

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

**DUKE ENERGY TRADING AND
MARKETING, L.L.C.**

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FE DOCKET NO. 02-75-LNG

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

DOE/FE ORDER NO. 1822

OCTOBER 28, 2002

I. DESCRIPTION OF REQUEST

On October 23, 2002, Duke Energy Trading and Marketing, L.L.C., (DETM) applied to the Office of Fossil Energy (FE) of the Department of Energy (DOE) under section 3 of the Natural Gas Act (NGA)^{1/}, for blanket-type authority to import and export natural gas, including liquefied natural gas (LNG), from and to Canada and Mexico, and to import LNG from other countries. DETM proposes to import and export up to a combined total of 900 billion cubic feet (Bcf) for two years beginning October 31, 2002, by means of short-term and spot market arrangements. Natural gas in the form of vapor will be delivered by pipeline. The LNG will be transported either by truck from and to the international border or by ocean going tankers to an existing LNG re-gasification and handling plant on the East or Gulf Coast. The proposed imports and exports do not require new construction of pipeline, plant or terminal facilities.

DETM, a Delaware limited liability company, has its headquarters in Houston, Texas. It is an independent power marketer which is jointly owned by Duke Energy Company and Mobil Natural Gas, Inc. In an order FE issued October 19, 2000, DETM received similar broad-based, blanket authority to import and export a combined total of up to 200 Bcf of natural gas and LNG which extends from October 31, 2000, through October 30, 2002.^{2/} Granting a new authorization will enable it to import and export natural gas and LNG for an additional two years under the same conditions, albeit with an increased total volume limit from 200 Bcf to 900 Bcf. Once again, each purchase and sales transaction will be negotiated at arms-length and structured to provide a commodity

^{1/} 15 U.S.C. § 717b. This authority is delegated to the Assistant Secretary of Fossil Energy pursuant to Redefinition Order No. 00-002.04 (January 8, 2002).

^{2/} See DOE/FE Order No. 1633 (2 FE ¶ 70,548).

price that is competitive in the short-term and spot market for natural gas and LNG. DETM will carry on these arrangements either on its own behalf or as an agent for others.

II. FINDING

This application has been evaluated to determine if the proposed import and 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 trade agreement requiring national treatment for trade in natural gas, and the importation of LNG from an international source not subject to trading sanctions, are deemed to be consistent with the public interest and must be granted without modification or delay. The authorization sought by DETM to import and export natural gas, including LNG, from and to Canada and Mexico, nations with which free trade agreements are in effect, and to import LNG from countries other than Canada and Mexico, 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.

ORDER

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

A. Duke Energy Trading and Marketing, L.L.C. (DETM) is authorized to import and export up to a combined total of 900 Bcf of natural gas, including LNG, from Canada and Mexico, and to import LNG from other countries. The term of this authority is for two years beginning on October 31, 2002, and extending through October 30, 2004.

B. The pipeline natural gas and LNG may be imported and exported at any border crossing point between the United States and Canada and between the United States and Mexico. In addition, LNG may be imported from foreign sources at any terminal facility in the United States or its territories.

C. With respect to the natural gas imports and exports authorized by this Order, DETM will file with the Office of Natural Gas & Petroleum Import & Export Activities, within 30 days following each calendar quarter, reports indicating whether imports or exports of natural gas 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 have occurred, DETM must report the following information: (1) the country of origin; (2) total monthly volumes in Mcf; (3) the average monthly purchase price of gas per MMBtu at the international border; (4) the name of the seller(s); (5) the name of the purchaser(s); (6) the estimated or actual duration of the agreement(s); (7) the name of the U. S. transporter(s); (8) the point(s) of entry and exit; and (9) the geographic market(s) served (for imports, by State). In addition, for import transactions only, the report will include: (1) whether sales are being made on an interruptible or firm basis; and (2) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price. With respect to LNG imports, DETM will provide the average landed cost per MMBtu at the point of import and the names(s) of the LNG tanker(s) used. Those reports will also include the monthly volumes in Mcf taken by each of DETM's LNG customers. [OMB NO.: 1901-0294]

D. The quarterly reports required by this Order will be filed with the Office of Natural Gas & Petroleum Import & Export Activities, Fossil Energy, Room 3E-042, FE-34, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C., 20585.

E. The first quarterly report required by Ordering Paragraph C is due not later than January 30, 2003, and should cover the period from October 31, 2002, through the end of the fourth calendar quarter, December 31, 2002.

F. The quarterly reports will be filed with the Office of Natural Gas & Petroleum Import & Export Activities, Fossil Energy, Room 3E-042, FE-34, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C., 20585.

Issued in Washington, D.C., on October 28, 2002.

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