

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

PAN NATIONAL GAS SALES, INC.)
_____) FE DOCKET NO. 91-57-LNG

ORDER GRANTING BLANKET AUTHORIZATION
TO IMPORT LIQUEFIED NATURAL GAS

DOE/FE OPINION AND ORDER NO. 569

DECEMBER 31, 1991

I. BACKGROUND

On August 1, 1991, Pan National Gas Sales, Inc. (Pan National) filed an application, as amended by an October 9, 1991, letter, with 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 up to 320 Bcf of liquefied natural gas (LNG) over a two-year period beginning with the date of first delivery. Pan National intends to utilize existing LNG facilities and to import LNG from a variety of international sources. Pan National also will submit quarterly reports detailing each transaction.

Pan National, a Delaware corporation with its principal place of business in Houston, Texas, is a wholly-owned subsidiary of Panhandle Eastern Corporation (PEC). PEC, a holding company, also has other affiliates or subsidiaries, including the Truckline LNG Company (TLC). Pan National functions as an importer of LNG and a marketer of regasified LNG in the United States. The company intends to import the LNG for its own account or for the account of others.

The gas imported by Pan National would be sold on a short-term or spot market basis to U.S. pipelines, distribution companies, marketers, or end-users under contracts yet to be negotiated. The identities of the actual international sources of LNG, U.S. purchasers, and transporters of the volumes to be imported will not be known until Pan National begins to enter into specific import transactions. Pan National proposes to make its imported gas available to purchasers under contract terms

that will be market-competitive and will remain competitive throughout the contract period.

A notice of the application was published in the Federal Register on October 31, 1991, inviting protests, motions to intervene, notices of intervention, and comments to be filed by December 2, 1991. 1/ No comments or motions to intervene were received.

II. DECISION

The application filed by Pan National 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 DOE's natural gas import policy guidelines, 3/ under which the competitiveness of an import in the markets served is the primary consideration for meeting the public interest test.

Pan National's import proposal for LNG, as set forth in the application, is consistent with section 3 of the NGA and DOE's policy guidelines. The import authorization sought, similar to other blanket arrangements approved by DOE, 4/ would provide Pan

1/ 56 FR 56073, October 31, 1991.

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

3/ 49 FR 6684, February 22, 1984.

4/ See e.g., Enron Gas Liquids, Inc., 1 FE Para. 70,474

(July 30, 1991); Unigas Energy, Inc., 1 FE Para. 70,431

(March 26, 1991); Louis Dreyfus Energy Corp., 1 FE Para. 70,335

(July 13, 1990).

National with blanket approval, within prescribed limits, to negotiate and transact individual, spot and short-term purchase arrangements without further regulatory action. Pan National's proposed arrangements, which contemplate individual, short-term sales negotiated in response to the marketplace, would only occur to the extent that producers and sellers can provide spot or short-term volumes, customers need such import volumes, and the prices remain competitive. Thus, each transaction must reflect the true value of the commodity being traded, or no gas sales will be made.

After taking into consideration all of the information in the record of this proceeding, I find that granting Pan National blanket authorization to import up to 320 Bcf of LNG, from a variety of international sources, subject to the restriction discussed below, over a two-year term, under contracts with terms of two years or less, beginning on the date of first delivery, is not inconsistent with the public interest. 5/

In its application, Pan National indicates that it would import LNG from as yet unspecified international sources. In this regard, DOE notes Pan National was authorized by DOE/ERA Opinion and Order No, 289, 1 ERA Para. 70,133, to import up to

5/ Because the proposed importation of gas will use existing facilities, DOE had 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).

3.3 Tcf of LNG from Algeria over a 20-year period in accordance with the terms of an April 26, 1987, purchase agreement between Sonatrading Amsterdam B.V., a Netherlands company that is wholly-owned by Sonatrach, the state oil and gas company of Algeria, and Truckline LNG Company. Since, as a matter of policy and practice, DOE does not approve duplicative authority if the applicant already holds a license to import (or export) gas on a blanket basis, the authority granted by this Order does not encompass blanket Algerian imports marketed under the terms of the Sonatrading/Truckline purchase contract.

ORDER

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

A. Pan National Gas Sales, Inc. (Pan National) is authorized to import up to 320 Bcf of liquefied natural gas (LNG), from any international source, subject to the condition in Ordering Paragraph B, over a two-year term beginning on the date of first delivery.

B. Ordering Paragraph A does not authorize Pan National to import Algerian LNG purchased in accordance with the terms of the April 26, 1987, LNG Purchase Agreement between Sonatrading Amsterdam B.V. and Truckline LNG Company and hence already approved for import by DOE/ERA Opinion and Order No. 289.

C. This natural gas may be imported at any point on the international border that does not require the construction of new border facilities.

D. Within two weeks after deliveries begin, Pan National 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 LNG authorized in Ordering Paragraph A above occurred.

E. With respect to the LNG imports authorized by this Order, Pan National shall file within 30 days following each calendar quarter, quarterly reports indicating whether imports of LNG have been made, and if so, giving by month, the total volume of the imports in Mcf and the average tailgate sales price of this gas on a per unit (MMBtu and Mcf) basis. The reports shall also provide the details of each import transaction, including the country of origin for the imports; the names of the seller(s) and the purchaser(s), including those other than Pan National; geographic location of ultimate purchasers of the LNG; estimated or actual duration of the agreement(s); transporter(s), including any LNG tankers used; points 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. Of no imports 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.

F. The first quarterly report required by paragraph E of this order is due not later than April, 1992, and should cover the period from the date of this order until the end of the current calendar quarter March 31, 1992.

Issued in Washington, D.C., on December 31, 1991.

Clifford P. Tomaszewski
Acting Deputy Assistant Secretary
for Fuels Programs
Office of Fossil Energy