UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

CHEVRON U.S.A. INC.	)	FE DOCKET NO. 96-59-NG

ORDER GRANTING LONG-TERM AUTHORIZATION
TO IMPORT NATURAL GAS FROM CANADA

DOE/FE ORDER NO. 1194

AUGUST 30 1994

I. DESCRIPTION OF REQUEST

On August 9, 1996, as supplemented August 21, 1996, and August 28, 1996, Chevron U.S.A. Inc. (Chevron)1/ filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA)2/ and DOE Delegation Order Nos. 0204-111 and 0204-127, requesting authorization to import up to 74,000 Mcf (approximately 75,000 MMBtu) per day of natural gas from Canada. The term of the proposed authorization is for a period beginning September 1, 1996, through October 31, 2005. Chevron will import the gas and sell it to Natural Gas Clearinghouse (NGC).3/ The gas will be supplied to Chevron primarily by Chevron Canada Resources (CCR) from reserves in the Provinces of Alberta and British Columbia.4/

The import arrangement contemplates that CCR will ship the gas to the border of the United States and Canada near Kingsgate, British Columbia/Eastport, Idaho. Chevron will take title to the

/ Chevron is a Pennsylvania corporation with a place of business in Houston, Texas. It is a wholly-owned subsidiary of Chevron Corporation, a Delaware corporation.

2/ 15 U.S.C. 717b.

/ NGC is a subsidiary of NGC Corporation, a Delaware corporation. Chevron has entered into an agreement to transfer certain assets, including most of its natural gas marketing assets in the United States to a new subsidiary of Chevron. NGC Corporation will merge into this new entity, at which time Chevron will own approximately 28 percent of the combined entity. The newly formed company will retain the name NGC Corporation. Chevron and NGC Corporation contemplate that formation of the new company will be final September 1, 1996. Once the new company is formed, NGC will be a subsidiary of the new company. Chevron contemplates that the import arrangement after the merger will continue as before.

/ CCR, a producer of natural gas in Canada, is a wholly-owned subsidiary of Chevron Corporation.

gas immediately after it is imported into the United States. The gas will be shipped from the international border under Chevron s existing firm transportation on the pipeline facilities of Pacific Gas Transmission Company (PGT) and delivered to NGC at the interconnection of PGT and Pacific Gas & Electric Company s (PG&E) 400 Line located at Malin, Oregon, and at PGT and PG&E s 401 Line, also located at Malin, Oregon. The agreements for the sale of natural gas to NGC shall be referred to hereafter as the 400 Line Agreement and the 401 Line Agreement.

Chevron filed unsigned copies of both the 400 and 401 Line Agreements dated May 17, 1996. Chevron and NGC will enter into the proposed natural gas purchase and sales agreements after the merger of Chevron and NGC Corporation is complete. The contracts are for a primary term of five years, and will continue from year to year thereafter until terminated by either party upon written notice.

On each day during the term of the 400 Line Agreement, Chevron will make available for sale to NGC at the delivery point a daily contract quantity of 40,000 MMBtu of natural gas. On each day during the term of the 401 Line Agreement, Chevron will make available for sale to NGC at the delivery point a daily contract quantity of 31,348 MMBtu of natural gas. Under the agreements, Chevron may nominate and deliver a quantity of gas that is less than the daily contract quantity, in which case Chevron would reimburse NGC for any cost incurred in acquiring replacement gas. On each day during the term of the agreements, NGC would take the full nominated daily quantities delivered by Chevron, up to, but not to exceed, the daily contract quantities.

For each MMBtu of gas delivered under the 400 Line Agreement, NGC would pay Chevron a commodity charge equal to the Bidweek Average spot gas price quoted in Natural Gas Intelligence California Border & Non-Utility End-User Citygate Tables for deliveries during the delivery month to PGT/PG&E at Malin, Oregon (400 Line), plus a premium of $0.01 per MMBtu. For each MMBtu of gas delivered under the 401 Line Agreement, NGC would pay Chevron a commodity charge equal to the Bidweek Average spot gas price quoted for the delivery month in Natural Gas Intelligence California Border & Non-Utility End-User Citygate Tables, Southern California Border Average, less the Kern Station Access Fee and the PG&E as available off-system transportation rate, plus a premium of $0.01 per MMBtu. The agreements provide other terms and conditions that would ensure the sale of the gas would always be at a fair market value. The agreements contain no minimum take obligations, no make-up obligations, and no take-or-pay provisions.

Chevron would be responsible for all costs associated with transportation to the delivery point, Malin, Oregon. Chevron would use its existing firm transportation rights on PGT. Chevron requires the import authorization to provide NGC with the daily contract quantities specified in the agreements (71,348 Mcf per day), plus a sufficient quantity of gas to meet PGT s in-kind fuel requirements (2,652 Mcf per day).

The price Chevron pays to CCR to import the gas at the international border would be a net back price. Chevron has filed an unsigned copy of the Gas Marketing Agreement, effective

September 1, 1996, between Chevron and CCR. The net back price to be paid by Chevron to CCR for gas delivered under the Gas Marketing Agreement would equal the weighted average sales price received by Chevron for all of the natural gas which it imports and sells in the United States (including the gas sold under both the NGC 400 and 401 Line Agreements), less certain expenses CCR is obligated to reimburse Chevron for under the provisions of the Gas Marketing Agreement, and less a marketing fee per MMBtu calculated monthly.

I. FINDING

The application filed by Chevron has been evaluated to determine if the proposed import 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 importation of natural gas from a nation with which there is in effect a free 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 Chevron to import natural gas from Canada, a nation with which a free trade agreement is in effect, meets the section 3(c) criterion and, therefore, is consistent with the public interest.

ORDER

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

A. Chevron U.S.A. (Chevron) is authorized to import from Canada up to 74,000 Mcf (approximately 75,000 MMBtu) per day of natural gas. The term of the authorization shall begin on September 1, 1996, and continue through October 31, 2005. This gas shall be imported near Kingsgate, British Columbia/Eastport, Idaho, under the provisions of the proposed Gas Marketing Agreement between Chevron and Chevron Canada Resources (CCR) and the proposed 400 Line and 401 Line Gas Purchase and Sale Agreements between Chevron and Natural Gas Clearinghouse (NGC) filed in this docket.

B. Within two weeks after their execution, Chevron shall provide signed copies of its Gas Marketing Agreement with CCR and its 400 Line and 401 Line Gas Purchase and Sale Agreements with NGC to the Office of Fuels Programs (OFP), Fossil Energy, Room 3F-056, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585.

C. Within two weeks after deliveries begin, Chevron shall provide written notification to OFP of the date that the first imports of natural gas authorized in Ordering Paragraph A above occurred.

D. With respect to the natural gas imports authorized by this Order, Chevron shall file with OFP, within 30 days following each calendar quarter, quarterly reports showing by month the total volume (in Mcf) imported and the average purchase price per

MMBtu paid at the international border. The information for a particular month shall list separately the volumes imported under the 400 Line and 401 Line Gas Purchase and Sales Agreements with NGC and the price paid for these volumes under the Gas Marketing Agreement with CCR. If any volumes are transported to any delivery point other than Malin, Oregon, Chevron must identify the volumes, the point(s) of delivery, and the final disposition of the supply, by state.

E. The first quarterly report required by Ordering Paragraph D of this Order is due not later than October 30, 1996, and shall cover the period from September 1, 1996, to the end of the third calendar quarter, September 30, 1996.

Issued in Washington, D.C., on August 30, 1996.

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