UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

MORGAN STANLEY CAPITAL GROUP INC.	)	FE DOCKET NO. 10-89-NG

ORDER GRANTING BLANKET AUTHORIZATION TO
IMPORT AND EXPORT NATURAL GAS
FROM AND TO CANADA AND MEXICO

DOE/FE ORDER NO. 2861

OCTOBER 13, 2010

I. DESCRIPTION OF REQUEST

On August 20, 2010, Morgan Stanley Capital Group Inc. (MSCG) 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)[1] for blanket authorization to import and export up to a total of 30 billion cubic feet (Bcf) of natural gas from and to Canada and Mexico. For the reasons detailed below, MSCG has requested the authorization be made effective as of August 1, 2010, the date its previous authorization expired. MSCG is a Delaware corporation with its principal place of business in Purchase, New York.

On October 24, 1995, MSCG was granted a two-year blanket authorization in DOE/FE Order No. 1096 (Order 1096) to import and export natural gas, including liquefied natural gas (LNG), from and to Canada and Mexico up to a combined total of 150 Bcf of natural gas. The Order was made effective for two years beginning on the date of the first delivery of the import or export. MSCG recently notified DOE/FE that the date of the initial delivery under Order 1096 was August 1, 2008. Therefore, Order 1096 expired on July 31, 2010.

MSCG indicated that any import or export activity after the expiration date of Order 1096 was inadvertent. Once MSCG discovered in mid-August 2010 that it had mistakenly imported natural gas from Canada without the requisite authority, MSCG ceased all import activity and immediately applied for new authorization. Although MSCG exports of natural gas ended in June 2010, imports continued until August 16, 2010. MSCG has provided a listing of all import and export volumes of natural gas, by location, from and to Canada and Mexico that occurred up until August 16, 2010.

1/ The authority to regulate the imports and exports of natural gas, including liquefied natural gas, under section 3 of the NGA (15 U.S.C. §717b) has been delegated to the Assistant Secretary for FE in Redelegation Order No. 00-002.04D issued on November 6, 2007.

II. FINDING

The application has been evaluated to determine if the proposed import and export arrangement meets the public interest requirement of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486). Under section 3(c), the import and export of natural gas, including liquefied natural gas (LNG), from and to a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas and the import of LNG from other international sources are deemed to be consistent with the public interest and must be granted without modification or delay. The authorization sought by MSCG to import and export natural gas from and to Canada and Mexico, nations with which a free trade agreement is in effect, meets the section 3(c) criterion and, therefore, is consistent with the public interest. This Order authorizes transactions with terms of no longer than two years.

Based on the above, DOE has determined that any import of natural gas by MSCG after the expiration of Order 1096 was inadvertent. Because MSCG ceased all import and export activities once the error was discovered and because MSCG has complied with the required data reporting for all of its import and export activities, DOE has agreed to make this authorization effective as of the expiration of Order 1096, in order to prevent any gap in MSCG's authority to import and export natural gas.

ORDER

Pursuant to section 3 of the NGA, it is ordered that:

A. MSCG is authorized to import and export up to a combined total of 30 Bcf of natural gas from and to Canada and Mexico, pursuant to transactions that have terms of no longer than two years. This authorization shall be effective for a two-year term beginning on August 1, 2010, and extending through July 31, 2012.

B. This natural gas may be imported and exported at any point on the border between the United States and Canada, and between the United States and Mexico.

C. **Monthly Reports:** With respect to the natural gas imports and exports authorized by this Order, MSCG shall file with the Office of Natural Gas Regulatory Activities, within 30 days following the last day of each calendar month, a report indicating whether imports or exports of natural gas have been made. Monthly reports must be filed whether or not initial deliveries have begun. If no imports and/or exports have been made, a report of "no activity" for that month must be filed. If imports and/or exports of natural gas have occurred, the report must give the following details: (1) for imports, the country of origin; (2) for exports, the country of destination; (3) the point(s) of entry and exit; (4) the volume in thousand cubic feet (Mcf); (5) the average purchase price of gas per million British thermal units (MMBtu) at the international border; (6) the name of the supplier(s); (7) the name of the U.S. transporter(s); (8) the estimated or actual duration of the supply agreement(s); and (9) for imports, the geographic markets(s) served (list State(s), U.S. Census Region(s), or general U.S. geographic area(s)).
(Approved by the Office of Management and Budget under OMB Control No. 1901-0294)

D. The first monthly report required by this Order is due not later than October 30, 2010, and should cover the reporting period from August 1, 2010 through September 30, 2010.

E. All monthly report filings shall be made to U.S. Department of Energy (FE-34), Office of Fossil Energy, Office of Natural Gas Regulatory Activities, P.O. Box 44375, Washington, D.C. 20026-4375, Attention: Ms. Yvonne Caudillo. Alternatively, reports may be e-mailed to Ms. Caudillo at Yvonne.caudillo@hq.doe.gov or ngreports@hq.doe.gov, or may be faxed to Ms. Caudillo at (202) 586-6050.

Issued in Washington, D.C., on October 13, 2010.

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