

Cited as "1 FE Para. 70,298"

Chevron Natural Gas Services, Inc. (FE Docket No. 89-79-NG), February 6, 1990

DOE/FE Opinion and Order No. 380

Order Granting Blanket Authorization to Import Natural Gas from Canada

I. Background

On November 13, 1989, Chevron Natural Gas Services, Inc. (CNGS), 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, to extend for two years its existing natural gas import authorization granted in DOE/ERA Opinion and Order No. 186 (Order 186).^{1/} CNGS was authorized in Order 186 to import up to 73 Bcf of Canadian natural gas for short-term and spot-market sales over a two-year term that expired on January 11, 1990.

CNGS is a Delaware corporation with its principal place of business in Houston, Texas. It requests authority, either on its own behalf or as agent for U.S. purchasers and/or Canadian suppliers, to import competitively priced natural gas for short-term or spot-market sales to a range of U.S. buyers, including end-users, local distribution companies, and intrastate and interstate pipelines. The imported natural gas would be supplied principally but not exclusively by a Canadian affiliate of the applicant, Chevron Canada Resources.

In support of its application, CNGS maintains that the provisions of each sales transaction, including the price and volumes, would be freely negotiated, thus ensuring that the imports will reflect market conditions. Therefore, CNGS contends that its proposed import of natural gas is consistent with DOE's policy guidelines. The proposed Canadian import would use existing pipeline facilities.

CNGS proposes to file reports with FE within 30 days after the end of each calendar quarter giving details of the individual transactions.

A notice of the application was issued on December 6, 1989, inviting protests, motions to intervene, notices of intervention, and comments to be filed by January 22, 1990.^{2/} No comments or motions to intervene were received.

II. Decision

The application filed by CNGS 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." 3/ This determination is guided by the DOE's natural gas import policy guidelines.4/ Under these guidelines, the competitiveness of an import in the markets served is the primary consideration for meeting the public interest test.

CNGS's uncontested proposal for the importation of natural gas, as set forth in the application, is consistent with section 3 of the NGA and the DOE policy guidelines. The import authorization sought, similar to other blanket arrangements approved by DOE,5/ would provide CNGS with blanket import approval, within prescribed limits, to negotiate and transact individual, spot and short-term purchase arrangements without further regulatory action. The fact that each spot purchase will be voluntarily negotiated and market-responsive, as asserted in CNGS's application, provides assurance that the transactions will be competitive with other natural gas supplies available to CNGS. 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 authorizing CNGS to import up to 73 Bcf of Canadian natural gas over a two-year period beginning on the date of first delivery, under contracts with terms 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. Chevron Natural Gas Services, Inc. (CNGS), is authorized to import up to 73 Bcf of natural gas for two years beginning on the date of first delivery.

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

C. With respect to the imports authorized by this Order, CNGS 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 Mcf 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, 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, the adjustment clauses, and any take-or-pay or make-up provisions

Issued in Washington, D.C., on February 6, 1990.

--Footnotes--

1/ 1 ERA Para. 70,716 (August 4, 1987).

2/ 54 FR 52847, December 22, 1989.

3/ 15 U.S.C. Sec. 717b.

4/ 39 FR 6684, February 22, 1984.

5/ See, e.g., Petro-Canada Hydrocarbons Inc., FE Docket No. 89-30-NG (September 26, 1989); Suncor Inc., FE Docket No. 89-52-NG (October 30, 1989); Conoco Inc., FE Docket No. 89-44-NG (November 3, 1989); and Exxon Corporation, FE Docket No. 89-56-NG (December 8, 1989).