

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

INLAND GAS & OIL CORP.

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) FE DOCKET NO. 91-19-NG
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ORDER GRANTING IN PART AND DENYING IN PART
AN AMENDMENT TO A BLANKET AUTHORIZATION TO
IMPORT AND EXPORT NATURAL GAS, INCLUDING
LIQUEFIED NATURAL GAS, AND GRANTING INTERVENTION

DOE/FE OPINION AND ORDER NO. 517-A

JUNE 12, 1992

I. BACKGROUND

On December 5, 1991, Inland Gas & Oil Corp. (IGOC) 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, to amend an existing blanket authorization to import and export natural gas, including liquefied natural gas (LNG), from and to Canada. In DOE/FE Opinion and Order No. 517 (Order 517), IGOC was granted blanket authorization to import up to 14 Bcf and to export up to 36 Bcf of natural gas over a two-year period, beginning on the date of first delivery. 1/ The amendment request would increase the authorized import volumes of gas and LNG from 14 Bcf to 35 Bcf. The blanket export volumes approved in Order 517 would not change. In addition, IGOC requested authority to import or export the proposed natural gas and LNG at the interconnection between the proposed Sumas International Pipeline Inc. (SIPI) border facilities and Northwest Pipeline Corporation, if and when the SIPI facilities are approved by the Federal Energy Regulatory Commission (FERC).

IGOC, a corporation organized under the laws of the State of Delaware with its principal place of business in Wilmington, Delaware, is an indirect wholly owned subsidiary of BC Gas Inc. (BC Gas), a Canadian corporation located in Vancouver, British Columbia. IGOC functions as a natural gas marketer and, pursuant to Order 517, would import and export natural gas or LNG on a

1/ See 1 FE 70,463 (July 5, 1991). No deliveries of natural gas imports or exports have been reported as of the date of issuance of this Opinion and Order.

short-term or spot basis for its own account or as agent for Canadian or U.S. purchasers and suppliers, including BC Gas and its U.S. agent, Grand Valley Gas Company of Salt Lake City, Utah.

According to IGOC, the amendment to increase its blanket import volumes is needed in order for its import volumes to equal the 35 Bcf of gas that the National Energy Board of Canada (NEB) has authorized BC Gas to export for sale in the U.S. In addition, the use of the proposed SIPI border facility is requested to allow BC Gas to implement alternative pipeline access for both imports and exports as the result of changed circumstances regarding its existing exchange arrangements for exports, and because of lack of adequate import capacity on the Westcoast Energy Inc. Pipeline System (Westcoast) beyond October 31, 1992. IGOC maintains that its ability to import gas on behalf of BC Gas is limited to 60,000 Mcf per day of firm capacity on Westcoast until October 31, 1992, without renewal rights. IGOC further asserts that export gas sales are restricted as a result of Westcoast's failure to provide firm backhaul service.

II. INTERVENTIONS AND PROTESTS

A notice of the application was issued on December 31, 1991, inviting protests, motions to intervene, notices of intervention, and comments to be filed by February 6, 1992. 2/ A motion to intervene without comment was filed by Cascade Natural Gas Corporation. Washington Natural Gas Company (Washington Natural)

2/ 57 FR 569 (January 7, 1992).

also filed a motion to intervene, but protested the application and requested that DOE convene a conference. This order grants intervention to both movants.

Washington Natural asserts that approval of IGOC's application would be inconsistent with the public interest considerations under section 3 of the NGA and contrary to DOE's obligation to give appropriate consideration to the environmental effects of its proposed actions under the National Environmental Policy Act (NEPA), 42 U.S.C., et seq. That assertion is

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predicated on the fact that IGOC is seeking to import and export natural gas over the proposed SIPI facilities, which are not yet constructed and which have not received the necessary regulatory authorizations from FERC to begin construction. In addition, Washington Natural claims that the affiliations between BC Gas, SIPI, and IGOC raise questions about the anticompetitive potential of the import and export arrangements. In particular, Washington Natural is concerned that the requested authorizations will interfere with its ability to receive contracted-for supplies from Canadian, as well as domestic sources.

On February 13, 1992, IGOC filed an answer to Washington Natural's protest. IGOC rejects Washington Natural's contention that conditional approval of the SIPI border connection may present potential environmental problems in view of the fact the proposed facilities would be constructed along existing right-of-way, and are, in any case, subject to environmental review by FERC. In addition, IGOC maintains that Washington Gas' assertion

that the operations of SIPI and IGOC will interfere with Washington Gas' supply contracts, both imported and domestic, are unsubstantiated and Washington Gas has sufficient firm capacity for its needs.

III. DECISION

The application filed by IGOC has been evaluated to determine if the proposed amendment to the import/export arrangement previously authorized in Order 517 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/ With regard to import authorizations, the determination is guided by 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. Because the export volumes would remain the same and DOE is making no decision in this regard, the considerations that comprise DOE's public interest inquiry for exports are not applicable.

IGOC seeks to amend Order 517 by raising the authorized import volumes of natural gas and LNG from 14 Bcf to 35 Bcf over the two-year term. IGOC makes the request for increased import volumes to equal BC Gas' export authorization approved by the NEB, which is for up to 35 Bcf during a two-year term beginning

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

4/ 49 FR 6684, February 22, 1984.

November 5, 1991. In addition, IGOC seeks conditional authorization to use the proposed SIPI border facility to import and export natural gas. The use of the SIPI facilities would be conditioned upon FERC approval of those facilities.

IGOC's proposal to increase the total imports authorized in Order 517 from 14 Bcf to 35 Bcf is consistent with section 3 of the NGA, DOE's natural gas policy guidelines, and DOE's international gas trade policy. The increase would give IGOC import authorization consistent with BC Gas's blanket NEB export authorization and would provide IGOC with blanket approval, within prescribed limits, to negotiate and transact individual, spot and short-term arrangements without further regulatory review.

Regarding IGOC's request for conditional authorization to use the proposed SIPI facilities, DOE's blanket authorization program was originally implemented to allow authorization holders the flexibility to make spot and short-term sales of natural gas without having to obtain individual authorizations for each transaction. Since a conditional authorization by definition requires an additional authorization by DOE, it does not permit the short-term and spot market sales that the blanket program was designed to promote. No transactions could occur until the condition was removed. Therefore, IGOC's request for conditional authorization to use the proposed SIPI facilities is denied. However, this decision not to issue a conditional authorization should not be considered a determination by DOE on the merits of

the SIPI proposal. Rather, it is a matter of administering DOE's blanket authorization program in a manner consistent with the purposes of that program. As in previous cases in which blanket authorization holders have sought to add additional import/export facilities that were not in existence at the time the authorization was issued, IGOC may file a request to add SIPI when, and if, it becomes operational. 5/

After taking into consideration all of the information in the record of this proceeding, I find that granting IGOC authority to increase the volumes it is authorized to import in Order 517 from 14 Bcf to 35 Bcf is not inconsistent with the public interest. Washington Natural's protest is moot since both the environmental and competitive arguments advanced by it concerned IGOC's request for conditional authorization to use the proposed SIPI facilities. 6/

ORDER

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

5/ See, e.g., Union Gas Limited, DOE/ERA Opinion and Order No. 283, issued November 22, 1988 (1 ERA 70,825).

6/ Because the proposed importation and exportation 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 1508.4 and
— 57 FR 15122 (April 24, 1992).

A. The following language shall be substituted for Paragraph A of DOE/FE Opinion and Order No. 517 in its entirety:

"Inland Gas & Order Corp. (IGOC) is authorized to import from Canada up to 35 Bcf of natural gas, including liquefied natural gas (LNG), and to export to Canada up to 36 Bcf of natural gas, including LNG, over a two-year term, commencing on the date of the first import or export."

B. All other terms and conditions set forth in Order No. 517 shall remain in effect.

C. IGOC's request for conditional authorization to import and export natural gas by means of the pipeline facilities proposed by the Sumas International Pipeline Inc. is denied.

D. The motions to intervene, filed by Cascade Natural Gas Corporation and Washington Natural Gas Company are hereby granted, provided that their participation shall be limited to matters specifically set forth in their motions to intervene and not herein specifically denied, and that the admission of these intervenors shall not be construed as recognition that they might be aggrieved because of any order issued in these proceedings.

Issued in Washington, D.C., June 12, 1992.

Charles F. Vacek
Deputy Assistant Secretary
for Fuels Programs
Office of Fossil Energy