

Cited as "1 FE Para. 70,403"

CanStates Petroleum Marketing (FE Docket No. 90-102-NG), January 25, 1991.

DOE/FE Opinion and Order No. 470

Order Granting Blanket Authorization to Import Natural Gas from Canada

I. Background

On November 28, 1990, as amended on December 3, 1990, CanStates Petroleum Marketing (CanStates) filed an application with 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 250,000 Mcf per day, up to a total of 180 Bcf, of Canadian natural gas over a two-year term beginning on the date of first delivery. CanStates intends to utilize existing pipeline facilities for the transportation of the proposed volumes to be imported, and indicated that it would submit quarterly reports detailing each import transaction.

CanStates is a partnership formed under the laws of the State of Michigan between Rankin Petroleum, Inc., and Polysar Hydrocarbons, Inc., both Michigan corporations, with its principal place of business in Port Huron, Michigan. CanStates is engaged in the business of purchasing, marketing and reselling hydrocarbons, including natural gas.

Under the blanket authority sought, CanStates, acting either for its own account or on behalf of others, would import natural gas from a variety of Canadian suppliers for resale to local distribution companies and other end-users in the U.S. under contracts of two years or less. The specific terms of each import arrangement would be negotiated on an individual basis, including price, volume, and price adjustments, in order to meet competition in the marketplace.

The scope of the proposed authorization would permit CanStates to import volumes of natural gas produced by historically reliable Canadian suppliers for sale on a short-term or spot market basis to purchasers in the U.S. Moreover, the authorization sought is intended to provide CanStates with the flexibility to effectuate numerous transactions under a single DOE blanket order. In support of its application CanStates asserts that, in most cases, the price of short-term contracts will be adjusted on a monthly basis, as required by market conditions and the price of competing fuels, in order to remain competitive in the marketplace. Further, by using existing facilities CanStates anticipates there will be no potential environmental impacts.

A notice of the application was issued on December 10, 1990, inviting protests, motions to intervene, notices of intervention, and comments to be filed by January 14, 1991.¹ No comments were received.

II. Decision

The application filed by CanStates 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."² The determination is guided by 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.

CanStates' uncontested proposal for the importation of natural gas, as set forth in the application, is consistent with section 3 of the NGA and DOE's international gas trade policy. The import authorization sought, similar to other blanket arrangements approved by DOE,^{4/} would provide CanStates with blanket 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 CanStates' application, provides assurance that the transactions will be competitive with other natural gas supplies available to CanStates.

After taking into consideration all of the information in the record of this proceeding, I find that granting CanStates blanket authorization to import up to 180 Bcf of Canadian natural gas over a two-year term under contracts with terms of two years or less, beginning on the date of first delivery, is not inconsistent with the public interest.^{5/} Consistent with DOE's policy of maximizing contract flexibility, there will be no daily limit on the volumes CanStates is authorized to import.

ORDER

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

A. Authorization is hereby granted to CanStates Petroleum Marketing (CanStates), to import up to 180 Bcf of Canadian natural gas over a two-year term beginning on the date of the first delivery.

B. This natural gas may be imported at any point on the international border where existing facilities are located.

C. Within two weeks after deliveries begin, CanStates 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 of the date that the first import authorized in Ordering Paragraph A above occurs.

D. With respect to the imports authorized by this Order, CanStates 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 names of the seller(s), and the purchaser(s), including those other than CanStates, 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 adjustment clauses, and any take-or-pay or make-up provisions.

Issued in Washington, D.C., on January 25, 1991.

--Footnotes--

1/ 55 FR 51492, December 14, 1990.

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

3/ 49 FR 6684, February 22, 1984.

4/ See, e.g., V.H.C. Gas Systems, L.P., 1 FE Para. 70,363 (October 15, 1990); Phibro Energy, Inc., 1 FE Para. 70,362 (October 15, 1990); and Amoco Energy Trading, 1 FE Para. 70,351 (September 20, 1990).

5/ Because the proposed importation of gas will use existing 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 CFR Sec. 1508.4 and 54 FR 12474 (March 27, 1989).