

Cited as "1 FE Para. 70,463"

Inland Gas & Oil Corp. (FE Docket No. 91-19-NG), July 5, 1991.

DOE/FE Opinion and Order No. 517

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

I. Background

On March 5, 1991, Inland Gas & Oil Corp. (IGOC) 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 authorization to import from Canada up to 14 Bcf of natural gas, including liquefied natural gas (LNG), and to export from the United States to Canada up to 36 Bcf of natural gas and LNG, over a two-year period commencing with the date of first import or export. IGOC would import and export the natural gas or LNG for its own account and as an agent for Canadian or U.S. purchasers and suppliers. IGOC intends to use existing pipeline or LNG facilities in transporting the proposed blanket imports and exports.

IGOC, a Delaware corporation with its principal place of business in Wilmington, Delaware, is an indirect wholly owned subsidiary of BC Gas Inc. (BC Gas), a Canadian corporation located in Vancouver, British Columbia. IGOC states that the specific pricing terms of each import and export arrangement would be determined by competitive factors in the gas market served and would be arrived at through arm's length negotiations between IGOC and its suppliers. IGOC also states that all sales would be made under contracts with terms of two years or less and that IGOC will submit quarterly reports detailing each transaction, including in the case of LNG sales, copies of all agreements together with identification of the country of origin or consumption.

Under the requested authority, IGOC proposes to import competitively priced natural gas or LNG for sale to purchasers in a wide range of markets, including BC Gas and its U.S. agent, Grand Valley Gas Company of Salt Lake City, Utah, as well as commercial and industrial end-users and local distribution companies. Further, the requested authorization would allow IGOC to export available supplies of U.S. natural gas or LNG and would facilitate IGOC's ability to consummate transactions which may only involve the movement of Canadian gas routed through the U.S. on the way to a Canadian market.

In support of its application, IGOC maintains that the proposed imports and exports of natural gas or LNG would be in the public interest. In particular, IGOC asserts gas imports would be competitively priced, reflect market conditions existing at the time of each agreement negotiated, and provide alternative sources of supply for IGOC's customers. IGOC also asserts gas exports would be incremental to the needs of current purchasers of natural gas in the states from which supplies would be drawn for export and would help ease the excess of natural gas existing in certain regions of the U.S. Finally, IGOC states that DOE approval of its request would allow it to consummate transactions involving direct sales between the U.S. and Canada and would contribute to the overall efficiency of the North American gas market.

A notice of the application was issued on April 29, 1991, inviting

protests, motions to intervene, notices of intervention and comments to be filed by June 5, 1991.1/ No comments were received.

II. Decision

The application filed by IGOC 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 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 gas to be exported is considered, and any other issues determined to be appropriate in a particular case.

IGOC's uncontested import/export proposal, as set forth in the application, is consistent with section 3 of the NGA, DOE's natural gas import policy guidelines and DOE's international gas trade policy. The import/export authorization sought, similar to other blanket arrangements approved by DOE,4/ would provide IGOC with blanket approval, within prescribed limits, to negotiate and transact individual, spot and short-term import and export arrangements without further regulatory action. IGOC's market-based approach for negotiating short-term imports and exports will enhance competition in the North American gas market. Under IGOC's proposed arrangements, which contemplate individual, short-term sales negotiated in response to the marketplace, transactions would only occur to the extent that producers and sellers can provide spot or short-term volumes, customers need such import/export volumes, and the prices remain competitive. Thus, each transaction must reflect the true value of the commodity being traded, or no gas or LNG deliveries will be made.

In addition, the current domestic natural gas supply, coupled with the short-term, market-responsive nature of the contracts into which IGOC proposes to enter, indicate that it is unlikely the proposed export volumes will be needed domestically during the term of this authorization. Finally, IGOC'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 Canadian gas purchasers and suppliers. Thus, IGOC's import/export arrangement will enhance competition in the marketplace.

After taking into consideration all of the information in the record of this proceeding, I find that authorizing IGOC to import from Canada up to 14 Bcf of natural gas, including LNG, and to export to Canada up to 36 Bcf of natural gas, including LNG, over a two-year term under contracts with term of two years or less, is not inconsistent with the public interest and should be approved.5/

ORDER

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

A. Inland Gas & Oil Corp. (IGOC), is authorized to import from Canada up to 14 Bcf of natural gas, including liquefied natural gas (LNG), and to export

to Canada up to 36 Bcf of natural gas, including LNG, over a two-year term, commencing on the date of the first import or export.

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

C. Within two weeks after deliveries begin, IGOC shall provide written notification to the Office of Fuels Programs, Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first delivery of natural gas authorized in Ordering Paragraph A above occurs.

D. With respect to the natural gas and LNG imports and exports authorized by this Order, IGOC shall file within 30 days following each calendar quarter, quarterly reports indicating whether imports or exports have been made, and if so, giving by month, the total volume of the imports and/or exports in Mcf and the average 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 IGOC, estimated or actual duration of the agreements, transporter(s), including any LNG tankers used, points of entry or exit, market(s) served, and, if applicable, the per unit (MMBtu) demand/commodity charge breakdown of the price, any special contract price adjustments clauses, and any take-or-pay or make-up provisions.

Issued in Washington, D.C., July 5, 1991.

--Footnotes--

1/ 56 FR 20605, May 6, 1991.

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

3/ 49 FR 6684, February 22, 1984.

4/ See e.g., Access Energy Corporation, 1 FE Para. 70,390 (December 20, 1990); Allied Producers Gas Service Inc., 1 FE Para. 70,415 (February 20, 1991); and Catamount Natural Gas, Inc., 1 FE Para. 70,427 (March 14, 1991).

5/ Because the proposed importation/exportation of gas or LNG will use existing facilities, 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).