

Cited as "1 FE Para. 70,254"

Panhandle Trading Company (FE Docket No. 89-42-NG), October 24, 1989

DOE/FE Opinion and Order No. 341

Order Granting Blanket Authorization to Import and Export Natural Gas.

## I. Background

On July 11, 1989, Panhandle Trading Company (PTC) 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, for blanket authorization to import up to 100 Bcf of natural gas from Canada and to export up to 100 Bcf of domestically produced natural gas to Canada. PTC requests that the authorizations be approved for separate two-year terms beginning on the dates the first import and the first export commence. PTC, a Delaware corporation with its principal place of business in Houston, Texas, proposes to purchase the Canadian natural gas on the spot market from a variety of suppliers, either for its own account or as agent on behalf of others. The applicant also requests authority to export gas purchased from various suppliers in the United States to Canada under spot and short term arrangements.

In support of its application, PTC maintains that the provisions of each spot transaction, including the price and volumes, would be freely negotiated, thus assuring that transactions will reflect market conditions. Therefore, PTC contends that its import proposal is consistent with DOE's policy guidelines on the regulation of imported and exported natural gas. The company also maintains that the proposed imports and exports will further the goals of reducing trade barriers and encourage operation of market forces between the U.S. and its foreign trading partners.

PTC intends to use existing pipeline facilities for the transportation of the volumes to be imported and exported, and proposes to file quarterly reports detailing each transaction.

A notice of the application was issued on July 27, 1989, inviting protests, motions to intervene, notices of intervention, and comments to be filed by September 7, 1989.<sup>1</sup> No comments were received.

## II. Decision

The application filed by PTC 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.<sup>3/</sup> 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.

PTC's uncontested import/export proposal for Canadian and U.S. natural gas, as set forth in the application, is consistent with section 3 of the NGA and the DOE's international gas trade policy. We believe that PTC's market-based approach for negotiating short-term imports and exports will enhance competition in gas markets. Under the proposed arrangement, short-term transactions will be negotiated in response to the marketplace, and thus must reflect the true value of the commodity being traded, or no gas sales presumably would take place. In addition, the current domestic gas surplus, coupled with the short-term, market-responsive nature of the contracts into which PTC proposes to enter, indicate that it is unlikely the proposed export volumes will be needed during the term of this authorization. Finally, PTC's proposal, like other blanket import/export proposals that have been approved,<sup>4/</sup> will further the Secretary's policy goals of reducing trade barriers by encouraging market forces to achieve a more competitive distribution of goods between the U.S. and Canada.

After taking into consideration all the information in the record of this proceeding, I find that granting PTC blanket authorization to import up to 100 Bcf of Canadian natural gas and to export up to 100 Bcf of domestically produced natural gas to Canada over two year terms beginning on the date of the first import and export under contracts of two years or less, is not inconsistent with the public interest and should be approved.

#### ORDER

For the reasons set forth above, under section 3 of the Natural Gas Act, it is ordered that:

A. Panhandle Trading Company (PTC) is authorized to import up to 100 Bcf of Canadian natural gas and to export to Canada up to 100 Bcf of domestically produced natural gas over separate two-year terms beginning on the dates the first import and the first export commence.

B. This natural gas may be imported or exported at any point on the international border where existing pipeline facilities are located.

C. Within two weeks after deliveries begin, PTC shall notify the Office

of Fuels Programs, Fossil Energy, Room 3F-056, FE-50, 1000 Independence Avenue, S.W., Washington, D.C. 20585, in writing the date that the first import and the first export authorized in Ordering Paragraph A above occurs.

D. With respect to the imports and exports authorized by this Order, PTC shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports indicating whether sales of imported and/or exported natural gas have been made, and if so, giving, by month, the total volume of the imports and exports in MMcf and the average purchase price for imports and exports per MMBtu at the international border. The reports shall also provide the details of each import or export transaction, including the names of the seller(s), and the purchaser(s), including those other than PTC, estimated or actual duration of the agreement(s), transporter(s), points of entry or exit, and, if applicable, the per unit (MMBtu) demand/commodity charge 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 October 24, 1989.

--Footnotes--

1/ FR 32476, August 8, 1989.

2/ U.S.C. Sec. 717b.

3/ FR 6684, February 22, 1984.

4/ See e.g., Nicholson & Associates, Inc., 1 FE Para. 70,205 (March 23, 1989); Cornerstone Natural Gas Company, 1 FE Para. 70,216 (April 12, 1989); TransAmerican Natural Gas Corp., 1 FE Para. 70,220 (April 28, 1989); Chevron Natural Gas Services, Inc., 1 FE Para. 70,223 (May 9, 1989);