

Cited as "1 FE Para. 70,507"

Hadson Gas Systems, Inc. (FE Docket No. 91-55-NG), December 2, 1991.

DOE/FE Opinion and Order No. 553

Order Granting Blanket Authorization to Import and Export Natural Gas from and to Mexico

I. Background

On July 26, 1991, Hadson Gas Systems, Inc. (Hadson) 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 Mexico up to 50 Bcf annually of natural gas and to export to Mexico up to 20 Bcf annually of natural gas over a two-year period beginning on the date of first import or export. Hadson states it will use existing pipeline facilities to import and export the natural gas.

Hadson, an Oklahoma corporation with its principal place of business in Irving, Texas, is a wholly owned subsidiary of Hadson Corporation. Hadson gathers, aggregates and markets natural gas to commercial and industrial customers as well as local distribution companies, acting on its own behalf or as agent or broker for others. On April 26, 1991, Hadson was authorized by DOE/FE 1/ to import up to 50 Bcf of natural gas from Canada over a two-year period.

In its application, Hadson indicated that due to the increased volume of Mexican gas available for import to the U.S., the increased volumes of natural gas being exported to Mexico, and the anticipated increase in available interruptible transportation capacity due to pipeline expansion projects and new pipeline projects in the southwestern United States, it needs the flexibility to import and export Mexican gas to remain competitive. Although the identity of its suppliers and purchasers, as well as the specifics of each sale are not known at this time, Hadson asserts the contractual arrangements, including the price paid for the gas, would be based on market conditions. Further, Hadson asserts that it will only import natural gas produced by reliable Mexican producers and will be able to contract with other producers to the extent that any one producer is unable to perform.

A notice of the application was published in the Federal Register on September 24, 1991, inviting protests, motions to intervene, notices of intervention and comments to be filed by October 24, 1991.^{2/} No comments were received.

II. Decision

The application filed by Hadson 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."^{3/} With regard to import authorizations, the determination is guided by 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. 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.

Hadson's uncontested import/export proposal, as set forth in the application, is consistent with section 3 of the NGA and DOE's international gas trade policy. The import/export authorization sought, similar to other blanket arrangements approved by DOE,^{5/} would provide Hadson with blanket approval, within prescribed limits, to negotiate and transact individual, spot and short-term import and export arrangements without further regulatory action. Hadson's market-based approach for negotiating short-term imports and exports will enhance competition in the North American gas market. Under Hadson'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 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 Hadson proposes to enter, indicate that it is unlikely the proposed export volumes will be needed domestically during the term of this authorization. Finally, Hadson'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 Mexican gas purchasers and suppliers. Thus, Hadson'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 Hadson to import from Mexico up to 50 Bcf of natural gas and to export to Mexico up to 20 Bcf of natural gas, over a two-year term beginning on the date of first delivery of either import or export is not inconsistent with the public interest.^{6/}

ORDER

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

A. Hadson Gas Systems Inc. (Hadson), is authorized to import from Mexico up to 50 Bcf of natural gas and to export to Mexico up to 20 Bcf of natural gas over a two-year term, beginning on the date of first delivery of either import or export.

B. This gas may be imported or exported at any point on the U.S.--Mexico border which does not require the construction of new facilities.

C. Hadson shall notify FE in writing of the date of the first delivery of natural gas imported or exported under Ordering Paragraph A above within two weeks after the date of such delivery.

D. With respect to the short-term blanket imports and exports authorized by this order, the applicant shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports indicating whether sales of imported or exported natural gas 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 transaction, including the names of the seller(s), and the purchaser(s), estimated or actual duration of the agreements,

transporter(s), points of entry or exit, geographic markets served, and, if applicable, the per unit (MMBtu) demand/commodity/reservation charge breakdown of any special contract price adjustments clauses, and any take-or-pay or make-up provisions. If no imports or exports have been made, a report of "no activity" for that calendar quarter must be filed. Failure to file quarterly reports may result in termination of this authorization.

E. The first quarterly report required by paragraph D of this order is due not later than January 30, 1992, and should cover the date of this order until the end of the current calendar quarter December 31, 1991.

Issued in Washington, D.C., on December 2, 1991.

--Footnotes--

1/ 1 FE Para. 70,442.

2/ 56 FR 48195, September 24, 1991.

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

4/ 49 FR 6684, February 22, 1984.

5/ See e.g., American Central Gas Companies, Inc., 1 FE Para. 70,446 (May 16, 1991); Texaco Gas Marketing, Inc., 1 FE Para. 70,458 (June 21, 1991); and Venro Petroleum Corporation, 1 FE Para. 70,465 (July 22, 1991).

6/ Because the proposed importation/exportation of gas 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).