

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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NATIONAL STEEL CORPORATION) FE DOCKET NO. 95-58-NG
_____)

ORDER GRANTING LONG-TERM AUTHORIZATION
TO IMPORT AND EXPORT NATURAL GAS
FROM AND TO CANADA,
AND VACATING AUTHORIZATION

DOE/FE ORDER NO. 1104

OCTOBER 25, 1995

I. DESCRIPTION OF REQUEST

On August 14, 1995, as supplemented on September 5, 1995, National Steel Corporation (National Steel) 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 export natural gas from and to Canada. Specifically, National Steel requests authorization to import up to 500 Bcf per year of natural gas from Canada, and to export up to 280 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. National Steel, a Delaware corporation with its principal place of business in Mishawaka, Indiana, is 32 percent publicly owned, and 68 percent owned by NKK Corporation, a Japanese corporation. National Steel will use existing pipeline facilities to transport the gas.

National Steel states it will use the imported gas volumes in its various manufacturing facilities, including locations in Michigan, Indiana, Illinois, and Minnesota. Additionally, National Steel plans to export gas volumes for injection into storage locations in Canada for subsequent importation back into the United States. National Steel states that it plans to obtain gas supplies from both foreign and domestic suppliers, and has executed a 10-year gas supply agreement with Direct Energy Marketing, Ltd. of Toronto, Ontario for part of its anticipated gas requirements. This agreement is effective from November 1,

1/ 15 U.S.C. 717b.

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1995 through April 1, 2000. The gas price under this agreement will be a monthly index price equal to the simple average of the NYMEX settlement prices for the last three days of each month during the term of the agreement, less \$0.68/MMBtu (U.S.). National Steel will maintain a diverse supply source portfolio, and plans to negotiate other gas purchase agreements.

Under this proposed import/export arrangement, transportation and storage services will be provided by TransCanada Pipelines Limited, Union Gas Limited, and St. Clair Pipeline Ltd. (SCPL). However, National Steel states that, due to the competitive nature of the natural gas market, it does not currently know who all of its suppliers, transporters, and storage providers will be. Therefore, National Steel requests authorization to conduct import and export transactions at any point on the international border.

National Steel has also entered into a comprehensive delivery service contract with SCPL, which was effective April 1, 1995. Under this contract, SCPL will transport gas volumes purchased by National Steel from various Canadian producers, and deliver those volumes at the interconnection of Panhandle Eastern Pipeline Company and Union Gas Limited, near Windsor, Ontario. SCPL will also provide storage and load balancing services in connection with these gas volumes. Because this contract has an initial term of 5 years, with the option to extend for an additional 5 years, National Steel requests a 10-year term for the import/export authorization.

Additionally, National Steel requests that its current blanket authorization be terminated because it will be redundant when the requested authorization is issued. Specifically, in DOE/FE Order No. 1017 (Order 1017)2/, National Steel is

authorized to import up to 125 Bcf of natural gas from Canada and to export up to 75 Bcf of natural gas to Canada. Deliveries began under Order 1017 on January 1, 1995.

II. FINDING

The application filed by National Steel 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 National Steel 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.

2/ See 1 FE 71,071 (December 30, 1994).

ORDER

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

A. National Steel Corporation (National Steel) is authorized to import up to 500 Bcf per year of natural gas from Canada, and to export up to 280 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. National Steel shall file with DOE all executed supply contracts pertaining to the gas to be imported and exported under this authorization, which have durations of more than two years, within 15 days of their execution.

C. Within two weeks after deliveries begin, National Steel 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.

D. With respect to the natural gas imports and exports authorized by this Order, National Steel 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, National Steel must report the following: (1) total monthly volumes in Mcf; (2) the average price of gas per MMBtu at the international border; (3) the name of the seller(s); (4) the name of the purchaser(s); (5) the estimated or actual duration of the agreement; (6) the name of the U.S. transporter(s); (7) the point(s) of entry or exit; and (8) the geographic market served (for imports, by state). For import transactions only, the reports shall also include: (1) whether sales are made on an interruptible or firm basis; and, if applicable, (2) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price.

E. The first quarterly report required by Ordering Paragraph D of this Order is due not later than January 30, 1996, and should cover the period from the date of this Order until the end of the fourth calendar quarter, December 31, 1995.

F. The authorization to import and export natural gas granted to National Steel pursuant to DOE/FE Order No. 1017 is hereby terminated.

Issued in Washington, D.C., on October 25, 1995.

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