, Inc., is a corporation registered in the State of Michigan. It requests authority, either on its own behalf or as agent for U.S. purchasers and/or Canadian suppliers, to import competitively priced natural gas for short-term or spot-market sales to a range of U.S. buyers, including end-users, local distribution companies, and intrastate and interstate pipelines.

In support of its application, Semco maintains that the provisions of each sales transaction, including the price and volumes, would be freely negotiated, thus ensuring that the imports will reflect market conditions. Therefore, Semco contends that its proposed import of natural gas is consistent with DOE's policy guidelines. The proposed Canadian import would use existing pipeline facilities.

Semco proposes to file reports with FE within 30 days after the end of each calendar quarter giving details of the individual transactions.

A notice of the application was issued on April 12, 1990, inviting protests, motions to intervene, notices of intervention, and comments to be filed by May 17, 1990.<sup>2/</sup> No comments or motions to intervene were received.

## II. Decision

The application filed by Semco 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 must be authorized unless there is a finding that it "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.

Semco's uncontested proposal for the importation of natural gas, as set forth in the application, is consistent with section 3 of the NGA and the DOE policy guidelines. The import authorization sought, similar to other blanket arrangements approved by DOE,5/ would provide Semco with blanket import approval, within prescribed limits, to negotiate and transact individual, spot and short-term purchase arrangements without further regulatory action. The fact that each spot purchase will be voluntarily negotiated and market-responsive, as asserted in Semco's application, provides assurance that the transactions will be competitive with other natural gas supplies available to Semco. This arrangement, therefore, should enhance competition in the marketplace.

After taking into consideration all of the information in the record of this proceeding, I find that authorizing Semco to import up to 800 Bcf of Canadian natural gas over a two-year period beginning on July 1, 1990 and ending June 30, 1992, under contracts with terms 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. Semco Energy Services, Inc. (Semco), is authorized to import up to 800 Bcf of natural gas for two years beginning on July 1, 1990 and ending June 30, 1992.

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, Semco shall file with the Office of Fuels Programs within 30 days following each calendar quarter, quarterly reports indicating whether imports of natural gas have been made, and if so, giving, by month, the total volume of the imports in Mcf and the average purchase price per MMBtu at the international border. The reports

shall also provide the details of each import transaction, including the name of the purchaser, estimated or actual duration of the agreement(s), transporter(s), point of entry, and, if applicable, the per unit (MMBtu) demand/commodity charge breakdown of the price, any special contract price. The adjustment clauses, and any take-or-pay or make-up provisions.

Issued in Washington, D.C., on June 20, 1990.

--Footnotes--

1/ 1 ERA Para. 70,723 (September 23, 1987).

2/ 55 FR 14346, April 17, 1990.

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

4/ 39 FR 6684, February 22, 1984.

5/ See, e.g., Westar Marketing Company, FE Docket No. 89-70-NG (January 25, 1990); Chevron Natural Gas Services, Inc., FE Docket No. 89-79-NG (February 6, 1990); Dome Petroleum Corporation, FE Docket No. 89-80-NG (February 6, 1990); and Westcoast Resources, Inc., FE Docket No. 89-74-NG (March 2, 1990).