

Cited as "1 FE Para. 70,258"

Conoco Inc. (FE Docket No. 89-44-NG), November 3, 1989.

DOE/FE Opinion and Order No. 348

Order Granting Blanket Authorization to Import Natural Gas from Canada

I. Background

On July 17, 1989, Conoco Inc. (Conoco) 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 20 Bcf of natural gas from Canada over a two-year term beginning on the date of first delivery.

Conoco, a Delaware corporation with its petroleum operation headquarters in Houston, Texas, intends to import gas from various Canadian producers on a short-term and spot basis, for resale to, or as agent for, undesignated purchasers located primarily in the western United States. The specific location where the gas would enter the U.S. may vary for different transactions with delivery points to be established during sales contract negotiations. The specific terms of each import transaction, including price and volumes, would be negotiated on an individual basis in response to prevailing gas market conditions. Conoco asserts that transactions negotiated under the authority requested would be competitive with other, domestic gas supply alternatives, and would be sufficiently flexible to remain competitive over the term. Conoco intends to use existing pipeline facilities to transport the gas and will file quarterly reports giving details of the individual transactions.

A notice of the application was issued on September 12, 1989, inviting protests, motions to intervene, notices of intervention, and comments to be filed by October 12, 1989.^{1/} No comments or motions to intervene were received.

II. Decision

The application filed by Conoco has been evaluated to determine if the proposed import arrangement meets the public interest requirements of section 3 of the NGA. Under section 3, an import must be authorized unless there is a finding that it "will not be consistent with the public interest."^{2/} This 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.

Conoco's uncontested import proposal, as set forth in the application,

is consistent with section 3 of the NGA and the DOE policy guidelines. The import authorization sought, like other, similar arrangements approved by DOE,^{4/} would provide Conoco with blanket import approval, within prescribed limits, to negotiate and transact individual, short-term purchase arrangements without further regulatory action. The fact that each arrangement will be voluntarily negotiated, short-term, and market-responsive, as asserted in Conoco's application, provides assurance that the transactions will be competitive with other gas supplies available to Conoco. This arrangement, therefore, should enhance competition in the marketplace.

After taking into consideration all the information in the record of this proceeding, I find that granting Conoco blanket authority to import up to 20 Bcf of natural gas from Canada during a period of two years, under contracts with terms of two years or less, 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. Conoco Inc. (Conoco) is authorized to import up to 20 Bcf of natural gas from Canada during a two-year period 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.

C. Within two weeks after deliveries begin, Conoco shall notify the Office of Fuels Programs, Fossil Energy, FE-50, Room 3F-056, 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 occurs.

D. With respect to the imports authorized by this Order, Conoco shall file with the Office of Fuels Programs within 30 days following each calendar quarter, quarterly reports indicating whether imports of natural gas have been made, and if so, giving, by month, the total volume of the imports in MMcf and the average purchase price per MMBtu at the international border. The reports shall also provide the details of each import transaction, including the name of the purchaser if other than Conoco, estimated or actual duration of the agreement(s), transporter(s), point of entry, 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 November 3, 1989.

--Footnotes--

1/ 54 FR 37707, September 12, 1989.

2/ 15 U.S.C. Sec. 717b.

3/ 49 FR 6684, February 22, 1984.

4/ See, e.g., Grand Valley Gas Company, 1 FE Para. 70,239 (August 25, 1989); Potomac Energy Corporation, 1 FE Para. 70,237 (August 24, 1989); Cascade Natural Gas Corporation, 1 FE Para. 70,225 (June 12, 1989); and Wisconsin Public Service Corporation, 1 FE Para. 70,230 (June 19, 1989).