

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

KIMBALL ENERGY CORPORATION)
_____)

FE DOCKET NO. 91-114-NG

ORDER GRANTING BLANKET AUTHORIZATION
TO IMPORT NATURAL GAS FROM CANADA

DOE/FE OPINION AND ORDER NO. 597

MARCH 31, 1992

I. BACKGROUND

On December 23, 1991, Kimball Energy Corporation (Kimball) filed an application with the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA) and DOE Delegation Order Nos. 0204-111 and 0204-127. As amended on January 28, 1992, Kimball requested blanket authorization to import from Canada up to 75 Bcf of natural gas over a two-year term beginning on date of first delivery after April 1, 1992, the date on which Kimball's current two-year blanket authorization expires.¹ Kimball intends to use existing facilities to import the proposed volumes and would submit quarterly reports detailing each import transaction.

Kimball, a Texas corporation with its principal place of business in Arlington, Texas, is a natural gas marketer. Kimball requests authority to continue importing gas, either for its own account or as an agent on behalf of others, for sale to U.S. customers. Kimball intends to import the Canadian gas under spot and short-term sales arrangements. The terms of each arrangement, including price and volume, would be negotiated in response to market conditions.

A notice of the application was published in the Federal Register on February 25, 1992, inviting protests, motions to intervene, notices of intervention, and comments to be filed by March 26, 1992.² No comments or motions to intervene were received.

1. DOE\FE Opinion and Order No. 397, 1 FE Para. 70,324

(June 5, 1990).

2. 57 FR 6499.

II. DECISION

The application filed by Kimball 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.⁴ Under these guidelines, the competitiveness of an import in the markets served is the primary consideration for meeting the public interest test.

Kimball's uncontested proposal for the importation of natural gas, as set forth in the application, is consistent with section 3 of the NGA and the DOE's import policy guidelines. The import authorization sought, similar to other blanket arrangements approved by DOE,⁵ would provide Kimball with blanket approval, within prescribed limits, to negotiate and transact individual, spot and short-term purchase arrangements without further regulatory action. The fact that each purchase will be voluntarily negotiated in response to market conditions, as asserted in Kimball's application, provides assurance that the transactions will be competitive with other natural gas supplies available to Kimball.

3. 15 U.S.C. Sec. 717b.

4. 49 FR 6684, February 22, 1984.

5. E.g., Portland General Electric Co., 1 FE Para. 70,455

(June 3, 1991); Cascade Natural Gas Corporation, 1 FE Para.

70,457 (June 18, 1991); North America Resources Company,

1 FE Para. 70,461 (June 24, 1991).

After taking into consideration all of the information in the record of this proceeding, I find that granting Kimball blanket authorization to import up to 75 Bcf of Canadian natural gas over a two-year term, under contracts with terms of two years or less, is not inconsistent with the public interest./6

ORDER

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

A. Kimball Energy Corporation (Kimball) is authorized to import up to 75 Bcf of Canadian natural gas over a two-year term beginning on the date of the first delivery after April 1, 1992, the date Kimball's existing authorization expires.

B. This natural gas may be imported at any point on the international border where existing pipeline facilities are located.

C. Within two weeks after deliveries begin, Kimball shall provide written notification to the Office of Fuels Programs, Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first delivery of natural gas authorized in Ordering Paragraph A above occurred.

6. Because the proposed importation of gas will use existing facilities, DOE has determined that granting this application 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. 4331, et seq.) and therefore

an environmental impact statement or environmental assessment is

not required. See 40 CFR sec. 1508.4 and 54 FR 12474 (March 27,
1989).

D. With respect to the imports authorized by this Order, Kimball 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, and if so, giving, by month, the total volume of the imports per 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 names of the seller(s); (2) the purchaser(s); (3) estimated or actual duration of the agreement(s); (4) transporter(s); (5) point(s) of entry; (6) geographic market(s) served; and, if applicable, (7) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the price, any special contract price adjustment clauses, and any take-or-pay or make-up provisions. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. Failure to file quarterly reports may result in termination of this authorization.

E. The first quarterly report required by Ordering Paragraph D of this Order is due not later than July 31, 1992, and should cover the period from April 2, 1992, until the end of the calendar quarter June 30, 1992.

Issued in Washington, D.C., on March 31, 1992.

Charles F. Vacek
Deputy Assistant Secretary
for Fuels Programs

Office of Fossil Energy