

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

PROGAS U.S.A., INC.

)
) FE DOCKET NO. 93-87-NG
)

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

DOE/FE ORDER NO. 872

OCTOBER 28, 1993

I. DESCRIPTION OF REQUEST

On September 2, 1993, as supplemented October 8, 1993, ProGas U.S.A., Inc. (ProGas U.S.A.) 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 up to 75,000 Mcf per day of natural gas from Canada. ProGas U.S.A., a corporation organized under the laws of the State of Delaware, with its principal place of business in Calgary, Alberta, is owned by ProGas Limited, a private Canadian corporation. The gas would be imported under a contract between ProGas Limited and ProGas U.S.A., dated July 1, 1990 (as amended), for resale to Consumers Power Company (Consumers Power). Consumers Power is a local distribution company which serves residential and commercial customers in Michigan. The proposed authorization would be effective as of the date of issuance of this order, and would extend until October 31, 2003, the expiration date of the contract between ProGas U.S.A. and Consumers Power dated March 22, 1993.^{2/} The gas would be imported at the border of the

United States and Canada near Emerson, Manitoba, and transported from there through the pipeline facilities of Great Lakes

1/ 15 U.S.C. § 717b.

2/ Since April 1, 1993, ProGas U.S.A. has been importing this gas under its blanket authorization granted by DOE/FE Opinion and Order No. 639 on June 25, 1992 (1 FE § 70,602).

Transmission Limited Partnership, to Consumers Power at Chippewa, Michigan.

The import price paid to ProGas Limited by ProGas U.S.A. will be a "net back" price determined by Consumers Power's price, less the cost of domestic transportation and ProGas U.S.A.'s cost of service. The contract between ProGas U.S.A. and Consumers Power provides that Consumers Power would pay ProGas U.S.A. a price for the gas that consists of a monthly demand charge and a monthly commodity charge. Effective November 1, 1993, Consumers Power would pay a monthly commodity charge according to a formula which: (1) starts from a base price of U.S. \$1.55 per MMBtu; (2) then, beginning April 1, 1994, adjusts that price each year to reflect changes in the weighted average cost of gas purchased by Consumers Power from all sources during the preceding year; and (3) as a final step, multiplies the adjusted base price by a specified monthly adjustment factor which varies from .90 to 1.12. The monthly demand charge would be calculated as the product of the daily contract quantity (75,000 MMcf), multiplied by the number of days in the month, and then multiplied by the contract demand rate of U.S. \$.75 per Mcf. The contract demand rate is fixed for the term of the contract, and includes all transportation charges in Canada and the United States for delivery of the gas at Chippewa, Michigan, and ProGas U.S.A.'s cost of service.

The contract also provides for a minimum monthly and annual purchase obligation. Beginning November 1, 1993, Consumers Power must purchase at least 50 percent of the daily contract quantity times the number of days in the month, and at least 70 percent of the annualized daily contract quantity. Consumers Power would be required to pay a deficiency charge if it does not take the prescribed minimum quantities. The deficient volumes may be made up during the following month. Deficient annual volumes may be made up during the following contract year.

II. FINDING

The application filed by ProGas U.S.A. 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 Progas U.S.A. to import natural gas from 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. ProGas U.S.A., Inc. (ProGas U.S.A.) is authorized to import, at Emerson, Manitoba, up to 75,000 Mcf per day of Canadian natural gas beginning on the date of this order, and extending through October 31, 2003. This gas shall be imported consistent with the terms and conditions of ProGas U.S.A.'s gas sales agreements with ProGas Limited and Consumers Power Company, dated July 1, 1990, (as amended) and March 22, 1993, respectively, which are on file in this docket.

B. Within two weeks after deliveries begin, ProGas U.S.A. 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 delivery of natural gas authorized in Ordering Paragraph A above occurred.

C. With respect to the natural gas imports authorized by this Order, ProGas U.S.A. shall file with OFP, within 30 days following each calendar quarter, quarterly reports indicating whether imports of natural gas have been made. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports occur, ProGas U.S.A. must report total monthly volumes in Mcf and the average purchase

price of gas per MMBtu delivered at Emerson, Manitoba, and paid to ProGas Limited. The monthly price information shall itemize separately the demand and commodity charges, if applicable.

D. The first quarterly report required by Ordering Paragraph C of this Order is due not later than January 30, 1994, and should cover the period from the date of this order until the end of the current calendar quarter, December 31, 1993.

Issued in Washington, D.C., on October 28, 1993.

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

