

Cited as "1 FE Para. 70,381"

Cascade Natural Gas Corporation (FE Docket No. 90-76-NG), November 20, 1990.

DOE/FE Opinion and Order No. 452

Order Granting Long-Term Authorization to Import Natural Gas from Canada and Granting Intervention

### I. Background

On August 30, 1990, as supplemented September 6, 1990, Cascade Natural Gas Corporation (Cascade) 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 authorization to import natural gas from Canada over a period of ten years. Cascade proposes to import up to 12,000 MMBtu equivalent of gas per day (one MMBtu equates to approximately one Mcf), not to exceed a total of 42.2 Bcf, commencing either November 1, 1990, or alternatively, the date of first delivery, and terminating on October 31, 2000. The volumes imported would enter the United States near Sumas, Washington and be transported from that point through the existing pipeline facilities of Northwest Pipeline Corporation (Northwest). No new construction or new pipeline facilities would be involved.

Cascade, a public utility that serves customers in Washington and Oregon, intends to use this gas purchased from Mobil Oil Canada, Ltd. (Mobil Canada) for system supply. Under the gas sale contract between Cascade and Mobil Canada accompanying the application, sales would be arranged on a monthly basis, with Cascade notifying Mobil Canada of the amount it desires to purchase up to a daily maximum of 12,000 MMBtu. Once during each month, Cascade is entitled to request a change in its purchase nomination up or down, and Mobil Canada would be required to use its best efforts to accommodate that request. The contract term extends to October 31, 2000, with provision for automatic extension for subsequent periods of two years.

The price that Cascade would pay Mobil Canada for the gas would be calculated monthly and is comprised of a demand charge, a commodity charge, and a gas reservation fee.

**Demand Charge.** The demand charge covers the toll charges of Westcoast Energy Inc. for gathering, processing and transporting the gas from the

producing fields in the Province of British Columbia to the U.S./Canada border.

Commodity Charge. The commodity charge is established initially as the weighted sum of the following four factors:

(1) 25 percent of the B.C. Gas Inc. (a British Columbia local distribution company) residential gas price, netted back to the wellhead, for the prior month;

(2) 25 percent of the arithmetic average of the weekly high and low prices for Number 6 fuel oil (Bunker C) in Seattle, Washington for the delivery month;

(3) 25 percent of the price for spot market gas delivered into Northwest's system at Sumas, Washington for the prior month (subject to a summer season, April-September, adjustment under certain circumstances); and

(4) 25 percent of the price for spot market gas delivered into Northwest's system in the Rocky Mountains.

The formula for determining the commodity charge may be renegotiated annually, and the contract provides for arbitration if the parties cannot agree on a new formula. Any disputes regarding non-price provisions of the contract would also be settled through arbitration.

Reservation Fee. The last element of the three-part rate, the gas reservation fee, is intended to compensate Mobil Canada for holding dedicated reserves available for Cascade. It is equal to the greater of (a) 18 percent of the commodity price applied to the deficient volumes in any month which Cascade does not take the full contract quantity or (b) nine percent of the commodity price applied to the daily contract quantity on a monthly basis

There is no requirement for Cascade to purchase a minimum quantity of gas. However, if Cascade nominates volumes for delivery but they are not actually taken, it must pay the demand charge and reservation fee on the deficiency.

Under the pricing scheme, Cascade estimated that the border price for deliveries in August 1990, if deliveries had then taken place, would have been \$1.86 (U.S.) per MMBtu at 100 percent load factor. Cascade provided the following breakdown of the price: demand charge of \$0.65 per MMBtu, commodity charge of \$1.11 per MMBtu, and reservation charge of \$0.10.

## II. Interventions

DOE published a notice of receipt of Cascade's application in the Federal Register on October 5, 1990, inviting protests, motions to intervene, notices of intervention, and comments to be filed by November 5, 1990.<sup>1/</sup> Northwest filed a motion to intervene but did not express an opinion on the merits of the application. This order grants intervention to Northwest.

## III. Decision

The application filed by Cascade 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."<sup>2/</sup> This determination is guided by DOE's natural gas import policy guidelines, under which the competitiveness of the import in the markets served is the primary consideration for meeting the public interest test.<sup>3/</sup> The DOE also considers, particularly in long-term arrangements, need for and the security of the imported gas supply.

Cascade's uncontested import proposal, as set forth in its application, is consistent with the import policy guidelines. Cascade has freely negotiated an arrangement to acquire natural gas under contract provisions that are sufficiently flexible so that throughout the contract term the price should remain comparable to competing gas supplies and alternate fuels. Further, delivery of this gas would be at Cascade's discretion because there is no requirement to purchase a minimum quantity and no exposure to minimum bill expenses. Thus, Cascade is free to purchase other gas as it may choose. In view of the market-sensitive character of the proposed import, Cascade's customers should not be adversely affected.

Need for the gas is viewed under the DOE guidelines as a function of marketability and gas is presumed to be needed if it is competitive. We have found that Cascade's proposed import arrangement is competitive and, therefore, can be presumed to be needed.

Finally, the security of this Canadian gas supply has not been disputed. Natural gas has been imported from Canada for many years and there has been no instance of a major natural gas supply interruption that would call into question Mobil Canada's reliability as a natural gas supplier to this country.

After taking into consideration all of the information in the record of this proceeding, I find that granting Cascade authorization to import a total

of 42.2 Bcf of natural gas from Canada over a period of ten years, at a daily rate of up to 12,000 Mcf, is not inconsistent with the public interest.<sup>4/</sup>

## ORDER

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

A. Cascade Natural Gas Corporation (Cascade) is authorized through October 31, 2000, to import at Sumas, Washington, up to 12,000 Mcf per day of Canadian natural gas from Mobil Oil Canada, Ltd., not exceeding a total of 42.2 Bcf, in accordance with the gas sales contract of record in this proceeding as discussed herein, effective as of the date of this order.

B. Cascade shall file with the Office of Fuels Programs, Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, within 30 days following each calendar quarter, quarterly reports showing by month the total volume of natural gas imports in Mcf and the average price per MMBtu paid for those volumes at the international border. The price information shall itemize separately the demand, commodity, and reservation charges on a monthly and per unit (MMBtu) basis.

C. The motion to intervene filed by Northwest Pipeline Corporation is hereby granted provided that its participation shall be limited to matters specifically set forth in its motion to intervene and not herein specifically denied, and that admission of this intervenor shall not be construed as recognition that it may be aggrieved because of any order issued in this proceeding.

Issued in Washington, D.C., November 20, 1990.

--Footnotes--

1/ 55 FR 40925 (October 5, 1990).

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

3/ 49 FR 6684, February 22, 1984.

4/ Because the proposed importation of gas will use existing pipeline facilities, the DOE has determined that granting this application is not a major Federal action significantly affecting the quality of the human

environment within the meaning of the National Environmental Policy Act (42 U.S.C. 4321, et seq.) and therefore an environmental impact statement or environmental assessment is not required. See 40 CFR Section 1508.4 and 54 FR 12474 (March 27, 1989).