

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

CNG PRODUCING COMPANY

)
)
)

FE DOCKET NO. 92-38-NG

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

DOE/FE OPINION AND ORDER NO. 646

JULY 28, 1992

I. BACKGROUND

On March 23, 1992, CNG Producing Company (CNG) filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA) and DOE Delegation Order Nos. 0204-111 and 0204-127, requesting blanket authority to import up to 200 billion cubic feet (Bcf) and export up to 200 Bcf of natural gas, including liquefied natural gas (LNG), from and to Canada, Mexico and other countries over a two-year term beginning on the date of the first delivery. CNG proposes to use existing pipeline and LNG facilities for the imports and exports.

CNG is a corporation organized and existing under the laws of the State of Delaware with its principal place of business in New Orleans, Louisiana. CNG, a subsidiary of Consolidated Natural Gas Company, currently produces and purchases natural gas from the southwest and Appalachian regions of the United States and markets that gas primarily in the eastern region of the United States. CNG plans to import and export gas and LNG on its own behalf or on behalf of others. CNG will import gas for sales to pipelines, local distribution companies, and commercial and industrial end-users, in addition to assisting others in the marketing of natural gas. CNG indicates that any shipment of imported gas will be based on the specific needs of its customers and that the domestically-produced gas to be exported will be incremental to the needs of any current purchasers. CNG anticipates that all transactions conducted under the requested

authorization will be short-term in nature and reflect market conditions at the time of negotiation.

DOE published a notice of receipt of CNG's application in the Federal Register on May 6, 1992, inviting protests, motions

to intervene, notices of intervention, and comments to be filed by June 5, 1992.^{1/} No interventions or comments were received.

II. DECISION

The application filed by CNG has been evaluated to determine if the proposed import and 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."^{2/}

With regard to imports, this determination is guided by DOE's natural gas import policy guidelines.^{3/} Under these

guidelines, the competitiveness of an import in the markets served is the primary consideration for meeting the public interest test. In reviewing natural gas export applications, the domestic need for the gas to be exported is considered, as well as any other issues determined to be appropriate in a particular case.

CNG's uncontested import/export proposal, as set forth in the application, is consistent with section 3 of the NGA and DOE's international gas trade policy. The import/export

^{1/} 57 FR 19416.

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

3/ 49 FR 6684, February 22, 1984. _

authorization sought by CNG will provide it with blanket approval, within prescribed limits, to negotiate and transact individual, spot and short-term import and export arrangements without further regulatory action. Under CNG's proposed import/export arrangements, transactions will only occur when producers and sellers can provide spot or short-term volumes, customers need such import/export volumes, and prices remain competitive. Natural gas supplies in the United States are expected to continue to be more than adequate to meet consumer demand. For this reason, and because CNG's transactions will be short-term and market-responsive, it is unlikely that the proposed export volumes will be needed in the domestic market during the term of this authorization. Additionally, CNG's proposal, which is similar to other blanket import/export proposals approved by DOE,^{4/} will further the Secretary of Energy's policy goal to reduce trade barriers by promoting a more market-oriented gas trade between the United States and other countries.

After taking into consideration all of the information in the record of this proceeding, I find that authorizing CNG to import up to 200 Bcf and export up to 200 Bcf of natural gas, including LNG, over a two-year term beginning on the date of

^{4/} See e.g., Fina Natural Gas Company, 1 FE 70,517 (December

27, 1991); Enron Gas Marketing, Inc., 1 FE 70,512 (December 18,

1991); Enserch Gas Company, 1 FE 70,558 (April 10, 1992).

first delivery, under contracts with terms of two years or less, is not inconsistent with the public interest.^{5/}

ORDER

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

A. CNG Producing Company (CNG) is authorized to import up to 200 Bcf and export up to 200 Bcf of natural gas, including liquefied natural gas (LNG), over a two-year term beginning on the date of the first import or export.

B. This natural gas may be imported or exported at any point on the international border that does not require the construction of new facilities.

C. Within two weeks after deliveries begin, CNG 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 delivery of natural gas authorized in ordering paragraph A above occurred.

D. Regarding the natural gas imports and exports authorized by this order, CNG shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports

^{5/} 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. 4321, et seq.), therefore
— — an environmental impact statement or environmental assessment is
not required. See 40 CFR 1508.4 and 57 FR 15122 (April 24,
— 1992).

indicating whether imports or exports of natural gas or LNG 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 occurred, CNG must report monthly total volumes in Mcf and the average purchase or sales price per MMBtu at the international border. The reports shall also provide the details of each import or export transaction, including: (1) the country of origin for the imports; (2) the name of the seller(s); (3) the name of the purchaser(s); (4) the estimated or actual duration of the agreement(s); (5) the name of the transporter(s); (6) the point(s) of entry or exit; (7) the geographic market(s) served; (8) whether the sales are being made on an interruptible or firm basis; and (9) if applicable, the contract pricing provisions, including the per unit (MMBtu) demand/commodity/reservation charge breakdown of the price, any special contract price adjustment clauses, or any take-or-pay or make-up provisions. Failure to file quarterly reports may result in termination of this authorization.

E. The first quarterly report required by ordering paragraph D is due not later than October 30, 1992, and should cover the period from the date of this Order until the end of the current calendar quarter of September 30, 1992.

Issued in Washington, D.C., on July 28, 1992.

Charles F. Vacek
Deputy Assistant Secretary
for Fuels Programs
Office of Fossil Energy