UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

ALENCO RESOURCES INC.	FE DOCKET NO. 91-96-NG

ORDER GRANTING BLANKET AUTHORIZATION TO IMPORT
AND EXPORT NATURAL GAS, INCLUDING LIQUEFIED NATURAL GAS

DOE/FE OPINION AND ORDER NO. 571

DECEMBER 31, 1991

I. BACKGROUND

On November 4, 1991, Alenco Resources Inc. (Alenco) 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 authorization to import up to 54 Bcf and export up to 54 Bcf of natural gas, including liquefied natural gas (LNG), over a two-year term beginning with the date of first import or export after December 31, 1991. Alenco would utilize existing pipeline and LNG facilities for processing and transportation of the proposed volumes to be imported and exported and would submit quarterly reports detailing each transaction.

Alenco, a Delaware corporation with its principal place of business in Calgary, Alberta, Canada, is a wholly-owned subsidiary of Alenco Inc., which is a wholly-owned subsidiary of Alberta Energy Company Ltd. Alenco has an existing blanket import and export authorization, issued in DOE Opinion and Order No. 268, 1/ which expires on December 31, 1991.

Alenco proposes to import and export natural gas and LNG from and to Canada, Mexico, and other countries as commercial circumstances warrant. Alenco requests authorization to import and export natural gas and LNG for its own account, as well as for the account of others. Alenco states that the terms of each transaction will be determined by competitive factors in the natural gas market through arms length negotiations. Price, volume, and other specific terms of each import transaction would

1/ 1 ERA 70,808 (August 31, 1988).

be negotiated in response to market conditions.

A notice of the application was issued on November 19, 1991, inviting protests, motions to intervene, notices of intervention, and comments to be filed by December 26, 1991. 2/ No motions to intervene or comments were received.

II. DECISION

The application filed by Alenco has been evaluated to determine if the proposed import/export 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 which 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, and any other issues determined to be appropriate in a particular case.

Alenco's uncontested import/export proposal, as set forth in its application, is consistent with section 3 of the NGA and DOE's international gas trade policy. Alenco's market-based approach for negotiating short-term imports and exports will enhance competition in gas markets. Also, the current supplies

2/ 56 FR 59935, November 26, 1991.

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

4/ 49 FR 6684, February 22, 1984.

of domestic gas, coupled with the short-term, market-responsive nature of the contracts, indicate that it is unlikely the proposed export volumes will be needed domestically during the term of the authorization. Finally, Alenco's proposal, like other blanket import/export proposals that have been approved by DOE, 5/ would further the Secretary's policy goals of reducing trade barriers by encouraging market forces to achieve a more competitive distribution of goods in the North American gas market. Thus, Alenco's import/export arrangement will enhance cross-border competition in the marketplace.

After taking into consideration all of the information in the record of this proceeding, I find that granting Alenco blanket authorization to import up to 54 Bcf and export up to 54 Bcf of natural gas, including LNG, over a two-year term is not inconsistent with the public interest. 6/

5/ See, e.g., Wes Cana Marketing (U.S.) Inc., 1 FE Para. 70,482 (September 24, 1991); Jonan Gas Marketing, Inc., 1 FE Para. 70,475 (August 22, 1991); Seagull Marketing Services, Inc., 1 FE Para. 70,470 (July 26, 1991).

6/ Because the proposed importation/exportation 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 seg.) 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).

ORDER

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

A. Alenco Resources Inc. (Alenco) is authorized to import up to 54 Bcf and export up to 54 Bcf of natural gas, including LNG, from and to any international market, over a two-year term, beginning on the date of the first import or export after December 31, 1991.

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

C. Within two weeks after deliveries begin, Alenco 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 import or export authorized in Ordering Paragraph A above occurred.

D. With respect to the imports and exports authorized by this Order, Alenco shall file within 30 days following each calendar quarter, quarterly reports indicating whether sales of imported and/or exported natural gas or LNG have been made, and if so, giving, by month, the total volume of the imports and exports in Mcf and the average purchase 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 names of the seller(s), and the purchaser(s), including those other than Alenco; (3) estimated or actual duration of the agreement(s), (4) transporter(s), including any LNG tankers used; (5) points of entry or exit; (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 or exports 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 April 30, 1992, and should cover the period from the date of this order until the current calendar quarter ending March 31, 1992.

Issued in Washington, D.C., on December 31, 1991.

Clifford P. Tomaszewski
Acting Deputy Assistant Secretary
for Fuels Programs
Office of Fossil Energy