UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

NORTHWEST NATURAL GAS COMPANY	)	FE DOCKET NO. 92-106-NG

ORDER GRANTING LONG-TERM AUTHORIZATION
TO IMPORT NATURAL GAS FROM CANADA

DOE/FE ORDER NO. 747

DECEMBER 4, 1992

I. DESCRIPTION OF REQUEST

On December 13, 1991, Northwest Natural Gas Company (Northwest Natural) 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/ requesting authorization to import a total of up to 48,168 MMBtu2/ per day of Canadian natural gas purchased from Poco Petroleums, Ltd. (Poco), Unigas Corporation (Unigas), and Summit Resources Limited (Summit). In all cases, the volumes would be imported near Kingsgate, British Columbia and delivered from the international border through the proposed expansion of the Pacific Gas Transmission Company (PGT) pipeline system ("the PGT Expansion Project").3/ The requested term of the proposed import is 10 years beginning the earlier of November 1, 1993, or the date upon which the PGT Expansion Project becomes operational, through October 31, 2003.

Northwest Natural, a local distribution company with its principal office in Portland, Oregon, provides services to residential, commercial, and industrial customers in the Portland metropolitan area, and in western Oregon and southwest

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

2/ One MMBtu is approximately the same as one Mcf.

3/ DOE has examined the environmental impact of constructing the PGT expansion facilities and, in a Record of Decision (ROD) issued on May 19, 1992 (57 FR 21784, May 22, 1992), determined that these facilities would be environmentally acceptable if they are constructed and operated in accordance with the environmental conditions contained in the certificate issued by Federal Energy Regulatory Commission (FERC), which authorized construction of

PGT's incremental facilities. See *Pacific Gas Transmission Company*, 56 FERC 61,192 (August 1, 1991). The environmental impacts and conditions discussed in the ROD have not changed. Accordingly, this Order incorporates DOE's previous findings.

Washington. Northwest Natural would use the imported gas to supply customers on its distribution system. A notice of the application for import authority was published in the Federal Register on October 28, 1992, inviting protests, motions to intervene, notices of intervention and comments to be filed by November 27, 1992.4/ Northwest Pipeline Corporation (Northwest) filed a motion to intervene without comment or request for additional procedures. This order grants intervention to Northwest.

With regard to transportation, Northwest Natural has committed to an annual average firm capacity on the PGT Expansion of 38,275 MMBtu per day over a 30-year term. This average comprises 46,549 MMBtu per day of winter capacity (October-March) and 30,000 MMBtu per day of summer capacity (April-September) for deliveries at Stanfield, Oregon. Allowing for fuel and tolerances, Northwest Natural expects maximum import volumes of 48,076 MMBtu per day in winter months and 30,985 MMBtu in summer months.

Northwest Natural would purchase the imported gas under four firm supply contracts: a 10-year contract with Poco, two 10-year contracts with Unigas, and a 7-year contract with Summit. All four of Northwest Natural's gas purchase contracts are generally similar. The pricing structure in each contract is comprised of demand and commodity charge components. Both the commodity and demand charges must be competitive with those the suppliers could

4/ 57 F.R. 48795.

achieve, and Northwest Natural would pay, in alternate markets. If renegotiation is unsuccessful, then the matter would be submitted to binding arbitration. The demand charges would consist of the suppliers' cost of reserving firm pipeline transportation in Canada on Alberta's provincial pipeline, Nova Corporation. Also, the demand charges must be paid by Northwest Natural each month regardless of the amount of gas purchased. A further provision common to the four contracts is that each supplier will deliver sufficient additional gas in excess of the maximum daily quantity (MDQ) under contract to cover transportation fuel use. In this regard, DOE notes that the import quantity requested by Northwest Natural is slightly higher than the sum of the MDQ's because it includes a three percent fuel gas tolerance. Three of the contracts have minimum purchase obligations. One of Northwest Natural's contracts with Unigas and its contract with Poco has a minimum seasonal take provision. The contract with Summit has a minimum annual take provision. Shortfalls will be priced at a percentage of the commodity charge.

II. FINDING

The application filed by Northwest Natural has been evaluated to determine if the proposed import arrangement meets the public interest requirements of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (P.L. 102-486). Under section 3(c), the importation of natural gas from 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 Northwest Natural to import natural gas from Canada, a nation with which a free trade agreement is in effect, meets the section 3(c) criterion and is therefore consistent with the public interest.

ORDER

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

A. Northwest Natural Gas Company (Northwest Natural) is authorized to import at Kingsgate, British Columbia up to a combined total of 48,168 MMBtu (approximately 48,168 Mcf) of Canadian natural gas per day over a period of 10 years beginning on the earlier of November 1, 1993, or the date that the Pacific Gas Transmission Company Expansion Project becomes operational. This gas shall be imported under the provisions of Northwest Natural's gas purchase agreements with Poco Petroleums Limited (15,516 MMBtu per day, plus fuel gas); Unigas Corporation (9,275 MMBtu and 14,000 MMBtu per day, plus fuel gas); and Summit Resources Limited (7,983 MMBtu per day, plus fuel gas), which were filed in this proceeding.

B. Within two weeks after deliveries begin, Northwest Natural shall notify the Office of Fuels Programs, Fossil Energy, Room 3F-056, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, in writing of the date that the first import delivery of natural gas authorized in Ordering Paragraph A above occurred.

C. With respect to the natural gas imports authorized by this Order, Northwest Natural shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports indicating whether imports of natural gas have been made. If imports occur, Northwest Natural must report total monthly volumes in Mcf and the average purchase price per MMBtu delivered at the international border under each of Northwest Natural's four supply contracts. The reports shall itemize separately the demand and commodity charges on a per unit basis (MMBtu) and any deficiency payments made by Northwest Natural to any of its suppliers during a particular calendar quarter.

D. The first quarterly report required by Ordering Paragraph C of this Order is due not later than January 30, 1993, and should cover the period from the date of this order until the end of the current calendar quarter December 31, 1992.

Issued in Washington, D.C., on December 4, 1992.

Charles F. Vacek
Deputy Assistant Secretary
for Fuels Programs
Office of Fossil Energy