

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

PETRO-CANADA HYDROCARBONS INC.)
) FE DOCKET NO. 92-108-NG
)

ORDER GRANTING BLANKET AUTHORIZATION
TO IMPORT NATURAL GAS FROM CANADA

DOE/FE OPINION AND ORDER NO. 696

OCTOBER 23, 1992

I. BACKGROUND

On August 19, 1992 Petro-Canada Hydrocarbons Inc. (Petro-Canada) 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 authority to import from Canada up to 150 Bcf of natural gas over a two-year term beginning with the date of first import after March 3, 1993, when its current blanket import authorization will expire.^{1/} Petro-Canada will use existing facilities to import the gas.

Petro-Canada is a corporation organized and existing under the laws of the State of Delaware with its principal place of business in Calgary, Alberta, Canada. Petro-Canada is a wholly-owned subsidiary of Petro-Canada, Inc. (PCI) which is a fully integrated company engaged in all aspects of the exploration for, the production, refining, transportation, and marketing of oil, natural gas and other hydrocarbons and minerals, and their products. Petro-Canada will act as agent for PCI or will itself resell gas that it has purchased. Petro-Canada's current and potential customers include local distribution companies, natural gas pipelines, direct industrial customers and cogeneration power projects, primarily in the regions of the Pacific Northwest, the Midwest and California. The terms of Petro-Canada's short-term sales contracts will be responsive to competitive market forces.

1/ See DOE/FE Opinion and Order No. 454, 1 FE 70,383
(November 23, 1990).

DOE published a notice of receipt of Petro-Canada's application in the Federal Register on September 1, 1992,

inviting protests, motions to intervene, notices of intervention, and comments to be filed by October 1, 1992.^{2/} No

interventions or comments were received.

II. DECISION

The application filed by Petro-Canada 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."^{3/} This

determination is guided by DOE's natural gas import policy guidelines under which the competitiveness of an import in the markets served is the primary consideration for meeting the public interest test.^{4/}

Petro-Canada's uncontested import proposal, as set forth in the application, is consistent with section 3 of the NGA and DOE's policy guidelines. The import authorization sought by Petro-Canada, similar to other blanket arrangements approved by DOE ^{5/}, would provide Petro-Canada with blanket approval, within prescribed limits, to negotiate and transact individual,

^{2/} 57 F.R. 39681.

^{3/} 15 U.S.C. 717b.

^{4/} 49 F.R. 6684, February 22, 1984.

5/ E.g., IGI Resources, Inc., 1 FE 70,617 (July 30, 1992);
— SEMCO Energy Services, Inc., 1 FE 70,606 (June 30, 1992); Exxon
Corporation, 1 FE 70,572 (April 30, 1992). —

spot and short-term import arrangements without further regulatory action. The fact that each purchase will be voluntarily negotiated in response to market conditions, as asserted in Petro-Canada's application, provides assurance that the transactions will be competitive with other natural gas supplies available to Petro-Canada. Under Petro-Canada's proposed import arrangement, transactions would occur when producers and sellers can provide spot or short-term volumes, customers need such volumes, and prices remain competitive. Therefore, Petro-Canada's import proposal will further the Secretary of Energy's policy goal to reduce trade barriers by encouraging competition between United States and Canadian gas suppliers and purchasers.

After taking into consideration all of the information in the record of this proceeding, I find that authorizing Petro-Canada to import up to 150 Bcf of natural gas from Canada over a two-year term beginning on the date of first import after March 3, 1993, under contracts with terms of two years or less, is not inconsistent with the public interest.^{6/}

6/ Because the proposed import/export of gas will use existing facilities, DOE has determined that granting this authorization 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 C.F.R. 1508.4 and

57 F.R. 15122 (April 24, 1992).

ORDER

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

A. Petro-Canada Hydrocarbons Inc. (Petro-Canada) is authorized to import up to 150 Bcf of natural gas from Canada over a two-year term beginning on the date of the first import after March 3, 1993.

B. The natural gas may be imported at any point on the United States/Canada border where existing pipeline facilities are located.

C. Within two weeks after deliveries begin, Petro-Canada shall notify the Office of Fuels Programs, Fossil Energy, Room 3F-056, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, in writing of the date that the first import of natural gas authorized in Ordering Paragraph A above occurs.

D. With respect to the natural gas imports authorized by this Order, Petro-Canada shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports indicating whether imports of natural gas have been made. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, Petro-Canada must report monthly total volumes of the imports in Mcf and the average purchase price per MMBtu at the international border. The reports shall also provide the details of each import transaction, including: (1) the name of

the seller(s); (2) the name of the purchaser(s); (3) the estimated or actual duration of the agreement(s); (4) the name of the transporter(s); (5) the point(s) of entry; (6) the geographic market served; (7) whether the sales are being made on an interruptible or firm basis; and if applicable, (8) the contract pricing provisions, including the per unit (MMBtu) demand/commodity/reservation charge breakdown of the price, any special contract price adjustment clauses, or 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 March 4, 1993, until the end of the calendar quarter, March 31, 1993.

Issued in Washington, D.C., on October 23, 1992.

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