

Cited as "1 ERA Para. 70,680"

Tricentrol United States, Inc. and Tricentrol Petroleum Marketing, Inc.
(ERA Docket No. 86-41-NG), December 15, 1986.

DOE/ERA Opinion and Order No. 149A

Order Granting Rehearing and Amendment of Order

I. Background

On November 14, 1986, Tricentrol United States, Inc. (TUSI) and Tricentrol Petroleum Marketing, Inc. (TPMI) (hereinafter referred to collectively as Tricentrol), filed a request for rehearing and reconsideration of DOE/ERA Opinion and Order No. 149 (Order No. 149) 1/ with the Economic Regulatory Administration (ERA) of the Department of Energy (DOE) pursuant to 10 CFR 590.501. Order 149 grants Tricentrol blanket authorization to export up to 60 MMcf per day of natural gas to Canada and to import an equivalent volume of natural gas from Canada over a two-year term beginning on the date of first deliveries.

Tricentrol had requested an export/import authorization extending through October 31, 1992. That term corresponded to the remainder of an existing authorization held by Northern Natural Gas Company (Northern), a division of Enron Corporation,^{2/} which Tricentrol wanted the ERA to transfer to Tricentrol as part of an agreement in which an affiliate will purchase Northern's natural gas gathering lines and pipeline facilities serving the Bearpaw gas field that are located in northern Montana's Hill, Blaine, and Chouteau counties. Northern's export/import authorization permitted it to transport natural gas produced in the Bearpaw field from an export point in the international border near Willow Creek, Montana through Canada in pipelines owned by Consolidated Natural Gas Limited (Consolidated), and by TransCanada PipeLines Limited (TransCanada), to an import point of entry near Emerson, Manitoba.

In its application, Tricentrol stated that it would use existing facilities, to be acquired from Northern by its affiliated pipeline, to transport the Montana natural gas to an export point near Willow Creek, Montana, on the international border of the Province of Saskatchewan for sale and delivery to Consolidated, a Canadian pipeline, or to a Canadian affiliate of TUSI and TPMI (currently no such affiliate exists). Tricentrol stated that TUSI, TPMI or their seller or purchaser clients would then repurchase natural gas from Consolidated, or the Canadian affiliate of TUSI

and TPMI, at a point on the international border between the State of Minnesota and the Province of Manitoba, near Emerson, Manitoba in volumes equivalent to those sold to Consolidated near Willow Creek.

Tricentrol did not specifically identify purchasers of the proposed import nor provide the ERA with a copy of a contract for the sale of any of the volumes to be imported. In the absence of a firm contractual arrangement to sell the imported volumes to identified parties, the applicants' request was considered as a request for a blanket authority to export and import equivalent volumes of natural gas as distinguished from the long-term system supply arrangement previously granted to Northern. On the basis that Tricentrol's arrangement contemplated multiple sales of undesignated volumes of natural gas to unnamed parties in undesignated markets, the ERA, as in similar cases before, granted Tricentrol blanket authority to export and import equivalent volumes of gas for only two years and required that details of all sales of natural gas made under the order be reported quarterly to the ERA.

On November 14, 1986, Tricentrol filed a request for a rehearing and reconsideration of Order No. 149 to the extent that the ERA had denied an extension of the term of the authorization through October 31, 1992, as originally requested. In support of its request, Tricentrol stresses that its proposal does not result in a net export of domestic gas nor a net import of Canadian gas as do other authorizations normally granted by the ERA. The contemplated transactions would be exchanges of equivalent volumes of gas to consummate deliveries of Montana natural gas sold in other states.

On December 3, 1986, Tricentrol met with the ERA to clarify the nature of its intended gas transactions and describe the series of exchanges contemplated under its requested export/import authorization. At that meeting, as confirmed by a letter to the ERA dated December 10, 1986, Tricentrol stated that it intends, under its authorization, to enter into a series of exchanges whereby gas produced from the Bearpaw field of Montana would be exchanged through the Willow Creek export point for gas redelivered into the United States near Emerson, Manitoba, or other import points by TransCanada on behalf of Consolidated for the account of Tricentrol. The exchange volumes delivered at Willow Creek would approximate, on a daily basis, exchange volumes redelivered at Emerson or other existing import points and would balance on a monthly basis.

Tricentrol further states that no sales of its gas would be made in Canada except for an initial sale to Consolidated required in Canada to effectuate the transportation of its Montana gas through Consolidated and

TransCanada pipelines. In this way Tricentrol could continue using existing pipelines to move Montana's Bearpaw gas to markets in other states.

II. Decision

After examination of the clarifying information furnished by Tricentrol, the ERA concludes that its request is indeed a request for authority to engage in energy exchanges through its proposed export/import arrangement. Based on this clarification, the ERA is granting Tricentrol's request for a rehearing and modifying its Order No. 149.

This energy exchange arrangement is limited solely to exchanges of equivalent volumes of gas. It will facilitate the continued sale of gas produced from the Montana Bearpaw field through the only pipelines accessible to the field. It is specifically distinguished from the usual blanket to export or import arrangement because it does not propose a sale for resale in the Canadian market, nor an import of Canadian gas for sale in the domestic market and therefore, does not constitute a departure from the integrity of ERA's current blanket program. Should Tricentrol desire such a blanket export or import authority in the future it may request that kind of authorization.

For the above reasons and because no party objected to the originally requested term to extend the authorization through October 31, 1992, I find that granting Tricentrol's request to amend Order No. 149, by extending the term of its authorization through October 31, 1992, is not inconsistent with the public interest.

ORDER

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

A. The request for a rehearing and reconsideration of DOE/ERA Order No. 149 (Order No. 149) of Tricentrol United States, Inc. (TUSI) and Tricentrol Petroleum Marketing, Inc. (TPMI) is granted.

B. The import authorization granted in Order No. 149 is hereby amended to strike all of Ordering Paragraphs A and B of Order No. 149 and substitute the following: TUSI and TPMI are authorized to export up to 60 MMcf per day of natural gas produced in the Bearpaw area of Montana, at a point on the international border near Willow Creek, Montana, in exchange for equivalent volumes of Canadian natural gas to be imported from Canada at any existing point of entry on the international border. The authorization begins on the

date of first delivery of the gas at the export point near Willow Creek, Montana, and extends through October 31, 1992.

C. Order No. 149 is further amended to strike Ordering Paragraph C and substitute the following: TUSI or TPMI shall notify the ERA in writing of the date of the first delivery for export of natural gas to be exchanged and the date of the first delivery of exchanged natural gas for import under Ordering Paragraph B above, within two weeks after the date of the first delivery of the imported exchange volume.

D. Order No. 149 is further amended to strike Ordering Paragraph D of Order No. 149 and substitute the following: with respect to the exchanged imports and exports authorized by this Order, TUSI or TPMI shall file with the ERA within 30 days following each calendar quarter, quarterly reports indicating whether exchanges of natural gas have been made, and if so, giving, by month, the total volume in MMcf of each exchange, the average price per MMBtu on which each exchange was based, as appropriate, and the charges for transportation by each Canadian transporter. The reports shall also provide the details of each exchange transaction, including the date of sale and start of delivery for each transaction, the names of the contracting parties, estimated or actual duration of the transaction, domestic transporters, point of entry, markets served, and if applicable, any special contract provisions not usually associated with a commercial energy exchange in the normal course of business.

Issued in Washington, D.C. on December 15, 1986.

--Footnotes--

1/ Tricentrol United States, Inc. and Tricentrol Petroleum Marketing, Inc., 1 ERA Para. 70,672 (October 20, 1986).

2/ See Northern Natural Gas Company, et al., 47 FPC 1202 (May 11, 1972).