Cited as "1 FE Para. 70,343"

Nortech Energy Corporation (FE Docket No. 90-30-NG), August 13, 1990.

DOE/FE Opinion and Order No. 417

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

I. Background

On April 20, 1990, Nortech Energy Corporation (Nortech) 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, requesting blanket authority to import and export up to a total of 80 Bcf of natural gas, including liquefied natural gas (LNG), from and to Canada and other countries, over a two-year term beginning on the date of first delivery.

Nortech, a Texas corporation with its principal place of business in Houston, Texas, is jointly owned by Northridge U.S. Inc., a subsidiary of Northridge Canada and North America Resources Company, a subsidiary of Entech, Inc., an energy subsidiary of The Montana Power Company. Nortech proposes to utilize existing pipeline and LNG facilities for the processing and transportation of the volumes to be imported or exported. The natural gas imported will be for Nortech's account and for short-term sales to a wide range of markets including, but not limited to pipelines, local distribution companies, and commercial and industrial end-users. All sales would be at competitive prices and under contracts of two years or less. Nortech states that it will submit quarterly reports detailing each transaction.

In support of its application, Nortech maintains that the competitiveness of the import or export will be ensured since the spot purchase arrangements will not be made unless such transactions result in competitive, market-responsive prices. Nortech asserts that there is no current domestic need for the proposed export. Furthermore, natural gas exports would benefit the states from which supplies are drawn because it will help ease their currently existing excess of natural gas, as well as benefit the U.S. by reducing the current trade deficit and creating new markets for domestic gas.

A notice of the application was issued on July 3, 1990, inviting protests, motions to intervene, notices of intervention, and comments to be filed by August 10, 1990.1/ A motion to intervene without comment or request for additional procedures was filed by Distrigas Corporation. This order grants intervention to this movant.

II. Decision

The application filed by Nortech 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. In reviewing natural gas export applications, domestic need for the natural gas to be exported is considered, and any other issues determined to be appropriate in a particular case.

Nortech's uncontested import and export proposal, as set forth in the application, is consistent with section 3 of the NGA and the DOE international gas trade policy. The authorization sought, similar to other blanket arrangements approved by DOE,4/ would provide Nortech with blanket 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 Nortech's application, provides assurance that the transactions will be competitive with other natural gas supplies available to Nortech. In addition, the current domestic gas supply, coupled with short-term, market-responsive nature of the contracts into which Nortech proposes to enter, indicate that it is unlikely the proposed exported volumes will be needed domestically during the term of this authorization. Finally, Nortech's proposal will further the Secretary of Energy's policy goals of reducing trade barriers by encouraging market forces to achieve a more competitive distribution of goods between the U.S. and foreign natural gas purchasers and suppliers.

After taking into consideration all of the information in the record of this proceeding, I find that authorizing Nortech to import and export up to a total of 80 Bcf of natural gas, including LNG, over a two-year term under contracts with terms of two years or less, beginning on the date of the first delivery of the import or export is not inconsistent with the public interest and should be approved.5/

ORDER

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

A. Nortech Energy Corporation (Nortech) is authorized to import and export up to a total of 80 Bcf of natural gas, including liquefied natural gas (LNG), over a two-year term beginning on the date of the first import or export.

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

C. Within two weeks after deliveries begin, Nortech shall notify the Office of Fuels Programs, Fossil Energy, Room 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 occurs.

D. With respect to the natural gas imports and exports authorized by this Order, Nortech 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 or LNG have been made, and if so, giving, by month, the total volume of the imports and exports in Mcf and the average purchase price per MMBtu at the international border. The reports shall also provide the details of each import or export transaction, including the country of origin for the imports, the names of the seller(s), and the purchaser(s), including those other than Nortech, estimated or actual duration of the agreement(s), transporter(s), including any LNG tankers used, points of entry or exit, markets served, and, if applicable, the per unit (MMBtu) demand/commodity charge breakdown of the price, any special contract price adjustment clauses, and take-or-pay or make-up provisions.

E. The motion to intervene filed by Distrigas Corporation is hereby granted, provided that participation of the intervenor shall be limited to matters specifically set forth in their respective motion to intervene and not herein specifically denied, and that their admission shall not be construed as recognition that it might be aggrieved because of any order issued in these proceedings.

Issued in Washington, D.C., on August 13, 1990.

--Footnotes--

1/ 55 FR 28452, July 11, 1990.

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

3/ 49 FR 6684, February 22, 1984.

4/ See, e.g., Westar Marketing Company, 1 FE Para. 70,292 (January 25, 1990); Chevron Natural Gas Services, Inc., 1 FE Para. 70,298 (February 6, 1990); Dome Petroleum Corporation, 1 FE Para. 70,297 (February 6, 1990); and Westcoast Resources, Inc., 1 FE Para. 70,304 (March 2, 1990).

5/ Because the proposed importation of gas will use existing facilities, the DOE has determined that granting this application is not a major Federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act (42 U.S.C. 4321, et seq.) and therefore an environmental impact statement or environmental assessment is not required. See 40 CFR Sec. 1508.4 and 54 FR 12474 (March 27, 1989).