

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

VALERO INDUSTRIAL GAS, L.P.

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FE DOCKET NO. 93-78-NG

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

DOE/FE OPINION AND ORDER NO. 846

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SEPTEMBER 29, 1993

I. BACKGROUND

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On July 21, 1993, Valero Industrial Gas, L.P. (Vigas) filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA) 1/ and DOE Delegation Order Nos. 0204-111 and 0204-127, requesting blanket authorization to import and export up to a combined total of 300 billion cubic feet (Bcf) of natural gas from and to Mexico over a two-year term beginning on the date of first delivery of either the import or export after October 22, 1993.2/ Vigas proposes to use existing pipeline facilities to transport the imported and exported gas.

Vigas is a Delaware limited partnership with its principal place of business in San Antonio, Texas. Under the authority requested, Vigas would import and export the gas under spot and short-term purchase agreements, either on its own behalf or as the agent for others. Vigas will determine the specific terms of each import/export transaction through arms-length negotiations and states that the price would be competitive. With respect to the proposed exports, Vigas asserts that the gas would be incremental to the needs of current domestic purchasers in the regions from which the supplies will be drawn.

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1/ 15 U.S.C. Sec. 717b.

2/ This is the expiration date of Vigas' existing authorization granted by DOE/FE Order No. 537, 1 FE Para. 70,485 (October 23, 1991).

## II. INTERVENTIONS AND COMMENTS

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DOE published a notice of receipt of Vigas's application in the Federal Register on July 30, 1993, inviting protests, motions

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to intervene, notices of intervention, and comments to be filed by September 9, 1993.<sup>3/</sup> No interventions or comments were received.

## III. DECISION

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The application filed by Vigas 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."<sup>4/</sup> Regarding import authorizations, the section 3 determination is directed by DOE's natural gas import policy guidelines.<sup>5/</sup> 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.

Vigas's uncontested import/export proposal, as set forth in the application, is consistent with section 3 of the NGA, DOE's natural gas import policy guidelines, and DOE's international gas

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- 3/ 58 Fed. Reg. 42534. \_
- 4/ 15 U.S.C. Sec. 717b. \_
- 5/ 49 Fed. Reg. 6684, February 22, 1984. \_

trade policy. The import/export authorization sought by Vigas, similar to other blanket arrangements approved by DOE 6/, will provide Vigas with blanket approval, within prescribed limits, to negotiate and transact individual spot and short-term import and export arrangements without further regulatory action. Under Vigas's proposed import/export arrangements, transactions will only occur when producers and sellers can provide spot or short-term volumes, customers need the gas, 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 that the proposed export volumes will be needed in the domestic market during the term of this authorization. Therefore, Vigas's import/export proposal should reduce trade barriers by promoting a more market-oriented gas trade between the United States and Mexico.

After taking into consideration all of the information in the record of this proceeding, I find that authorizing Vigas to import and export up to a combined total of 300 Bcf of natural gas from and to Mexico, over a period of two years beginning on the date of the first delivery of either imports or exports, is

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6/ E.g., Texas-Ohio Gas, Inc., 1 FE Para. 70,615 (July 29, 1992);  
 Cornerstone Natural Gas Company, 1 FE Para. 70,614 (July 29, 1992);  
 and CNG Trading Company, 1 FE Para. 70,612 (July 28, 1992).

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not inconsistent with the public interest.<sup>7/</sup> This blanket  
— order authorizes transactions under contracts with terms of no  
longer than two years.

ORDER

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

A. Valero Industrial Gas, L.P. (Vigas) is authorized to  
import and export up to a combined total of 300 billion cubic  
feet of natural gas from and to Mexico over a two-year period  
beginning on the date of the first delivery of either imports or  
exports after October 22, 1993. This natural gas may be imported  
or exported at any point on the border of the United States and  
Mexico where existing pipeline facilities are located.

B. Within two weeks after deliveries begin, Vigas 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  
import or export of natural gas authorized in Ordering Paragraph  
A above occurred.

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<sup>7/</sup> 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. Sec. 4321, et seq.); therefore,

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neither an environmental impact statement nor an environmental  
assessment is required. See 40 CFR Sec. 1508.4 and 57 Fed.

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Reg. 15122 (April 24, 1992).

C. Regarding the natural gas imports and exports authorized by this Order, Vigas shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports indicating whether 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, Vigas must report monthly total volumes in Mcf and the average purchase price per MMBtu at the international border. The reports shall also provide the details of each import and export transaction, including: (1) the name of the purchaser(s); (2) the name of the seller(s); (3) the estimated or actual duration of the agreement(s); (4) the name of the United States transporter(s); (5) the point(s) of entry or exit; (6) the geographic market(s) served; (7) whether the sales are being made on an interruptible or firm basis; and, if applicable, (8) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price. Failure to file quarterly reports may result in termination of this authorization.



D. The first quarterly report required by Ordering Paragraph C is due not later than January 30, 1994, and should cover the period from October 23, 1993, until the end of the fourth calendar quarter, December 31, 1993.

Issued in Washington, D.C., on September 29, 1993.

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Anthony J. Como  
Director  
Office of Coal & Electricity  
Office of Fuels Programs  
Office of Fossil Energy