UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

AIG TRADING CORPORATION)	FE DOCKET NO. 95-38-NG

ORDER GRANTING AUTHORIZATION TO IMPORT AND EXPORT NATURAL GAS FROM AND TO CANADA

DOE/FE ORDER NO. 1070

JULY 10, 1995

I. DESCRIPTION OF REQUEST

On May 16, 1995, AIG Trading Corporation (AIG) filed an application 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 authorization to import and to export natural gas from and to Canada. Specifically, AIG requests authorization to import up to 100 Bcf per year of natural gas from Canada, and to export up to 100 Bcf per year of natural gas to Canada, for a period of ten years beginning on the date of the initial import or export delivery, whichever occurs first. AIG, a Delaware corporation with its principal place of business in Greenwich, Connecticut, is a subsidiary of American International Group, Inc. AIG is engaged in the business of dealing and trading in commodities, including natural gas. AIG will use existing pipeline facilities to transport these gas volumes.

In this application, AIG requests import and export authorization in connection with three (3) long-term natural gas delivery, loan, and storage arrangements, which function similarly to exchange agreements. The first is a Gas Delivery Agreement between AIG and St. Clair Pipelines Ltd. (SCPL). SCPL is a pipeline subsidiary of Union Gas Limited (Union), a large natural gas distribution company located in Ontario. The agreement provides that SCPL will deliver up to 4 Bcf per year of natural gas to AIG. Within thirteen (13) months of the beginning of each annual period, which begins April 1 and ends March 31, 1/ 15 U.S.C. 717b.

AIG will deliver to SCPL a volume of natural gas, from either domestic or Canadian sources, equal to the volume delivered to it by SCPL. AIG will not purchase gas from SCPL under this agreement.

The second arrangement, an Off Peak Long Term Storage Contract between AIG and Union, provides that AIG may inject and withdraw natural gas on an off-peak basis, as long as the amount of natural gas in storage at any time does not exceed 2.5 Bcf. All natural gas stored by Union for AIG will be removed from storage within the annual period, which begins November 1 and ends October 31. Under the third arrangement, a Gas Loan Contract between AIG and Union, Union has agreed to loan AIG at any given time within an annual period, which begins on April 1 and ends on March 31, up to 2.5 Bcf of either Canadian or U.S. natural gas. AIG must then return the volumes taken within the specified annual period.

AIG states that both its agreements with Union, the Off Peak Long Term Storage Contract and the Gas Loan Contract, include a cycling provision, where AIG may store, borrow and return natural gas on many separate occasions. Therefore, the total amount of natural gas AIG could import and export under each arrangement may be multiples of the 2.5 Bcf loan and storage limits. AIG also states that it proposes to file, by agreement, quarterly reports with DOE/FE, stating the gas volumes imported and exported each month, and the points of entry and exit. AIG also proposes that it will file an annual reconciliation report for each of the three arrangements, within fourteen (14) months of the beginning of each annual period. AIG will not purchase gas from Union under these agreements.

II. FINDING

The application filed by AIG has been evaluated to determine if the proposed import/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 importation or exportation 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 is deemed to be consistent with the public interest and must be granted without modification or delay. The authorization sought by AIG to import and export natural gas from and to Canada, a nation with which a free trade agreement is in effect, meets the section 3(c) criterion and, therefore, is consistent with the public interest.

ORDER

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

A. AIG Trading Corporation (AIG) is authorized to import up to 100 Bcf per year of natural gas from Canada, and to export up to 100 Bcf per year of natural gas to Canada, for a period of ten years, beginning on the date of the initial import or export delivery, whichever occurs first. These authorized transactions may take place at any United States border point.

B.   Within two weeks after deliveries begin, AIG shall provide written notification to the Office of Fuels Programs (OFP), 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 delivery of natural gas authorized in Ordering Paragraph A above occurred.

C. With respect to the natural gas imports and exports authorized by this Order, AIG shall file with OFP, within 30 days following each calendar quarter, quarterly 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 occur, AIG must report total monthly volumes in Mcf, and the point(s) of entry and exit.

D.   AIG shall also file annual reconciliation reports for each of the three arrangements involved in this authorization, stating by month and by entry or exit points, the total natural gas volumes imported and exported. Specifically, AIG shall file reconciliation reports for the Gas Delivery Agreement and for the Gas Loan Contract on April 30 of each year, and for the Off Peak Long Term Storage Contract on January 30 of each year, beginning in 1996.

E. The first quarterly report required by Ordering Paragraph C of this Order is due not later than October 30, 1995, and should cover the period from the date of this Order until the end of the third calendar quarter, September 30, 1995.

Issued in Washington, D.C., on July 10, 1995.

Anthony J. Como
Director
Office of Coal & Electricity
Office of Fuels Programs
Office of Fossil Energy