

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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NORTH CANADIAN MARKETING CORPORATION) FE DOCKET NO. 92-92-NG
_____)

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

DOE/FE OPINION AND ORDER NO. 677

OCTOBER 1, 1992

I. BACKGROUND

On July 16, 1992, as amended August 4, 1992, North Canadian Marketing Corporation (NCM), 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 authority to extend their current import/export authorization, originally granted in DOE/FE Opinion and Order No. 422,1/ for a period of two years from

January 1, 1993, the day after their current authorization expires. NCM requests authority to import up to 146 Bcf of Canadian natural gas and to export up to an aggregate of 40 Bcf of Canadian or domestically produced natural gas over the two-year term. NCM proposes to use existing pipeline facilities to import the natural gas. No new construction would be involved.

NCM, a California corporation with its principal place of business in Orange, California, proposes to import and export natural gas either for its own account or as agent for U.S. or Canadian purchasers and/or suppliers. In support of its application, NCM states that the natural gas imports and exports would be purchased and sold pursuant to contractual arrangements that would be the product of arms-length negotiations with an emphasis on competitive prices and contract flexibility. NCM also asserts the proposed export will benefit domestic natural gas producers to the extent they facilitate the sale of gas and

1/ 1 FE 70,350 (September 21, 1990).

lessen the current overall deliverability surplus, and increase tax receipts and related revenues.

A notice of the application was issued on July 31, 1992, inviting protests, motions to intervene, notices of intervention, and comments to be filed by September 8, 1992.^{2/} No

interventions or comments were received.

II. DECISION

The application filed by NCM 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 imports, this 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. When natural gas export applications are reviewed, domestic need for the gas to be exported is considered, as well as any other issues determined to be appropriate in a particular case.

NCM'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 authorization sought,

^{2/} 57 FR 34927, August 7, 1992.

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

4/ 49 FR 6684, February 22, 1984. _

similar to other blanket arrangements approved by DOE,^{5/} would provide NCM with blanket import and export approval, within prescribed limits, to negotiate and transact individual, spot and short-term arrangements without further regulatory action. NCM's proposed import/export transactions would only occur when producers and sellers can provide spot or short-term volumes, customers need such import/export volumes, and prices remain competitive. Additionally, because natural gas supplies in the United States are expected to continue to be more than adequate to meet consumer demand, it is unlikely the proposed export volumes would be needed in the domestic market during the term of this authorization. Therefore, NCM's import/export proposal would further the Secretary of Energy's policy goal to reduce trade barriers by encouraging competition between natural gas suppliers and purchasers in the United States and Canada.

After taking into consideration all of the information in the record of this proceeding, I find that authorizing NCM to import up to 146 Bcf of natural gas and export up to 40 Bcf of natural gas from and to Canada, over a two-year term beginning on the date of first delivery after December 31, 1992, the date NCM's current import/export authority expires, under contracts with

5/ See, e.g., Cornerstone Natural Gas Company, 1 FE 70,614

(July 29, 1992); Texas-Ohio Gas, Inc., 1 FE 70,615

(July 29, 1992); CNG Trading Company, 1 FE 70,612

(July 28, 1992).

terms of two years or less, is not inconsistent with the public interest.^{6/}

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ORDER

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

A. North Canadian Marketing Corporation (NCM) is authorized to import up to 146 Bcf of natural gas and export up to 40 Bcf of natural gas from and to Canada over a two-year term beginning on the date of first delivery after December 31, 1992, the date NCM's current authorization expires.

B. This natural gas may be imported and exported at any point on the U.S./Canada border where existing pipeline facilities are located.

C. Within two weeks after deliveries begin, NCM shall provide written notification to the Office of Fuels Programs, Fossil Energy, Room 3F-056, 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 occurred.

6/ Because the proposed import/export 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 neither an environmental impact statement nor an environmental assessment is required. See 40 CFR 1508.4 and

57 FR 15122 (April 24, 1992).

D. With respect to the natural gas imports and exports authorized by this Order, NCM shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports indicating whether sales of imports or exports of natural gas have been made. If no imports or exports have been made, a report of "no activity" for that calendar quarter must be filed. If imports or exports have occurred, Cornerstone must report monthly total volumes in Mcf, and the average sales price per MMBtu at the international border. The reports shall also provide the details of each import or export transaction, including (1) the country of origin for the imports; (2) the destination of the exports; (3) the names of the seller(s); (4) the names of the purchaser(s), including those other than NCM; (5) estimated or actual duration of the agreement(s); (6) the names of the U.S. transporter(s); (7) the point(s) of entry or exit; (8) the market(s) served; (9) whether the sales are being made on an interruptible or firm basis; and, (10) if applicable, the per unit (MMBtu) demand, commodity and reservation charge, breakdown of the price, any special contract price adjustment clauses, and any take-or-pay or make-up provisions. 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 April 30, 1993, and should cover

the period from January 1, 1993, until the end of the first
calendar quarter on March 31, 1993.

Issued in Washington, D.C., on October 1, 1992.

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