Cited as "1 ERA Para. 70,735"

Dome Petroleum Corporation (ERA Docket No. 87-30-NG), October 30, 1987.

DOE/ERA Opinion and Order No. 204

Order Extending Blanket Authorization to Import Natural Gas from Canada and Granting Interventions

II. Background

On June 22, 1987, Dome Petroleum Corporation (Dome Corp.) 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), to extend for two years its existing two-year blanket authorization to import Canadian natural gas for short-term and spot market sales to customers in the United States. Dome Corp. is a North Dakota corporation and a wholly-owned subsidiary of Dome Petroleum Limited, a Canadian corporation. Dome Corp. was authorized by the ERA to import up to 100 Bcf of Canadian natural gas under DOE/ERA Opinion and Order No. 85 (Order 85) which expires on December 1, 1987.1/ Dome Corp. requests approval to increase the volume from the currently authorized 50 Bcf per year, or a term maximum of 100 Bcf, to 200 Bcf for an additional two years to December 1, 1989.

Dome Corp. would continue to import natural gas, either as a broker for U.S. purchasers and Canadian suppliers, on its own behalf for sale to U.S. purchasers. The imported gas would be supplied by various Canadian suppliers and sold on a short-term or spot market basis to U.S. purchasers, including industrial or agricultural users, electric utilities, pipelines, and distribution companies. All sales would be fully interruptible. Moreover, Dome Corp. contemplates that many of the arrangements would not require the purchase of a minimum quantity of gas. The specific location where the gas would enter the U.S. would also vary for different transactions with delivery points to be established during sales contract negotiations. The proposed imports would be accomplished using existing pipeline capacity and no new construction would be involved.

Dome Corp. proposes to continue to file reports with the ERA within 30 days after the end of each calendar quarter giving details of the individual transactions. Dome Corp.'s prior quarterly reports filed with the ERA indicate that approximately 4.2 Bcf of natural gas were imported under Order No. 85 beginning December 1, 1985, through June 30, 1987.

In support of its application, Dome Corp. maintains that the provisions of each sales transaction, including the price and volumes, would be freely negotiated thus ensuring that the imports will reflect market conditions. Therefore, Dome Corp. contends that its proposal is consistent with the DOE's policy guidelines on the regulation of imported natural gas, 2/ and, as the ERA determined in Order 85, not inconsistent with the public interest. According to Dome Corp., the proposed extension simply continues the existing arrangements.

The ERA issued a notice of this application on August 20, 1987, inviting protests, motions to intervene, notices of intervention, and comments to be filed by September 28, 1987.3/ Motions to intervene without comment or request for additional procedures were filed by Northwest Pipeline Corporation, El Paso Natural Gas Company, Pacific Gas Transmission Company and Northwest Alaskan Pipeline Company. This order grants intervention to these movants.

II. Decision

The application filed by Dome Corp. has been evaluated to determine if the proposed extension of its existing import authorization meets the public interest requirements of Section 3 of the NGA. Under Section 3, imports are to be authorized unless there is a finding that it "will not be consistent with public interest."4/ The Administrator is guided by the DOE's natural gas import policy guidelines. Under these guidelines, the competitiveness of an import in the markets served is the primary consideration for meeting the public interest test.5/

Dome Corp.'s proposal for the continued importation of natural gas is consistent with the DOE policy guidelines and the reasons for granting the authorization for which the extension is sought continue to apply. Under this arrangement, no supplier or customer is required to sell to or buy from Dome Corp., and such parties are free to negotiate directly and independently for the purchase and sale of gas. The fact that each spot sale will be voluntarily negotiated, short-term, and market-responsive, as Dome Corp.'s asserts, provides assurance that the transactions will be competitive. It is clear that Dome Corp.'s customers will only purchase gas to the extent they need such volumes and the price is competitive. Thus, this arrangement will enhance competition in the marketplace.

After taking into consideration all the information in the record of this proceeding, I find that extending the previous authorization to import natural gas and increasing the total volume up to 200 Bcf of Canadian natural for two years, through December 1, 1989, as requested by Dome Corp. is not inconsistent with the public interest and should be approved.6/ In accordance with Order No. 85 and our recent treatment of similar blanket applications, there will be no restriction on the daily and annual volumes that may be imported. This maximizes the flexibility of spot market importers to provide gas supplies to meet customer demand.

ORDER

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

A. The import authorization previously granted to Dome Petroleum Corporation (Dome Corp.) by the ERA in DOE/ERA Opinion and Order No. 85 issued July 5, 1985, in Docket No. 85-11-NG is hereby amended to extend the authorization for a two-year term beginning December 2, 1987, through December 1, 1989, and to increase the total maximum volume to be imported during the extended term from the currently authorized 100 Bcf to 200 Bcf of natural gas.

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

C. With respect to the imports authorized by this Order, Dome Corp. shall file the ERA, with 30 days following each calendar quarter, quarterly reports indicating whether sales of imported gas have been made and, if so, giving by month, the total volume of the imports in MMcf and the average purchase and sales price per MMBtu at the international border. The report shall also provide the details of each transaction, including the names of the sellers and purchases, estimated or actual duration of the agreements, transporters, points of entry, markets served and, if applicable, any demand/commodity charge breakdown of contract price, any special contract price adjustment clauses, and any take-or-pay or make-up provisions.

D. The motions to intervene as set forth in this Opinion and Order are hereby granted, provided that participation of the intervenors shall be limited to matters specifically set forth in their motions to intervene and not herein specifically denied, and that the admission of such intervenors shall not be construed as recognition that they might be aggrieved because of any order issued, in these proceedings.

Issued in Washington, D.C., on October 30, 1987.

--Footnotes--

1/ 1 ERA Para. 70,601 (July 2, 1985).

2/ 49 FR 6684, February 22, 1984.

3/ 52 FR 32333, August 27, 1987.

4/ 15 U.S.C. Sec. 717b.

5/ See supra note 2.

6/ Because the proposed importation of gas will use existing pipeline facilities, the DOE has determined that granting this application is clearly 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.