

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

_____)
SEMCO ENERGY SERVICES, INC.) FE DOCKET NO. 92-54-NG
_____)

ORDER GRANTING BLANKET AUTHORIZATION
TO IMPORT NATURAL GAS
FROM CANADA

DOE/FE OPINION AND ORDER NO. 643

June 30, 1992

I. BACKGROUND

On April 24, 1992, SEMCO Energy Services, Inc. (SEMCO) 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 800 Bcf of natural gas over a two-year term, beginning on July 1, 1992, the day after SEMCO's current two-year blanket import authorization expires.^{1/} SEMCO, a Michigan corporation with its principal place of business in Port Huron, Michigan, is a wholly-owned subsidiary of Southeastern Michigan Gas Enterprises, Inc. From June 30, 1990, through March 31, 1992, SEMCO imported less than 1 Bcf of natural gas. SEMCO intends to continue to import gas from Canada, either for its own account or on behalf of others, for sale to a range of U.S. buyers including agricultural, commercial and industrial end users, local distribution companies, electric utilities and interstate pipelines. SEMCO will use existing facilities to import the proposed volumes, and will file quarterly reports detailing each import transaction.

SEMCO states that in its current authorization, DOE previously found SEMCO's import arrangement to be both competitive and in the public interest. Because the gas would continue to be purchased under short-term contracts which would be negotiated in response to market conditions, SEMCO asserts

1/ DOE/FE Opinion and Order No. 401, 1 FE 70,328 (June 20,

1990) .

that there is no basis for a different conclusion in this proceeding.

A notice of the application was published in the Federal Register on May 29, 1992, inviting protests, motions to intervene, notices of intervention and comments to be filed by June 29, 1992.^{2/} A motion to intervene without comment or request for additional procedures was filed by Great Lakes Gas Transmission Limited Partnership (Great Lakes). This order grants intervention to Great Lakes.

II. DECISION

The application filed by SEMCO 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/} This determination is directed 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.

SEMCO'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. This import authorization will provide SEMCO with blanket approval, within prescribed

- 2/ 57 F.R. 22741. _
- 3/ 15 U.S.C. 717b. _
- 4/ 49 F.R. 6684 (February 22, 1984). _

limits, to negotiate and transact individual, spot and short-term import arrangements without further regulatory action. Under SEMCO's import arrangement, transactions will only occur when producers and sellers can provide spot or short-term volumes, customers need such import volumes, and prices remain competitive. Therefore, SEMCO's import arrangement will continue to further the Secretary of Energy's policy goal to reduce trade barriers by encouraging competition between U.S. and Canadian gas suppliers and purchasers.

After considering all of the information in the record of this proceeding, I find that authorizing SEMCO to import from Canada up to 800 Bcf of natural gas over a two-year term, under contracts with terms of two years or less, is not inconsistent with the public interest.^{5/}

ORDER

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

A. SEMCO Energy Services, Inc. (SEMCO) is authorized to import from Canada up to 800 Bcf of natural gas over a two-year term, beginning on the date of first delivery after June 30, 1992.

^{5/} Because the proposed import of gas will use existing facilities, DOE has determined that granting this authorization 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.); therefore, an environmental impact statement or an environmental assessment

is not required. See 40 C.F.R. 1508.4 and 54 F.R. 15122 (April
24, 1992).

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

C. Within two weeks after deliveries begin, SEMCO 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 that the first delivery of natural gas authorized in Ordering Paragraph A above occurred.

D. Regarding the natural gas imports authorized by this order, SEMCO shall file within 30 days following each calendar quarter, quarterly reports indicating whether imports have been made. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, SEMCO must report monthly total volumes in Mcf, and the average sales price per MMBtu at the international border. The reports shall also provide the details of each transaction, including (1) the names of the seller(s); (2) the names of the purchaser(s) including those other than SEMCO; (3) the estimated or actual duration of the agreements; (4) the names of the transporter(s); (5) the point(s) of entry; (6) the geographic markets served; and, (7) 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. Failure to file quarterly reports may result in termination of this authorization.

E. The first quarterly report required by Ordering Paragraph D is due no later than October 30, 1992, and should cover the period from the effective date of this order until the end of that calendar quarter, September 30, 1992.

F. The motion to intervene filed by Great Lakes Gas Transmission Limited Partnership is hereby granted, provided that its participation shall be limited to matters specifically set forth in its motion to intervene and not herein specifically denied, and that the admission of this intervenor shall not be construed as recognition that it may be aggrieved because of any order issued in these proceedings.

Issued in Washington, D.C., on June 30, 1992.

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