UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

NEW ENGLAND POWER COMPANY	)	FE DOCKET NO. 91-98-NG

ORDER GRANTING BLANKET AUTHORIZATION
TO IMPORT NATURAL GAS FROM CANADA

DOE/FE OPINION AND ORDER NO. 585

FEBRUARY 28, 1992

I. BACKGROUND

On November 15, 1991, New England Power Company (NEP) 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 an unspecified amount of natural gas from Canada. On November 22, 1991, the application was amended to specify that the amount of the requested authorization was 65,000 Mcf per day of natural gas over a two-year term beginning on the date of first delivery.

NEP, a Massachusetts corporation with its principal place of business in Westborough, Massachusetts, is a wholesale electrical generation subsidiary of New England Electric System. It is engaged in the generation, transmission, and sale of electric power in the New England region and is a major source of power to the New England Power Pool.

The gas NEP proposes to import would enter the U.S. at a point on the international border where TransCanada Pipeline Limited interconnects with the Iroquois Gas Transmission System (Iroquois) near Iroquois, Ontario/Waddington, New York. From the Iroquois import point the gas would be transported to NEP using the pipeline facilities of Iroquois, Tennessee Gas Pipeline Company (Tennessee), and Algonquin Gas Transmission Company (the Iroquois/Tennessee Phase II facilities). 1/ The proposed imports

1/ DOE/FE Opinion and Order No. 551, issued November 27, 1991, 1 FE Para. 70,502, granted NEP long-term authorization to import up to 60,000 Mcf per day of Canadian natural gas for 15 years using the Iroquois/Tennessee Phase II facilities.

would be used to generate electricity, and, in particular, displace residual fuel oil currently being burned at NEP's Brayton Point generating station in Sommerset, Massachusetts, and its Manchester Street generating station in Providence, Rhode Island.

In support of its import request, NEP asserts the terms and conditions of it's purchase agreements will be market-responsive and competitive. While specific suppliers are not identified in its application, NEP indicates that it will make spot market purchases under this authorization from reliable Canadian natural gas producers. NEP notes that these producers have been supplying natural gas to the U.S. for many years and have never curtailed firm deliveries to any of their export customers. Further, NEP asserts Canadian natural gas imports, by displacing fuel oil, will increase fuel diversity and enhance fuel security in the New England region and will improve the region's air quality and help achieve compliance with state and federal environmental regulations.

A notice of the application was issued on December 24, 1991, inviting protests, motions to intervene, notices of intervention and comments to be filed by January 29, 1992. 2/ No comments or motions to intervene were received.

II. DECISION

The application filed by NEP has been evaluated to determine if the proposed import arrangement meets the public interest

2 56 FR 67308, December 30, 1991.

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/ 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.

NEP's uncontested import proposal, as set forth in the application, is consistent with section 3 of the NGA and DOE's natural gas import policy guidelines. The import authorization sought, similar to other blanket arrangements approved by DOE 5/, would provide NEP with blanket approval, within prescribed limits, to negotiate and transact individual, spot and short-term import arrangements without further regulatory action. NEP states that the proposed imports would be purchased under market-responsive, competitive, spot and short-term arrangements of no more than two years in length. In addition, as noted above, the proposed imports would displace residual fuel oil currently being burned at the Brayton Point generating station in Somerset, Massachusetts, and Manchester Street generating stations. Displacing oil with gas for electric generation will reduce dependence on unreliable sources of foreign oil and help achieve

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

4/ 49 FR 6684, February 22, 1984.

5/ E.g., Hadson Gas Systems Inc., 1 FE Para. 70,442 (April

26, 1991); Chippewa Gas Corporation, 1 FE Para. 70,441 (April 24, 1991); and JMC Fuel Services Inc., 1 FE Para. 70,434 (March 28, 1991).

compliance with environmental regulations and improve the region's air quality.

After taking into consideration all of the information in the record of this proceeding, I find that authorizing NEP to import natural gas from Canada over a two-year term beginning on the date of first delivery is not inconsistent with the public interest. In order to provide NEP with maximum operating flexibility, I have designated a total authorized volume for the two-year term of 47.5 Bcf of natural gas, rather than the 65,000 Mcf per day that NEP requested in its import application. 6/

ORDER

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

A. New England Power Company (NEP) is authorized to import from Canada up to 47.5 Bcf of natural gas over a two-year term beginning on the date of first delivery.

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

6/ In September 1991, the Federal Energy Regulatory Commission issued an Environmental Assessment (EA) of the Iroquois/Tennessee Phase II facilities (adopted by DOE as EA-0592) which determined construction of these facilities would not result in significant long-term or cumulative environmental impacts. Based on this determination, DOE concludes NEP's import proposal does not constitute 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 no environmental impact statement or supplemental environmental assessment is required. See finding of no significant impact (FONSI), issued by DOE on November 26, 1991.

C. Within two weeks after deliveries begin, NEP shall provide written notiification 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 that the first delivery of natural gas authorized in Ordering Paragraph A above occurred.

D. With respect to the imports authorized by this Order, the applicant shall file with the 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 of each transaction, including the names of the seller(s), and the purchaser(s), estimated or actual duration of the agreements, transporter(s), point(s) of entry, geographic markets served, and, if applicable the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price, 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 Ordering 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 February 28, 1992.

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