

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

DUKE ENERGY LNG MARKETING AND MANAGEMENT COMPANY
FE DOCKET NO. 98-14-LNG

ORDER GRANTING BLANKET AUTHORIZATION TO
IMPORT LIQUEFIED NATURAL GAS

DOE/FE ORDER NO. 1366

MARCH 05, 1998

I. DESCRIPTION OF REQUEST

On February 12, 1998, Duke Energy LNG Marketing and Management Company (DELMM) filed an application, as amended on February 27, 1998, 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, for blanket authorization to import up to 350 Bcf annually of liquefied natural gas (LNG) over a 15-year term beginning on the date of the first shipment of LNG. DELMM asserts the LNG would be imported from various international sources to currently existing LNG receiving facilities in the United States and its territories. DELMM, a corporation organized under the laws of the State of Delaware, has its principal place of business in Houston, Texas. It is a wholly-owned subsidiary of Duke Energy Corporation. DELMM functions as an importer of LNG and a marketer of regassified LNG in the United States.

DELMM would import the LNG under short-term purchase arrangements, either on its own behalf or as the agent for others. The regassified LNG would be sold on a short-term or spot market basis to U.S. pipelines, distribution companies, marketers, and or end-users under contracts to be negotiated.

II. FINDING

The application filed by DELMM 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 LNG is deemed to be consistent with the public interest and must be granted without modification or delay. The authorization sought by DELMM to import LNG meets the section 3(c) criterion and, therefore, is consistent with the public interest. This blanket order authorizes transactions under gas purchase contracts with terms of no longer than two years. Consistent with our treatment of similar blanket applications, the authorization will be approved for a two-year period and there will be no restriction on the annual volumes that may be imported. The absence of an annual volume limit maximizes the flexibility of spot market importers and exporters to provide gas supplies to meet customer demand.

ORDER

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

- A. Duke Energy LNG Marketing and Management Company (DELMM) is authorized to import up to 700 Bcf of LNG from various international sources over a two-year term beginning on the date of the first shipment of LNG. This LNG may be imported at any receiving facility in the United States, or its territories.
- B. Within two weeks after deliveries begin, DELMM shall provide written notification of the date that the first import of LNG authorized in Ordering Paragraph A above occurred.
- C. With respect to the LNG imports authorized by this Order, DELMM shall file within 30 days following each calendar quarter, quarterly reports indicating whether imports of LNG have been made. Quarterly reports must be filed whether or not initial deliveries have begun. If no imports of LNG have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, DELMM must report by month: (1) the total volume of imports in Mcf and MMBtu.; (2) the country of origin; (3) the names of the transporters, including the name of the LNG tankers used; (5) the geographic market(s) served; (6) the average landed cost per MMBtu at the point of import; and (7) the per unit (MMBtu) demand/commodity charge breakdown of the price, if applicable. The reports shall also include the monthly volumes in Mcf taken by each of DELMM's customers.
- D. The reporting requirements described in Ordering Paragraphs B and C of this Order shall be filed with the Office of Natural Gas & Petroleum Import and Export Activities, Fossil Energy, Room 3E-042, FE-34, Forrestal Building, 1000 Independence Avenue, S.W., Washington, DC 20585.

E. The first quarterly report required by Ordering Paragraph C of this Order is due not later than April 30, 1998, and should cover the period from the date of this Order until the end of the first calendar quarter, March 31, 1998.

Issued in Washington, D.C., on March 05, 1998.

John W. Glynn

Manager, Natural Gas Regulation

Office of Natural Gas & Petroleum

Import and Export Activities

Office of Fossil Energy

1. 1/ 15 U.S.C. § 717b.