UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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| TENNESSEE GAS PIPELINE COMPANY | ) | FE DOCKET NO. 91-84-NG |

ORDER AMENDING LONG-TERM AUTHORIZATIONS
TO IMPORT NATURAL GAS FROM CANADA
AND GRANTING INTERVENTIONS

DOE/FE OPINION AND ORDER NO. 592

MARCH 18, 1992

## I. BACKGROUND

On October 10, 1991, Tennessee Gas Pipeline Company (Tennessee) 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 to amend two long-term natural gas import authorizations. At present, Tennessee imports gas from Canada under DOE/FE Opinion and Order Nos. 195-B 1/ and 254-A 2/ for its own account for sale to its system customers. In its application, Tennessee requests authorization to also import the gas for the accounts of others to whom Tennessee may assign its rights in the purchase contracts underlying these orders.

Tennessee was authorized to import up to 125,000 Mcf of natural gas per day from KannGaz Producers, Ltd. (KannGaz) by Order 195-B and up to 25,000 Mcf of natural gas per day from TransCanada Pipeline Limited (TransCanada) by Order 254-A. Both orders were issued October 31, 1989, and will expire October 31, 2002. The gas is transported within Canada by TransCanada to an interconnection with Tennessee's pipeline facilities at the international border near Niagara Falls, New York.

A notice of the application was published in the Federal Register on January 7, 1992, 3/ inviting protests, motions to

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1/ 1 FE 70,261.

2/ 1 FE 70,262.

3/ 57 F.R. 570.

intervene, notices of intervention and comments to be received by February 6, 1992. A motion to intervene without comments was filed by Great Lakes Gas Transmission Limited Partnership and another in support of the application was filed by Orange and Rockland Institutes, Inc. This order grants intervention to these movants.

II. DECISION

The application filed by Tennessee has been evaluated to determine if the proposed amendments to Tennessee's existing import arrangements meets the public interest requirements of section 3 of the NGA. Under section 3, an import arrangement must be authorized unless there is a finding that it "will not be consistent with the public interest." 4/ This determination is guided by DOE's natural gas import policy guidelines, under which the competitiveness of the natural gas import in the market served is the primary consideration for meeting the public interest test. DOE also considers, particularly in long-term arrangements, need for and security of the imported gas supply.

First we emphasize that the uncontested amendment would merely give Tennessee the option to both continue importing gas for the company's own account or to assign the company's purchase rights under its supply contracts to a third party and then import some (or perhaps all) of the gas as the agent for that

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

third party. Moreover, although the identity of the potential third party purchasers who would receive the gas are not known at this time, (1) the exporters are known, (2) the import point is known, (3) there is no change in the total volume that may be imported, and (4) each transaction would be conducted under exactly the same contractual agreements with TransCanada and KannGaz that DOE has previously determined were sufficiently flexible, as a whole, to be competitive over the import term.

Tennessee's request is consistent with DOE's policy of promoting competition in the natural gas market. It would permit Tennessee's customers to purchase gas directly from Tennessee's Canadian supplier. As successors to Tennessee by assignment, they could independently negotiate future prices to the extent provided for under the contracts. The flexibility and market-responsiveness of Tennessee's import arrangement would be enhanced because all gas imported by Tennessee as agent for the assignees would be surplus to Tennessee's general system needs and because direct price adjustments would provide better communication of market conditions which, in turn, will benefit the consumers of natural gas.

After taking into consideration all of the information in the record of this proceeding, I find that amending Order Nos. 195-B and 254-B, as set forth in the application, is not inconsistent with the public interest. However, this authorization is expressly conditioned on Tennessee filing the

same quarterly data that DOE currently receives regardless of whether it imports the gas for itself or others, including the name of the assignees and the specific details of each transaction. In addition, any contractual amendments to the gas sales agreements executed by the assignees must be filed with DOE by Tennessee.

ORDER

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

A. DOE/FE Opinion and Order Nos. 195-B and 254-A are hereby amended to authorize Tennessee Gas Pipeline Company (Tennessee) to import Canadian natural gas purchased under the contractual agreements with TransCanada PipeLines Limited (TransCanada) and KannGaz Producers, Ltd. (KannGaz), either for its own account or acting as agent on behalf of others.

B. All other terms and conditions set forth in Orders 195-B and 254-A shall remain in effect. However, with regard to the quarterly reporting requirements, Tennessee's reports shall list separately the details of each import transaction involving an assignee of Tennessee's interest in the TransCanada and KannGaz contracts. Provided the assignee is a marketer/broker of natural gas, Tennessee also shall report a breakdown of the import volumes by state.

C. Tennessee shall file a report of contract-amendments with the Office of Fuels Programs pursuant to 10 CFR Part 590.407

within thirty days after Tennessee's assignees execute any contractual amendments to the gas purchase rights assigned to them by Tennessee.

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 March 18, 1992.

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