

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

ENSERCH GAS COMPANY)
_____)

FE DOCKET NO. 92-10-NG

ORDER GRANTING BLANKET AUTHORIZATION TO
IMPORT AND EXPORT NATURAL GAS
FROM AND TO CANADA AND MEXICO

DOE/FE OPINION AND ORDER NO. 598

APRIL 10, 1992

I. BACKGROUND

On February 3, 1992, Enserch Gas Company (EGC) filed an application with the Office of Fossil Energy 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 up to 200 Bcf and to export up to 200 Bcf of natural gas from and to Canada and Mexico over a two-year term beginning with the date of first import or export. EGC would use existing pipeline facilities for the transportation of the proposed volumes to be imported and exported and would submit quarterly reports detailing each transaction.

EGC is a division of Lone Star Energy Company, which is a wholly-owned subsidiary of ENSEARCH Corporation, a Texas corporation. EGC requests authorization to import gas for sale on a short-term, spot-market basis to U.S. purchasers, including local distribution companies, pipelines, municipalities, and end-users. The proposed export authority would enable EGC to sell U.S. gas it has purchased to Canadian and/or Mexican spot-market purchasers, including local distribution companies, pipelines, municipalities, and end-users. In support of its application, EGC states that the terms of each import or export transaction would be the product of arms length negotiations and determined by competitive factors in the natural gas market.

A notice of the application was published in the Federal Register on March 3, 1992, inviting protests, motions to

intervene, notices of intervention, and comments to be filed by April 2, 1992./¹ No comments or motions to intervene or comments were received.

II. DECISION ---

The application filed by EGC 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 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 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, the domestic need for the gas to be exported is considered, and any other issues determined to be appropriate in a particular case.

EGC's uncontested import/export proposal, as set forth in the application, is consistent with section 3 of the NGA and the DOE's international gas trade policy. EGC's market-based approach for negotiating short-term imports and exports will enhance competition in gas markets. In addition, the current supplies of domestic gas, coupled with the short-term, market-responsive nature of the contracts, indicate that it is unlikely

1. 57 FR 7579.
2. 15 U.S.C. Sec. 717b.
3. 49 FR 6684, February 22, 1984.

the proposed export volumes will be needed domestically during the term of the authorization. Finally, EGC's proposal, like other blanket import/export proposals that have been approved by the DOE,⁴ would further the Secretary's policy goals of reducing trade barriers by encouraging market forces to achieve a more competitive distribution of goods in the North American gas market. Thus, EGC's import/export arrangement will enhance cross-border competition in the marketplace.

After taking into consideration all of the information in the record of this proceeding, I find that granting EGC blanket authorization to import from Canada and Mexico up to 200 Bcf and to export to Canada and Mexico up to 200 Bcf of natural gas over a two-year term is not inconsistent with the public interest.⁵

ORDER

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

A. Enserch Gas Company (EGC) is authorized to import from Canada and Mexico up to 200 Bcf and to export to Canada and

4. E.g., Fina Natural Gas Company, 1 FE Para. 70,517

(December 27, 1991); Enron Gas Marketing, Inc., 1 FE Para. 70,512

(December 18, 1991); Ocean State Power II, 1 FE Para. 70,510

(December 10, 1991).

5. 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. 4331, 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).

Mexico up to 200 Bcf of natural gas over a two-year term beginning on the date of the first import or export.

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

C. Within two weeks after deliveries begin, EGC 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 import or export authorized in Ordering Paragraph A above occurred.

D. With respect to the imports and exports authorized by this Order, EGC shall file within 30 days following each calendar quarter, quarterly reports indicating whether sales of imported and/or exported natural gas 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: (1) country of origin for the imports; (2) names of the seller(s); (3) names of the purchaser(s); (4) estimated or actual duration of the agreement(s); (5) transporter(s); (6) point(s) of entry or exit; (7) geographic market(s) served; and, if applicable, (8) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the price, any special contract price adjustment 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 July 30, 1992, and should cover the period from the date of this Order until the end of the current calendar quarter June 30, 1992.

Issued in Washington, D.C., on April 10, 1992.

Charles F. Vacek
Deputy Assistant Secretary
for Fuels Programs
Office of Fossil Energy

