Cited as "1 FE Para. 70,238"

CMEX Energy, Inc. (FE Docket No. 89-34-NG), August 24, 1989.

DOE/FE Opinion and Order No. 329

Order Granting Blanket Authorization to Import and Export Natural Gas Including Liquefied Natural Gas and Granting Intervention

## I. Background

On June 8, 1989, CMEX Energy, Inc. (CMEX), filed an application with the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA) and DOE Delegation Order Nos. 0204-111 and 0204-127, for blanket authorization to import and/or export a total of 76 Bcf of natural gas including liquefied natural gas (LNG), over a two-year period beginning on the date of first delivery of imported or exported natural gas or LNG.

CMEX, a Texas corporation, is a marketer of natural gas. Under the import authority sought, CMEX contemplates purchasing natural gas and LNG from a variety of foreign suppliers and reselling those supplies to various U.S. purchasers, including local distribution companies, pipelines, and commercial and industrial end-users. Under the export authority sought, CMEX proposes to secure natural gas and LNG from a variety of domestic suppliers and resell the gas to customers outside the United States. CMEX proposes to import and export natural gas and LNG both for its own account as well as for the accounts of others. The company intends to utilize existing pipeline and LNG facilities for the processing and transportation of the volumes to be imported or exported and to submit quarterly reports detailing each transaction.

A notice of the application was issued on June 26, 1989, inviting protests, motions to intervene, notices of intervention, and comments to be filed by August 4, 1989.1/ A motion to intervene without comment or request for additional procedures was filed by Pacific Gas Transmission Company. This order grants intervention to this movant.

## II. Decision

The application filed by CMEX has been evaluated to determine if the proposed import/export arrangement meets the public interest requirements of section 3 of the NGA. Under section 3, an import or export must be authorized unless there is a finding that it "will not be consistent with the public interest." 2/ With regard to import authorizations, the determination is guided by the DOE's natural gas import policy guidelines.3/ Under these guidelines, the competitiveness of an import in the markets served is the primary consideration for meeting the public interest test. In reviewing natural gas export applications, the domestic need for the gas to be exported is considered, and any other issues determined to be appropriate in a particular case.

CMEX's uncontested proposal to import and/or export natural gas and LNG to and drnm the U.S., as set forth in its application, is consistent with section 3 of the NGA and the DOE's international gas tra
assurance that the transactions will be competitive with other gas supplies available to Potomac Energy and its customers. This arrangement, therefore, should enhance competition in the marketplace.

After taking into consideration all of the information in the record of this proceeding, I find that granting Potomac Energy blanket authorization to import up to 75 Bcf of Canadian natural gas during a period of two years, under contracts with terms of two years or less, is not inconsistent with the public interest.

Consistent with our treatment of similar blanket applications, there will be no restriction on the daily volume 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. Potomac Energy Corporation (Potomac Energy) is hereby authorized to import up to 75 Bcf of natural gas from Canada over a two-year term beginning on the date of the first delivery.

B. This natural gas may be imported at any point on the international border where existing pipeline facilities are located. 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue., S.W., Washington, D.C., 20585, in writing of the date that the first delivery of natural gas authorized in Ordering Paragraph A above occurred.

C. With respect to the imports authorized by this Order, Potomac Energy, shall file with FE within 30 days following each calendar quarter, quarterly reports indicating whether purchases of imported gas have been made, and if so, giving, by month, the total volume of the 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 the purchaser(s), including those other than Potomac Energy, estimated or actual duration of the agreement(s), transporter(s), points of entry, market(s) served, and, if applicable, the per unit (MMBtu) demand/commodity breakdown of the price, any special contract price adjustment clauses, and any take-or-pay or make-up provisions.

Issued in Washington, D.C. on August 24, 1989.

--Footnotes--

1/ 15 U.S.C. Sec. 717b.

2/ 54 FR 28086, July 5, 1989.

3/ 49 FR 6684, February 22, 1984.

4/ 4. See, e.g., Wisconsin Public Service Corporation, 1 FE Para. 70,230 (June 19, 1989); Cascade Natural Gas Corporation, 1 FE Para. 70,225 (June 12, 1989); Chevron Natural Gas Services Inc., 1 FE Para. 70,219 (April 28, 1989) and Intalco Aluminum Corporation, 1 FE Para. 70,215 (February 28, 1989).
of delivery near Empress, Alberta. Supply
also agreed to a minimum take of at least 6,000 MMBtu of gas per day and contends that it is highly unlikely that Supply will be unable to take at least that amount at any time during the term because the average combined daily requirements of the two cogeneration facilities consuming this gas is estimated to total 24,000 Mcf per day.

B. Chesapeake, et al., Agreement

The Chesapeake group of producers has agreed to sell Supply a total of up to 7,078 Mcf per day of natural gas over an initial term of 15 years. Additional non-firm volumes may be purchased if needed in any year. Under the Chesapeake agreement, Supply will take title to the gas delivered to the Alberta border at an initial price of $1.67 (U.S.) per Mcf. Commencing January 1, 1991, and each year thereafter, the contract price will escalate by three percent of the preceding contract year price. Supply also agreed to pay an annual bonus set by a formula essentially fixing the price of the gas, subject to ceiling amounts, to the price received by the Oswego cogeneration project for electric power sold to Niagara Mohawk. The bonus payments would start in 1992, when the maximum bonus payment would be $.12 per Mcf and could gradually rise to a maximum of $3.75 per Mcf in 2004 as the price paid for the electric power exceeds the specified floor rate which increases beginning in 1998.

The Chesapeake contract volumes will be produced from dedicated reserves that are to be verified annually by an independent engineering firm. Further, in the event the firm sales volumes are not delivered, Supply's agreement provides that the Chesapeake producers must reimburse Supply for the reasonable cost of securing substitute production from other sources.

C. Bow Valley Agreements

Supply has two contracts with Bow Valley dated February 13, and March 13, 1989, under which Bow Valley will sell Supply, on a firm basis, a combined total of up to 12,500 Mcf of Canadian natural gas per day for an initial term of 15 years. Supply has agreed to take or pay for a total of 4.56 Bcf of gas per year, but is given the right to receive any prepaid volumes at any time up to two yearsssociates, Inc., 1 FE Para. 70,205 (March 23, 1989); and American Central Gas Marketing Company, 1 ERA Para. 70,834 (January 9, 1989).