

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

_____)
SALMON RESOURCES LTD.) FE DOCKET NO. 91-81-NG
_____)

ORDER GRANTING BLANKET AUTHORIZATION
TO IMPORT NATURAL GAS
FROM CANADA

DOE/FE OPINION AND ORDER NO. 576

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JANUARY 24, 1992

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I. BACKGROUND

On October 7, 1991, Salmon Resources Ltd. (Salmon) 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 authorization to import from Canada up to 100 Bcf of natural gas over a two-year period beginning on the date of first delivery after February 14, 1992, the date Salmon's current authorization to import gas from Canada expires. 1/ Salmon proposes to use existing pipeline facilities to import the natural gas and, therefore, no new construction would be involved.

Salmon, a Wyoming corporation with its principal place of business in Lakewood, Colorado, is a wholly owned subsidiary of Shell Canada Limited, a Canadian corporation headquartered in Calgary, Alberta. The blanket authorization sought by Salmon would extend import authority granted originally by DOE/ERA Opinion and Order No. 94, issued December 16, 1985 (ERA Docket No. 85-18-NG), extended by DOE/ERA Opinion and Order No. 217, issued January 22, 1988 (ERA Docket No. 87-50-NG), and extended again by Order 370, issued January 11, 1990 (ERA Docket No. 89-71-NG).

Salmon intends to import gas, either for its own account or on behalf of others, from Shell or other Canadian suppliers. Each sale, Salmon asserts, would be market responsive and the gas

1/ DOE/FE Opinion and Order No. 370 (Order 370), 1 FE Para. 70,287, (January 11, 1990).

would be sold to a range of U.S. purchasers, including industrial end users, agricultural users, electric utilities, pipelines, and local distribution companies. Salmon indicated that its sales contracts are "short term" spot contracts which assure both the buyer and the seller that prices reflect the competitive demands of the marketplace. If its application is approved, Salmon agrees to continue to comply with DOE's quarterly reporting requirements.

A notice of the application was published in the Federal Register on November 25, 1991, inviting protests, motions to intervene, notices of intervention and comments to be filed by December 26, 1991. 2/ No comments were received.

II. DECISION

The application filed by Salmon 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/ 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.

2/ 56 FR 59282.

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

4/ 49 FR 6684, February 22, 1984.

Salmon's uncontested import proposal, as set forth in the application, is consistent with section 3 of the NGA and DOE's import policy guidelines. The import authorization sought, similar to other blanket arrangements approved by DOE, 5/ would provide Salmon with blanket approval, within prescribed limits, to negotiate and transact individual, spot and short-term import arrangements without further regulatory action. Under Salmon's proposed arrangements, transactions would only occur to the extent that sellers can provide spot or short-term volumes, customers need such import volumes, and the prices remain competitive. Thus, each transaction must reflect the true value of the commodity being traded or no gas deliveries presumably will be made. In addition, Salmon states that its Canadian suppliers are active producers engaged in the exploration and production of natural gas and, as required by the Canadian National Energy Board, maintain adequate reserves of natural gas. Finally, Salmon's proposal will further the Secretary of Energy's policy goals of reducing trade barriers by encouraging market forces to achieve a more competitive distribution of goods between the U.S. and Canadian gas purchasers and suppliers. Thus, Salmon's import arrangement will enhance competition in the marketplace.

After taking into consideration all of the information in the record of this proceeding, I find that authorizing Salmon to

5/ See, e.g., Puget Sound Power and Light Co., 1 FE Para.

70,466 (July 22, 1991); Grand Valley Gas Company, 1 FE 70,477

(September 9, 1991); and Cibola Corporation, 1 FE Para. 70,480

(September 9, 1991).

import up to 100 Bcf of Canadian natural gas over a two-year term is not inconsistent with the public interest. 6/

ORDER

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

A. Salmon Resources Ltd. (Salmon) is authorized to import from Canada up to 100 Bcf of natural gas over a two-year term, beginning on the date of first delivery after February 14, 1992.

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

C. Salmon shall notify The Office of Fuels Programs, Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C., 20585 in writing of the date of the first delivery of natural gas imported under Ordering Paragraph A above within two weeks after the date of such delivery.

D. With respect to the short-term blanket imports authorized by this order, the applicant shall file with Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports indicating whether sales of imported natural gas have been made, and if so, giving by month, the total volume of the imports in Mcf and the average price per MMBtu at the international border. The reports shall also provide the details

6/ 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).

of each import transaction, the names of the seller(s), and the purchaser(s), including those other than Salmon, estimated or actual duration of the agreements, transporter(s), points of entry, market(s) served, and, if applicable, the per unit (MMBtu) demand/commodity/reservation charge breakdown of any special contract price adjustments clauses, and any take-or-pay or make-up provisions. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. Failure to file quarterly reports may result in termination of this authorization.

E. The first quarterly report required by paragraph D of this order is due not later than April 30, 1992, and should cover the period from the date of this order until the end of the current calendar quarter, March 31, 1992.

Issued in Washington, D.C., on January 24, 1992.

Clifford P. Tomaszewski
Acting Deputy Assistant Secretary
for Fuels Programs
Office of Fossil Energy