

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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LONG ISLAND LIGHTING COMPANY)) FE DOCKET NO. 92-34-NG
_____))

ORDER GRANTING BLANKET AUTHORIZATION
TO IMPORT NATURAL GAS
FROM CANADA

DOE/FE OPINION AND ORDER NO. 653

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AUGUST 5, 1992

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I. BACKGROUND

On March 10, 1992, Long Island Lighting Company (LILCO) 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 25 Bcf of natural gas over a two-year term commencing with the date of first delivery. LILCO, a New York corporation with its principal office located in Hicksville, New York, is a Long Island, New York, electric and natural gas distribution company. LILCO sells natural gas exclusively in the state of New York to approximately 437,000 residential, commercial, and industrial customers. LILCO would use existing facilities to import the proposed volumes, and would file quarterly reports detailing each import transaction.

In support of its import request, LILCO asserts gas would be purchased under short-term contracts which would be negotiated in response to market conditions. LILCO states that shipments of Canadian gas would be based on the specific needs of the ultimate purchasers of the gas and would reflect existing market conditions at the time the purchase contracts are negotiated. LILCO asserts that the price of each short-term contract will be influenced and periodically adjusted by the price and availability of competing fuels, including domestic natural gas.

A notice of the application was published in the Federal Register on May 6, 1992, inviting protests, motions to intervene,

notices of intervention and comments to be filed by June 5, 1992.1/ No comments or motions to intervene were received.

II. DECISION

The application filed by LILCO 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/ This determination is directed 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.

LILCO'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 by LILCO, similar to other blanket arrangements approved by DOE4/, will provide LILCO with blanket approval, within prescribed limits, to negotiate and transact individual, spot and short-term import arrangements without further regulatory action. Under LILCO's proposed import arrangement, transactions will only

1/ 57 F.R. 19420.

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

3/ 49 F.R. 6684 (February 22, 1984).

4/ See, e.g., Niagara Mohawk Power Corporation, 1 FE 70,548
— ——— (February 28, 1992); Kimball Energy Corporation, 1 FE 70,556
————— (March 31, 1992); and Coenergy Ventures, Inc., 1 FE 70,560
————— (April 14, 1992).

occur when producers and sellers can provide spot or short-term volumes, customers need such import volumes, and prices remain competitive. Therefore, LILCO's import proposal will 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 LILCO to import from Canada up to 25 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. Long Island Lighting Company (LILCO) is authorized to import from Canada up to 25 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 U.S./Canada border where existing pipeline facilities are located.

^{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 57 F.R. 15122
— (April 24, 1992).

C. Within two weeks after deliveries begin, LILCO 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, LILCO 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, LILCO 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), including those other than LILCO, (2) the names of the purchaser(s), (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, if applicable, (7) 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 Paragraph D of this Order is due no later than October 30, 1992, and should

cover the period from the date of this order until the end of the current calendar quarter, September 30, 1992.

Issued in Washington, D.C., on August 5, 1992.

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