

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 2, 2012

In Reply Refer To:

Bluewater Gas Storage, LLC
Docket No. CP12-51-000
Presidential Permit

The Honorable Hillary Rodham Clinton
Secretary of State
Washington, DC 20520

Dear Madam Secretary:

Pursuant to the provisions of Executive Order Nos. 10485 and 12038 of September 1, 1953, and February 3, 1978, respectively, and the Secretary of Energy's Delegation Order No. 00-004.00A, effective May 16, 2006, enclosed herewith for your information and consideration is a copy of an application filed by Bluewater Gas Storage, LLC (Bluewater), with the Federal Energy Regulatory Commission on January 27, 2012, in Docket No. CP12-51-000, to (1) terminate Bluewater's existing Natural Gas Act (NGA) section 3 authorization and Presidential Permit issued on November 4, 2004, to operate, maintain, and connect natural gas border facilities at the United States/Canada international boundary in St. Clair County, Michigan that Bluewater currently leases from Nova Chemicals Inc. (Nova) and (2) issue a new NGA section 3 authorization and Presidential Permit to Bluewater to construct, operate, and maintain the St. Clair River Crossing Replacement Project, a new pipeline and crossborder facilities at the United States/Canada international boundary in St. Clair County, Michigan.

Under its existing authorizations, Bluewater's leased facilities connect at United States/Canada border to facilities in Canada leased by St. Clair Pipelines LP (SCPL) from an affiliate of Nova's. Bluewater and SCPL have been notified that their leases will terminate on January 27, 2013. SCPL is currently seeking permission to own, operate and construct a replacement pipeline and facilities in Canada to interconnect with Bluewater's proposed facilities.

In its January 27, 2012 filing, Bluewater's requests that both the termination of its existing NGA section 3 authorization and Presidential Permit and the issuance of the new NGA section 3 authorization and Presidential Permit become effective on the later of (a) January 27, 2013 or (b) the date that both the St. Clair River Crossing Replacement

Project and SCPL's related Canadian facilities are placed into service. Bluewater's construction of the proposed facilities will permit Bluewater to connect to SCPL's proposed facilities to create an international gas transmission system that will allow the bi-directional transportation of natural gas between Michigan and Ontario, Canada, and will ensure that the transition from the leased facilities to the proposed Bluewater owned facilities takes place without interruption of service to Bluewater's and SCPL's current customers.

Also enclosed for your consideration is a draft of the proposed Presidential Permit to be issued to Bluewater if the Commission approves its application. The proposed Presidential Permit incorporates terms and conditions you and the Secretary of Defense have heretofore required in similar cases. Consistent with current Commission policy, Article 9 of the draft proposed permit differs from Article 9 of the original permit. Article 9 is revised to state that the permittee is required to defer to the Commission's finding and requirement regarding which authorized facilities should be removed and which should remain in place, in the event that they are no longer used.

A similar letter, together with a draft of the amended Presidential Permit and a copy of the application, is being sent to the Secretary of Defense. If the Secretary of Defense should make an unfavorable recommendation or propose any material change in the draft of the Permit, the Commission will immediately advise you.

The Commission would appreciate receiving your views regarding issuance of the proposed Presidential Permit at an early date. Please do not hesitate to contact me at (202) 502-8400, or Tyler Mansholt at (202) 502-8075, if you need any further information.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

cc: The Honorable Leon E. Panetta
Secretary of Defense

Attachments:
Application of Bluewater Gas Storage, LLC
Draft of Presidential Permit

DRAFT

**PERMIT AUTHORIZING BLUEWATER GAS STORAGE, LLC (BLUEWATER)
TO CONSTRUCT, OPERATE, AND MAINTAIN NATURAL GAS FACILITIES
AT THE INTERNATIONAL BOUNDARY
BETWEEN THE UNITED STATES AND CANADA**

**FEDERAL ENERGY REGULATORY COMMISSION
Docket No. CP11-521-000**

(Issued March , 2012)

Bluewater Gas Storage, LLC (Bluewater), a limited liability corporation organized under the laws of the State of Delaware, filed on January 27, 2012, in Docket No. CP12-51-000, an application pursuant to Executive Order Nos. 10485 and 12038 and the Secretary of Energy's Delegation Order No. 00-004.00A, requesting that the Commission issue an order under section 3 of the NGA and a Presidential Permit authorizing Bluewater to construct, operate, and maintain facilities at the international boundary between the United States and Canada to accommodate the importation and exportation of natural gas between the United States and Canada.

By letter dated 2012, the Secretary of State, and by letter dated 2012, the Secretary of Defense, favorably recommended that this Permit be granted. The Federal Energy Regulatory Commission finds that the issuance of this Permit, allowing the import and export permissions requested by Bluewater, is appropriate and consistent with the public interest.

Pursuant to the provisions of Executive Order Nos. 10485 and 12038, dated September 3, 1953, and February 3, 1978, respectively, the Secretary of Energy's Delegation Order No. 00-004.00A effective May 16, 2006, and the Commission's regulations, permission is granted to Bluewater (Permittee) to operate and maintain the natural gas facilities described in Article 2 below, upon the terms and conditions of the Permit.

Article 1. It is expressly agreed by the Permittee that the facilities herein described shall be subject to all provisions and requirements of this Permit. This Permit may be modified or revoked by the President of the United States or the Federal Energy Regulatory Commission and may be amended by the Federal Energy Regulatory Commission, upon proper application therefor.

Article 2. The following facilities are subject to this Permit:

Approximately 1500 feet of 20-inch natural gas pipeline at the interconnection to Bluewater's facilities at the United States-Canada international boundary within the St. Clair River, all in St. Clair County, Michigan.

Article 3. The natural gas facilities subject to this permit, or which may subsequently be included herein by modification or amendment, may be utilized for the importation and exportation of natural gas between the United States and Canada only in the amount, at the rate, and in the manner authorized under section 3 of the Natural Gas Act.

Article 4. The operation and maintenance of the aforesaid facilities shall be subject to the inspection and approval of representatives of the United States. The Permittee shall allow officers and employees of the United States, showing proper credentials, free and unrestricted access to the land occupied by the facilities in the performance of their official duties.

Article 5. If in the future it should appear to the Secretary of the Defense that any facilities or operations permitted hereunder cause unreasonable obstruction to the free navigation of any of the navigable waters of the United States, the Permittee may be required, upon notice from the Secretary of the Defense, to remove or alter the same so as to render navigation through such waters free and unobstructed.

Article 6. The Permittee shall be liable for all damages occasioned to the property of others by the operation or maintenance of the facilities, and in no event shall the United States be liable therefor. The Permittee shall do everything reasonable within its power to prevent or suppress fires on or near land occupied under this Permit.

Article 7. The Permittee agrees to file with the Commission, under oath and in such detail as the Commission may require, such statements or reports with respect to the natural gas exported, imported, or the facilities described herein, as the Commission may, from time to time, request. Such information may be made available to any federal, state, or local agency requesting such information.

Article 8. Neither this Permit nor the facilities, nor any part thereof, covered by this Permit shall be voluntarily transferred in any manner, but the Permit shall continue in effect temporarily for a reasonable time in the event of the involuntary transfer of the facilities by operation of law (including transfer to receivers, trustees, or purchasers under foreclosure or judicial sale) pending the making of an application for a permanent Permit and decision thereon, provided notice is promptly given in writing to the Commission accompanied by a statement that the facilities authorized by this Permit remain substantially the same as before the involuntary transfer. The Permittee shall maintain the facilities in a condition of repair for the efficient transportation of natural gas and shall make all necessary renewals and replacement.

Article 9. Upon the termination, revocation, or surrender of this Permit, the Commission shall determine which of the authorized facilities shall be removed and which shall remain in place. The facilities authorized shall be removed within such time as the Commission may specify, and at the Permittee's expense. Upon failure of the Permittee to comply with the Commission's direction to remove any authorized facilities, or any portion thereof, the Commission may direct that possession of the same be taken and the facilities be removed at the Permittee's expense, and the Permittee shall have no claim for damages by reason of such possession or removal.

Article 10. The Permittee agrees that when, in the opinion of the President of the United States, evidenced by a written order addressed to it as holder of this Permit, the safety of the United States demands it, the United States shall have the right to enter upon and take possession of any of the facilities, or parts thereof, maintained or operated under this Permit, and all contracts covering the transportation or sale of natural gas by means of said facilities, to retain possession, management, and control thereof for such length of time as may appear to the President to be necessary to accomplish said purposes, and then to restore possession and control to the Permittee; and in the event that the United States shall exercise such right it shall pay the Permittee just and fair compensation for the use of said facilities upon the basis of a reasonable profit in time of peace, and the cost of restoring said facilities to as good condition as existed at the time of taking over thereof, less the reasonable value of any improvements that may be made thereto by the United States and which are valuable and serviceable to the Permittee.

Article 11. This Permit is subject to any action which the Government of the United States may in the future deem expedient or necessary to take in case any part of the aforesaid facilities comes into the control of any foreign government.

Article 12. The Government of the United States shall be entitled to the same or similar privileges as may by law, regulation, agreement, or otherwise, be granted by the Permittee to any foreign government.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

IN TESTIMONY OF ACCEPTANCE of all the provisions, conditions and requirements of this Permit, the Permittee this day of __, 2011 has caused its name to be signed by __, [pursuant to a resolution of its Board of Directors duly adopted] on the __ day of __, 2011, a certified copy of the record of which is attached hereto.

Bluewater Gas Storage, LLC

By _____

(Attest)

Executed in triplicate