

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

ARCO PRODUCTS COMPANY, DIVISION
OF ATLANTIC RICHFIELD COMPANY

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FE DOCKET NO. 92-57-NG

ORDER GRANTING BLANKET AUTHORIZATION
TO IMPORT NATURAL GAS FROM CANADA

DOE/FE OPINION AND ORDER NO. 659

AUGUST 6, 1992

I. BACKGROUND

On April 29, 1992, as revised on May 19, 1992, ARCO Products Company, Division of Atlantic Richfield Company (ARCO), filed an application with the Office of Fossil Energy 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 authority to import from Canada up to 25 Bcf of natural gas over a two-year term beginning with the date of first import after September 19, 1992.^{1/} ARCO would import the gas at

Sumas, Washington, using the Ferndale Pipeline System.

ARCO is a corporation organized and existing under the laws of the State of Delaware with its principal place of business in Los Angeles, California. ARCO is, among other things, a refiner and marketer of natural gas. The requested authorization would enable ARCO to import Canadian natural gas as a fuel to operate ARCO's 185,000 barrel per day oil refinery in Blaine, Washington. The sole source of natural gas for this refinery is Canada. ARCO states that any imports of gas would be based on the specific needs of the refinery and would reflect market conditions at the time of negotiation of the short-term purchase agreements.

DOE published a notice of receipt of ARCO's application in the Federal Register on July 6, 1992, inviting protests, motions

to intervene, notices of intervention, and comments to be filed

^{1/} The current blanket authorization to import natural gas for this refinery was issued to Atlantic Richfield Company and will expire on September 19, 1992. ARCO has taken over the operation

of the refinery and, therefore, is herein requesting that the related blanket import authorization continue uninterrupted after the current authorization expires.

by August 5, 1992.^{2/} No interventions or comments were
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 received.

II. DECISION _____

The application filed by ARCO 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
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 determination is guided by DOE's natural gas import policy
 guidelines under which the competitiveness of an import in the
 markets served is the primary consideration for meeting the
 public interest test.^{4/} —

ARCO's uncontested import proposal, as set forth in the
 application, is consistent with section 3 of the NGA and DOE's
 policy guidelines. The import authorization sought by ARCO,
 similar to other blanket arrangements approved by DOE 5/, would
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 provide ARCO with blanket approval, within prescribed limits, to
 negotiate and transact individual, spot and short-term import
 arrangements without further regulatory action. Under ARCO's
 proposed import arrangement, transactions would occur when

2/ 57 F.R. 29728. —

3/ 15 U.S.C. 717b. —

4/ 49 F.R. 6684, February 22, 1984. —

5/ E.g., New England Power Company, 1 FE 70,543 (February 28,
— 1992); Puget Sound Power and Light Company, 1 FE 70,466 (July
22, 1991); Consolidated Edison Company of New York, 1 FE 70,445
(May 10, 1991).

producers and sellers can provide spot or short-term volumes and prices remain competitive. Since each sale would be a direct sale to ARCO, ARCO would have the option of purchasing natural gas from a different supplier if it is not satisfied with the price.

Furthermore, ARCO has demonstrated a need for the gas. Under the policy guidelines, imported gas that is shown to be competitive is presumed to be needed. This presumption is unrebutted in this proceeding. There is no dispute with respect to the security of the Canadian gas supplies. The security of supply for each purchase is assured by its short term and the number of suppliers.

After taking into consideration all of the information in the record of this proceeding, I find that authorizing ARCO to import up to 25 Bcf of natural gas from Canada over a two-year term beginning on the date of first import after September 19, 1992, under contracts with terms of two years or less, is not inconsistent with the public interest.^{6/}

6/ Because the proposed import/export 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.) and

therefore an environmental impact statement or environmental assessment is not required. See 40 C.F.R. 1508.4 and 57 F.R.

15122 (April 24, 1992).

ORDER

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

A. ARCO Products Company, Division of Atlantic Richfield Company (ARCO), is authorized to import at Sumas, Washington up to 25 Bcf of natural gas from Canada over a two-year term beginning on the date of the first import after September 19, 1992.

B. Within two weeks after deliveries begin, ARCO shall notify the Office of Fuels Programs, Fossil Energy, Room 3F-056, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, in writing of the date that the first import delivery of natural gas authorized in Ordering Paragraph A above occurs.

C. With respect to the natural gas imports authorized by this Order, ARCO shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports indicating whether imports of natural gas 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, ARCO must report monthly total volumes of the imports in Mcf and the average purchase price per MMBtu at the international border. The reports shall also provide the details of each import transaction, including: (1) the name of the seller(s); (2) the name of the purchaser; (3) the estimated or actual duration of the agreement(s); (4) the transporter; (5) the point of entry; (6) the geographic market served; (7) whether the sales are being

made on an interruptible or firm basis; and if applicable, (8) the contract pricing provisions, including the per unit (MMBtu) demand/commodity/reservation charge breakdown of the price, any special contract price adjustment clauses, or any take-or-pay or make-up provisions. Failure to file quarterly reports may result in termination of this authorization.

D. The first quarterly report required by Paragraph D of this Order is due not later than October 30, 1992, and should cover the period from the date of this Order until the end of the current calendar quarter of September 30, 1992.

Issued in Washington, D.C., on August 6, 1992.

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