Cited as "1 FE Para. 70,209"

ICG Energy Marketing, Inc. (ERA Docket No. 89-08-NG), March 31, 1989.

DOE/FE Opinion and Order No. 306

Order Extending Blanket Authorization to Import Natural Gas from Canada and Increasing Volumes

I. Background

On February 6, 1989, ICG Energy Marketing, Inc. (ICG Energy), filed an application pursuant to Section 3 of the Natural Gas Act (NGA) to extend its existing blanket import authorization, which was previously granted in DOE/ERA Opinion and Order No. 130 (Order 130) 1/, from March 31, 1989, the current expiration date, to March 31, 1991, and to increase the maximum volumes from the currently authorized 25.6 Bcf per year to 36 Bcf per year over the two-year term beginning on April 1, 1989. ICG Energy, a Delaware corporation with its principal place of business in Calgary, Alberta, Canada, is a wholly-owned subsidiary of Canadian Hydrocarbons Marketing, Inc., which in turn, is a subsidiary of Inter-City Gas Corporation (Manitoba).

ICG Energy requests authority to continue to import Canadian gas from affiliated producing entities and a variety of other suppliers located in Canada for sales to U.S. customers on both an interruptible and firm basis under contract arrangements of two years or less with annual or semi-annual price redetermination provisions. ICG Energy would import the gas for its own account as well as for the accounts of suppliers or others participating in a particular transaction. The specific terms of each import and sale would be negotiated on an individual basis including price and volume. ICG Energy states also that it would continue to file quarterly reports giving details of the individual transactions. ICG Energy's prior quarterly reports indicate that approximately 14.9 Bcf of natural gas has been imported under Order 130 through December 1988.

ICG Energy intends to use existing pipeline facilities to transport its gas supplies from the point of importation. ICG Energy's application also requests that the extension of its blanket import authorize the use of any new facilities at the international border linking U.S. and Canadian pipelines that may be constructed and become operational after the proposed extension is granted.

In support of its application, ICG Energy asserts that the proposed extension of its existing blanket import authorization is not inconsistent with the public interest since the extension requested would allow ICG Energy to continue to sell a stable supply of competitively-priced natural gas. ICG

Energy states that the increase in volume is necessary to supply the needs of its customers who are increasingly availing themselves of opportunities to purchase natural gas in the spot market on competitive terms.

A notice of this application was issued on February 22, 1989, inviting protests, motions to intervene, notices of intervention, and comments to be filed by March 29, 1989.2/ No interventions or comments were received.

II. Decision

The application filed by ICG Energy has been evaluated to determine if the proposed import arrangement meets the public interest requirements of Section 3 of the NGA. Under Section 3, imports must be authorized unless there is a finding that they "will not be consistent with the public interest." 3/ This determination is guided by the DOE's natural gas import policy guidelines.4/ Under these guidelines, the competitiveness of an import in the markets served is the primary consideration for meeting the public interest test.

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

After taking into consideration all of the information in the record of this proceeding, I find granting ICG Energy blanket authorization to import up to 72 Bcf of Canadian natural gas for a two-year period commencing April 1, 1989, through March 31, 1991, is not inconsistent with the public interest and thus should be granted. Consistent with our treatment of similar blanket applications, there will be no restriction on the annual volume that may be imported. This increases the flexibility of spot market importers to provide supplies to meet customers demand.

ICG is granted blanket authority by this order to import gas only through border facilities that exist on the date this order is issued. This order does not give ICG the authority, which it also requested, to import gas using facilities that do not yet exist. If a new border facility becomes available and ICG Energy proposes to use it, the firm is required to file information pursuant to 10 CFR 590.407 notifying the DOE of changed circumstances, at which time we would make a determination based on the amended facts in accordance with all applicable regulations.

ORDER

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

A. ICG Energy Marketing, Inc. (ICG Energy), is authorized to import up to 72 Bcf of Canadian natural gas for two years beginning April 1, 1989, through March 31, 1991.

B. This natural 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, ICG Energy shall file with the Office of Fuels Programs, Fossil Energy, Room 3F-056, FE-50, 1000 Independence Avenue, S.W., Washington, D.C. 20585, within 30 days following each calendar quarter, quarterly reports showing by month, the total volume of natural gas imports in Mcf and the average purchase price per MMBtu at the international border. The reports shall also provide the details of each transaction, including the names of the seller(s) and purchaser(s), including those other than ICG Energy, estimated or actual duration of the agreement(s), transporters, points of entry, markets served, and if applicable, the demand/commodity charge breakdown of the price, and special contract price adjustment clauses, and any take-or-pay or make-up provisions.

Issued in Washington, D.C., March 31, 1989.

--Footnotes--

1/ 1 ERA Para. 70,653 (June 12, 1986).

2/ 54 FR 8235, February 27, 1989.

3/ 15 U.S.C. 717b.

4/ 49 FR 6684, February 22, 1984.