

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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ASSOCIATED GAS SERVICES, INC.)	FE DOCKET NO. 95-76-NG
)	
ASSOCIATED NATURAL GAS, INC.)	ERA DOCKET NO. 87-49-NG
_____)	FE DOCKET NO. 93-64-NG

ORDER GRANTING BLANKET AUTHORIZATION TO
IMPORT AND EXPORT NATURAL GAS, INCLUDING
LIQUEFIED NATURAL GAS, FROM AND TO CANADA
AND MEXICO AND VACATING AUTHORIZATIONS

DOE/FE ORDER NO. 1102

OCTOBER 24, 1995

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I. DESCRIPTION OF REQUEST

On September 20, 1995, Associated Gas Services, Inc. (AGSI) 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),^{1/} and DOE Delegation Order Nos. 0204-111 and 0204-

127, requesting blanket authorization to import and export natural gas, including liquefied natural gas (LNG), from and to Canada and Mexico. AGSI proposes to import a combined total of up to 311 Bcf of natural gas, including LNG, from Canada and Mexico. In addition, AGSI proposes to export a combined total of up to 400 Bcf of natural gas, including LNG, to Canada and Mexico. The term of the authorization would be for a period of two years beginning on the date of the initial delivery of either imports or exports, whichever occurs first. This gas would be imported and exported under short-term and spot market transactions either on AGSI's own behalf or as the agent for others. The requested authorization does not involve the construction of new pipeline or LNG facilities.

In addition, AGSI requests that FE vacate five prior authorizations to import and export natural gas, including LNG, individually granted to Associated Natural Gas, Inc. (ANGI), Grand Valley Gas Company (GVGC), and 1 Source Energy Services Company (1Source). In this application, AGSI, as the successor to ANGI, GVGC, and 1Source, is seeking the same authorization to

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

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import and export volumes of natural gas, including LNG, that they previously had obtained from DOE.

By way of background, AGSI is a Colorado corporation with its principal place of business in Denver, Colorado. AGSI primarily is a marketer of natural gas. It is a wholly-owned subsidiary of Associated Natural Gas Corporation (ANGC), which is a holding company, incorporated in Delaware, that merged with Panhandle Eastern Corporation (Panhandle) on December 15, 1994. ANGI, a Colorado Corporation, is also a wholly-owned subsidiary of ANGC and, consequently an affiliate of AGSI. On December 11, 1987, ANGI was granted authorization, under DOE/ERA Opinion and Order No. 210 (Order 210) issued by the Economic Regulatory Administration (ERA)^{2/}, to import up to 18 Bcf of gas from Canada over a period of two years.^{3/} In addition, ANGI was granted authorization by FE on September 24, 1993, under DOE/FE Opinion and Order No. 842 (Order 842), to export up to 200 Bcf of gas to Mexico over a period of two years.^{4/} ANGI has never imported or exported gas under these two authorizations and both orders are currently in effect.

2/ By order issued February 7, 1989, the Secretary of Energy transferred the authority to regulate natural gas imports and exports then held by the Administrator of ERA, pursuant to Secretary of Energy Delegation Order No. 0204-111, 49 Fed. Reg. 6684 (February 22, 1984), to the Assistant Secretary for FE. See

Secretary of Energy Delegation Order No. 0204-127, 54 Fed. Reg.
11,436 (March 20, 1989).

3/ 1 ERA 70,741 (ERA Docket No. 87-49-NG). —

4/ 1 FE 70,844 (FE Docket No. 93-64-NG). —

In 1994, ANGC's subsidiaries underwent limited reorganization. On July 1, 1994, GVGC, a Utah corporation, was acquired, merged into ANGI, and ceased to exist. Also, on July 1, 1994, the entire marketing arm of ANGI was transferred to its affiliate AGSI. During restructuring, the respective companies agreed that AGSI would assume the import and export activities previously performed, or intended to be performed, by ANGI and GVGC.

GVGC, which primarily had been a marketer of natural gas, previously had been granted two-year blanket authorization on May 5, 1993, under DOE/FE Order No. 798 (Order 798), to export up to 75 Bcf of gas to Canada.^{5/} No gas was exported under Order 798. In addition, on October 28, 1993, GVGC was granted two-year blanket authorization, under DOE/FE Order No. 869 (Order 869), to import up to 75 Bcf of gas from Canada.^{6/} Imports under Order 869 commenced November 1, 1993. When GVGC ceased to exist as a business entity on July 1, 1994, it rendered the authority conferred under Orders 798 and 869 meaningless and these orders are regarded by FE as nullified upon that date.^{7/}

5/ 1 FE 70,790 (FE Docket No. 93-44-NG). _

6/ 1 FE 70,875 (FE Docket No. 93-112-NG). _

7/ 10 C.F.R 590.405 of DOE's regulations prohibits _
 authorizations to import or export natural gas to be transferred
 or assigned unless specifically authorized by FE. We note
 further that under 10 C.F.R. 590.407, importers and exporters
 have a continuing obligation to give FE written notification, as
 soon as practicable, of any changes in the circumstances upon

which the authorization was based, including, but not limited to,
the parties involved. FE initially became aware that ANGC's
(continued...)

Subsequent to the July 1994 reorganization, ANGC was acquired by and became a wholly-owned subsidiary of Panhandle. In conjunction with this acquisition, Panhandle, in turn, undertook similar reorganization activities, merging its marketing company, 1Source, with AGSI on February 1, 1995. 1Source previously had been granted authorization, under DOE/FE Order No. 1024 (Order 1024), to import a combined total of up to 200 Bcf of natural gas, including LNG, from Canada and Mexico, as well as authorization to export a combined total of up to 200 Bcf of natural gas, including LNG, to Canada and Mexico.^{8/} There were no imports or exports under Order 1024. When 1Source ceased to exist as a business entity on February 1, 1995, it rendered the authority conferred under Order 1024 meaningless and this order is regarded by FE as nullified upon that date.

II. FINDING _____

The application filed by AGSI has been evaluated to determine if the proposed import/export arrangement meets the public interest requirement of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486). Under section 3(c), the import or export of natural gas from or to a nation with which there is in effect a free

7/(...continued) _____
 subsidiary ANGI had been reorganized and that GVGC was acquired and merged into ANGI when this application was filed on September 20, 1995, more than one year having elapsed since these events occurred and GVGC ceased to exist. We do not consider this disclosure to be timely.

8/ 1 FE 71,080 (FE Docket No. 95-07-NG). _____

trade agreement requiring national treatment for trade in natural gas is deemed to be consistent with the public interest and must be granted without modification or delay. The authorization sought by AGSI to import and export natural gas, including LNG, from and to Canada and Mexico, nations with which a free trade agreement is in effect, meets the section 3(c) criterion and, therefore, is consistent with the public interest. This blanket order authorizes transactions under contracts with terms of no longer than two years.

Concurrently, FE shall vacate the natural gas import and export authorizations presently held by ANGI because they are unneeded. However, based on the facts stated by AGSI, FE deems that the natural gas import and export authorizations previously granted to GVGC and 1Source were effectively nullified July 1, 1994, and February 1, 1995, respectively. Accordingly, it is unnecessary to vacate these orders.

ORDER

Pursuant to section 3 of the Natural Gas Act, it is ordered that:

A. Associated Gas Services, Inc. (AGSI) is authorized to import a combined total of up to 311 Bcf of natural gas, including LNG, from Canada and Mexico. In addition, AGSI is authorized to export a combined total of up to 400 Bcf of natural gas, including LNG, to Canada and Mexico. The term of this authorization is for a period of two years beginning on the date

of the initial import or export delivery, whichever occurs first.

This natural gas may be imported and exported at any United States border point.

B. Within two weeks after deliveries begin, AGSI shall provide written notification to the Office of Fuels Programs (OFP), 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 delivery of natural gas authorized in Ordering Paragraph A above occurred.

C. With respect to the imports and exports authorized by this Order, AGSI shall file with OFP, within 30 days following each calendar quarter, quarterly reports indicating whether imports or exports of natural gas, including LNG, have been made. Quarterly reports must be filed whether or not initial deliveries have begun. If no imports or exports have been made, a report of "no activity" for that calendar quarter must be filed. If imports or exports occur, AGSI must report the following:

- (1) total monthly volumes in Mcf;
- (2) the average monthly purchase price of gas per MMBtu at the international border;
- (3) the name of the seller(s);
- (4) the name of the purchaser(s);
- (5) the estimated or actual duration of the agreement(s);
- (6) the name of the U.S. transporter(s);
- (7) the point(s) of entry or exit; and
- (8) the geographic market(s) served (for imports, by state).

For import transactions only, the reports also shall include: (1) whether sales are being made on an interruptible or firm basis; and, if applicable, (2) the per unit (MMBtu)

demand/commodity/reservation charge breakdown of the contract price.

D. The first quarterly report required by Ordering Paragraph C of this Order is due not later than January 30, 1996, and should cover the period from the date of this order until the end of the fourth calendar quarter, December 31, 1995.

E. The natural gas import and export authorizations granted to Associated Natural Gas, Inc. pursuant to DOE/ERA Opinion and Order No. 210 (ERA Docket No. 87-49-NG), issued December 11, 1987, and DOE/FE Opinion and Order No. 842 (FE Docket No. 93-64-NG) issued September 24, 1993, are hereby vacated effective on the date of this Order.

Issued in Washington, D.C., on October 24, 1995.

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