

Cited as "1 FE Para. 70,395"

IGI Resources, Inc. (FE Docket No. 90-89-NG), December 20, 1990.

DOE/FE Opinion and Order No. 466

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

I. Background

On October 11, 1990, as supplemented October 31, 1990, IGI Resources, Inc. (IGI) 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 authorization to import natural gas from Canada over a period of ten years. IGI proposes to import from Mobil Oil Canada (Mobil) up to 5,000 MMBtu of gas per day from November 1, 1990 through October 31, 1992; up to 10,000 MMBtu per day from November 1, 1992, through October 31, 1995; and up to 15,000 MMBtu per day from November 1, 1995, through October 31, 2000 (one MMBtu equates to approximately one Mcf). 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.

IGI, an Idaho corporation having its principal office in Boise, Idaho, is a gas marketer supplying industrial end-users and local distribution companies (LDCs) in the western U.S., primarily in the Pacific Northwest. The LDCs include Intermountain Gas Company (Intermountain) in Idaho and CP National Corporation in Oregon. IGI is a wholly owned subsidiary of Intermountain Gas Industries, a holding company which also owns Intermountain.

Under the gas purchase contract between IGI and Mobil accompanying the application, purchase would be arranged on a monthly basis when IGI notifies Mobil of the amount it desires to buy from zero up to the maximum daily contract quantities.^{1/} IGI has the right to change its designated purchase quantity three times during each month upon three days written notice to Mobil. The contract term extends to October 31, 2000, with provision for automatic extension for subsequent periods of two years.

The price that IGI would pay Mobil 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 for holding dedicated reserves available for IGI. It is equal to the greater of (a) 18 percent of the commodity price applied to the deficient volumes in any month in which IGI 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 IGI to purchase a minimum quantity of gas. However, if IGI nominates volumes but they are not actually taken, it must pay the demand charge and reservation fee on the deficiency.

Under the pricing scheme, IGI estimated that the border price for deliveries in November 1990, if deliveries had then taken place, would have been \$2.49 (U.S.) per MMBtu at 100 percent load factor. IGI provided the following breakdown of the price: demand charge of \$0.64 per MMBtu, commodity

charge of \$1.70 per MMBtu, and reservation charge of \$0.15 per MMBtu.

DOE published a notice of receipt of IGI's application in the Federal Register on November 9, 1990,^{2/} inviting protests, motions to intervene, notices of intervention, and comments to be filed by December 10, 1990.^{3/} A motion to intervene without comments or request for additional procedures was filed by Northwest.

II. Decision

The application filed by IGI 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."^{4/} 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.^{5/} The DOE also considers, particularly in long-term arrangements, need for and the security of the imported gas supply.

IGI's uncontested import proposal, as set forth in its application, is consistent with the import policy guidelines. IGI 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 IGI's discretion because there is no exposure to minimum bill expenses. Thus, IGI is free to purchase other gas supplies. IGI's customers should benefit from the addition of this competitively-priced gas to IGI's supply portfolio.

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 IGI'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's reliability as a natural gas supplier to this country.

Based on the information in the record of this proceeding, I find that granting IGI authorization to import natural gas from Canada over ten years through October 31, 2000, at a daily rate of up to 5,000 Mcf in the first two

years, up to 10,000 Mcf in the next three years, and up to 15,000 Mcf in all years thereafter, is not inconsistent with the public interest.^{6/}

ORDER

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

A. IGI Resources, Inc. (IGI) is authorized to import from Canada at the international border near Sumas, Washington the following volumes of natural gas purchased from Mobil Oil Canada beginning on the date of the initial delivery through October 31, 2000, in accordance with the gas sales contract of record as described in this Order:

Period	Daily (Mcf)
Initial delivery through October 31, 1992	5,000
November 1, 1992 through October 31, 1995	10,000
November 1, 1995 through October 31, 2000	15,000

B. Within two weeks after deliveries begin, IGI shall provide written notification to the Office of Fuels Programs, Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date when the first delivery of natural gas authorized in Ordering Paragraph A above occurs.

C. IGI shall file with the Office of Fuel Programs the terms of any renegotiated pricing formula at least 30 days in advance of its effective date.

D. With respect to the imports authorized by this Order, IGI shall file 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. In addition, IGI shall provide a breakdown of the import volume showing the amount sold in each State and to each of its customers.

E. The motion to intervene filed by Northwest Pipeline Corporation is hereby granted, provided that participation of the intervenor shall be limited to matters specifically set forth in the motion to intervene and not herein specifically denied, and that admission of such intervenor shall not be construed as recognition that they might be aggrieved because of any order

issued in these proceedings.

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

--Footnotes--

1/ IGI's contract with Mobil, dated November 1, 1990, is contingent upon the granting of the authorization requested by November 1, 1990. After the November 1 deadline, either party has the right, subject to certain conditions, to cancel the arrangement.

2/ 55 F.R. 47115 (November 9, 1990).

3/ IGI requested expedited approval of its application by November 1, 1990, so that there would be sufficient gas supplies to meet the peak period requirements of LDCs and downstream customers, as well as industrial end-users in its marketing area during the upcoming winter heating season. If a final order could not be issued by that time, IGI requested interim authorization. Except in extraordinary or emergency circumstances, 10 CFR Sec. 590.205(a) of DOE's administrative procedures provides for a public comment period of not less than 30 days. IGI did not show that such circumstances surround this import proposal to justify departing from our standard policy. Further, we determined that IGI could use its present short-term, blanket authority to import gas needed by its customers during the pendency of the application. See DOE/FE Opinion and Order No. 415, issued July 31, 1990 (1 FE Para. 70,341).

4/ 15 U.S.C. 717b.

5/ 49 F.R. 6684 (February 22, 1984).

6/ Because the proposed importation of gas will use already installed pipeline facilities, 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 C.F.R. Sec. 1508.4 and 54 F.R. 12474 (March 27, 1989).