Cited as "1 ERA Para. 70,523"

Transcontinental Gas Pipeline Corporation (ERA Docket No. 80-14-NG), October 31, 1980.

Opinion and Order Approving Application to Import Natural Gas From Canada by Displacement

[Opinion and Order]

Summary

This Opinion and Order approves the application of Transcontinental Gas Pipe Line Corporation to import up to 10 Bcf of natural gas per year from Canada into the United States for a period commencing November 1, 1980, and ending October 31, 1985. The approval is based upon our determination in Opinion and Order No. 14B that the current Canadian border price of $4.47 per MMBtu is reasonable and upon our finding in this case that there has been an adequate showing of need for the gas. It is also subject to such further conditions as ERA may determine to be appropriate as a result of the policy and precedent established by its decision in ERA Docket Nos. 80-01-NG, et al., and 79-08-NG, where the applicant is also a party.

I. Background

On May 16, 1980, Transcontinental Gas Pipe Line Corporation (Transco), Houston, Texas, filed an application with the Economic Regulatory Administration (ERA) of the Department of Energy (DOE), pursuant to Section 3 of the Natural Gas Act (NGA) and 18 CFR Part 153, requesting authorization to import up to 10 Bcf of natural gas per year from Canada to the United States through displacement by synthetic natural gas (SNG). 1/ Transco proposes to import the natural gas at the current border price of U.S. $4.47 per MMBtu.

In a Federal Register notice published on June 30, 1980 (45 FR 43846) ERA noted receipt of the Transco application and invited comments, petitions to intervene, protests, and requests for hearing. ERA received eleven timely petitions to intervene prior to the July 30, l980 filing deadline. In addition, ERA received one untimely filed petition to intervene. Of the twelve petitions for intervention received by ERA, none was in opposition to the project and none requested that a hearing be held. For good cause shown and with the lack of any opposition to any of the interventions, ERA will accept the late filing and grants all petitions to intervene. A list of interveners is included in the Appendix to this Opinion and Order.

II. Project Description

Transco is a natural gas company engaged in the transportation and sale of natural gas in interstate commerce.

In its application, Transco states that it intends to purchase up to 10 Bcf per year of SNG and requests authorization to import an equivalent amount of natural gas each year by displacement from Canada into the United States, for the period commencing November 1, 1980, and ending April 30, 1993. The price of the proposed natural gas imports would be the prevailing border price, which currently is $4.47 per MMBtu.

Pursuant to a Gas Service Agreement dated April 16, 1980, Transco contracted with Union Gas Limited (Union) for the proposed natural gas imports. Union is a Canadian distribution company engaged in sales of natural gas in Ontario, Canada. Its supply base consists of SNG volumes purchased from Petrosar Limited (Petrosar), and natural gas volumes purchased from TransCanada Pipelines Limited (TransCanada).

Petrosar's petrochemical processing plant located near Sarnia, Ontario, is supplying the SNG to Union. This plant processes Western Canadian crude oil to produce naphtha for petrochemical feedstock, with some of the by-products of the process being used as feedstock for SNG production. Presently this facility has an SNG production capability of 33,000 Mcf per day and, with the exception of small amounts of SNG used for its process requirements, sells its total SNG production to Union.

The Gas Service Agreement contemplates that Union will deliver 10 Bcf annually to Panhandle Eastern Pipeline Company (Panhandle) for Transco's account. Daily deliveries from April through December are to be referenced to the availability of SNG to Union (expected to be up to 25,000 Mcf per day), with provision for Transco to nominate and receive up to a total of 30,000 Mcf per day. During January through March, Transco will receive a base volume of 3,000 Mcf per day, plus an amount equivalent to Union's receipt of SNG, again with provision for Transco to nominate and receive up to a total of 30,000 Mcf per day if agreed to by Union.

If the gas is offered by Union, Transco is obligated under the contract to take or pay for 7.5 Bcf of natural gas during the period April through December and 2.5 Bcf during the period January through March. Volumes paid for but not taken (prepaid gas) during these time periods may be recovered by Transco in the next two succeeding periods. Moreover, the amounts paid for prepaid gas not recovered would be refunded by Union.

The importation of the natural gas would be accomplished through existing pipeline facilities of Panhandle connected to Union's facilities at the international boundary near River Rouge, Michigan. Panhandle will deliver, by displacement, equivalent quantities to Trunkline Gas Company (Trunkline) for Transco's account at existing interconnections between the Panhandle and Trunkline Systems, with delivery to Transco by displacement at an existing interconnection between Transco and Trunkline at Ragley, Louisiana.

Union was granted a license by the National Energy Board (NEB) of Canada on October 16, 1980 to export 1,420,000,000 cubic meters (approximately 50 Bcf) of gas during the term of the license which expires on October 31, 1985.

III. Discussion

In Opinion and Order No. 14B, we determined that the present border price of U.S. $4.47 per MMBtu for Canadian natural gas and that requested by Transco for this project is reasonable, based on a comparison of that price with average selected alternate fuel prices in the United States.2/

With respect to the need for the gas, we are satisfied that Transco has made an adequate showing. Its need for the proposed natural gas import is demonstrated by delivery curtailments to its customers in recent years. Additionally, in its application, Transco indicates that it expects deliveries from presently committed supply sources to decline rapidly in the future, from 889 Bcf in 1980 to 276 Bcf in 1986, which adds further urgency for Transco to augment its supplies with new sources to allow maintenance of service to its high priority users. As previously noted, none of the interveners opposed Transco's application.

In view of the limited term of the NEB license granted to Union, we are, however, approving the import only for the term of that license, which expires on October 31, 1985, rather than for the full term of the contract.

Because the proposed importation of gas will use existing pipeline 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, and, therefore, does not require an environmental impact statement or an environmental assessment.3/

In view of the above, we have determined that the authorization requested is not inconsistent with the public interest. The application of Transco is hereby granted, subject to such further conditions as ERA may determine to be appropriate as a result of the policy and precedent established by its resolution of the issues in other ongoing dockets regarding the import of Canadian natural gas.

IV. Further Condition

In Opinion and Order No. 14B, we ordered further proceedings with regard to all cases involving Canadian flowing gas in order to examine the question of United States dependence on natural gas imported from Canada and, in particular, to explore means of conditioning import authorizations in order to discourage possible uneconomic and unnecessary reliance on imported natural gas.4/ We note that in the contract under consideration in this particular application, Union allows flexible makeup provisions for prepaid gas and will reimburse Transco for any prepaid gas not recovered. These clauses are commendable in terms of flexibility and fairness.

Nevertheless, the inherent policy considerations raised in the omnibus Canadian proceedings and in the other Transco case are present here. Therefore, this decision is conditional, to the extent that we reserve the right to impose additional conditions in this case as may be necessary to conform with the policy and precedent established in the ongoing proceedings in ERA Docket Nos. 80-01-NG, et al., and in ERA Docket 79-08-NG.

Order

For the reasons set forth above, ERA hereby orders that:

A. Pursuant to Section 3 of the Natural Gas Act, authorization is hereby granted, effective November 1, 1980, and continuing through October 31, 1985, to Transcontinental Gas Pipe Line Corporation (Transco) to import up to 10 Bcf of natural gas per year from Canada at a price not to exceed U.S. $4.47 per MMBtu (U.S. $4.17 per GJ), in accordance with its Gas Service Agreement of April 16, 1980, with Union Gas Limited.

B. Pursuant to Section 3 of the Natural Gas Act, the authorization granted herein is subject to such conditions as ERA may subsequently order to conform with the policy and precedent established in ERA Docket Nos. 80-01-NG et al., and 79-08-NG. Transco shall be bound by any further orders issued in this docket.

C. The petitions to intervene of those parties set forth in the Appendix to this Opinion and Order are hereby granted, subject to such rules of practice and procedure as may be in effect, provided that participation shall be limited to matters affecting asserted rights and interests specifically set forth in their petitions to intervene and that the admission of interveners shall not be construed as recognition by ERA that they might be aggrieved because of any order issued by ERA in this proceeding.

Issued in Washington, D.C. on October 31, 1980.

Appendix (Service List)

Official Service List

ERA Docket No. 80-14-NG

Date Filed	Applicants	Representatives
June 19, 1980	Washington Gas Light Company	Donald J. Heim President Washington Gas Light Company 1100 H Street, N.W. Washington, D.C. 20080 Gordon M. Grant, Esq. Susan A. Low, Esq. Attorneys for Washington Gas Light Company 1100 H Street, N.W. Washington, D.C. 20080
June 26, 1980	Union Gas Limited	Mr. R.G. Caughey Vice President, Corporate Planning & Development Union Gas Limited 50 Keil Drive, North Chatham, Ontario N7M5Ml Canada Nicholas W. Fels, Esq. Covington & Burling 888 Sixteenth Street, N.W., Washington, D.C.

		20006
July 1, 1980	South Jersey Gas Company	William C. Bingham, Jr. Vice President South Jersey Gas Company One South Jersey Plaza Route 54 Folsom, New Jersey 08037 Joseph M. Oliver, Jr. Crowell & Moring 1100 Connecticut Avenue, N.W. Washington, D.C. 20036
July 2, 1980	Carolina Pipeline Company	John A. Warren, President Carolina Pipeline Company P.O. Box 6317 Columbia, South Carolina 29206 Stanley M. Morley, Esq. Joel F. Zipp, Esq. Morley, Caskin & Generelly 1700 K Street, N.W. Washington, D.C. 20006
July 3, 1980	Consolidated Edison Company of New York	Garrett E. Austin, Esq. Consolidated Edison Company of New York, Inc. 4 Irving Place New York, New York 10003 William I. Harkaway, Esq. G. Douglas Essy, Esq.

		Belnap, McCarthy, Spencer, Sweeney & Harkaway 1750 Pennsylvania Avenue, N.W. Washington, D.C. 20006
July 3, 1980	General Motors Corp.	Edward J. Grenier, Jr. Richard P. Noland Richard A. Oliver Sutherland, Asbill & Brennan 1666 K Street, N.W. Washington, D.C. 20006 Otis M. Smith General Counsel Julius Jay Hollis General Motors Corporation 3044 West Grand Boulevard Detroit, Michigan 48202
July 9, 1980	Eastern Shore Natural Gas Company	John W. Jardine, Jr. President Eastern Shore Natural Gas Company P.O. Box 615 Dover, Delaware 19901 Herbert J. Martin Crowell & Moring 1100 Connecticut Ave., N.W., Washington, D.C. 20026
July 10, 1980	Public Service Company of North Carolina	Charles E. Zeigler, President Public Service Company of North Carolina P. O. Box 1398 Gastonia, N. C. 28052

		Gregory Grady Littman, Richter, Wright & Talisman, P.C. 1050 17th Street, N.W. Washington, D. C. 20036
July 11, 1980	Piedmont Natural Gas Company, Inc.	John H. Maxheim, President Piedmont Natural Gas Company, Inc. P.O. Box 33068 Charlotte, North Carolina 28233
		Jerry W. Amos T. Carlton Younger, Jr. Brooks, Pierce, McLendon, Humphrey & Leonard Post Office Drawer U Greensboro, North Carolina 27402
July 17, 1980	Brooklyn Union Gas Company	Edward J. Sondey Assistant Vice President The Brooklyn Union Gas Company 195 Montague Street Brooklyn, New York 11201
		Joseph P. Stevens Cullen and Dykman 177 Montague Street Brooklyn, New York 11201
July 30, 1980	Public Service Electric and Gas Company	James R. Lacey, General Solicitor Public Service Electric and Gas Company 80 Park Plaza - Mail

Code: T5E
Newark, New Jersey
07101

Robert M. Crockett
Vice President-Fuel
Supply
Public Service Electric
and Gas Company
80 Park Plaza - Mail
Code: T14B
Newark, New Jersey
07101

Aug. 1, 1980	Long Island Lighting Company	Robert A. Bennett Manager, Gas Supply Long Island Lighting Company 175 East Old Country Road Hicksville, New York 11801 Edward M. Barrett, General Counsel Robert C. Richards, Attorney Long Island Lighting Company 250 Old Country Road Mineola, New York 11501

--Footnotes--

1/ The SNG supply in this case was previously considered by ERA in Docket No. 78-002-NG, Northern Natural Gas Company. In DOE/ERA Opinion and Order No. 13 issued in that docket on January 15, 1980 (1 ERA Para. 70,504 Fed. Energy Guidelines), ERC approved the import at the then prevailing price of $3.45 per MMBtu. Subsequently, in ERA Opinion and Order No. 14, issued February 16, 1980 in ERA Docket Nos. 80-01-NG, et al., Inter-City Minnesota Pipelines Ltd., et al ., (1 ERA Para. 70,502 Fed. Energy Guidelines), the import was denied based on Northern's failure to show sufficient short term needs fore gas to warrant approval of the import at the new price of $6.47 per

MMBtu which was determined at that time to be unreasonable. Northern did not petition for rehearing of that decision.

2/ See DOE-ERA Opinion and Order No. 14B, issued May 15, 1980 in ERA Docket Nos. 80-01-NG, et al., Inter-City Minnesota Pipelines Ltd., et al. (1 ERA Para. 70,508 Fed. Energy Guidelines).

3/ Transco expects that Panhandle will file an application with FERC for the appropriate authorizations to transport this gas.

4/ See also DOE/ERA Opinion and Order No. 17, issued on July 7, 1980 in ERA Docket 79-08-NG, Transcontinental Gas Pipeline Corp., et al., (1 ERA Para. 70,512 Fed. Energy Guidelines). Transco is also a party in ERA Docket Nos. 80-01-NG et al.