UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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| PAWTUCKET POWER ASSOCIATES LIMITED PARTNERSHIP | ) | FE DOCKET NOS. 89-76-NG<br>93-120-NG |

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

DOE/FE ORDER NO. 892

DECEMBER 15, 1993

I. DESCRIPTION OF REQUEST

On November 5, 1993, Pawtucket Power Associates Limited Partnership (Pawtucket) 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, to amend a natural gas import authorization. DOE/FE Opinion and Order No. 448 (Order 448),2/ issued November 15, 1990, authorized Pawtucket to import up to 14,500 Mcf per day of Canadian natural gas, and up to a total of 105,892,500 Mcf over a period of 20 years pursuant to supply agreements with Opinac Exploration Ltd. ("Opinac") (6,000 Mcf/day) and Columbia Gas Development of Canada, Ltd. ("Columbia") (8,500 Mcf/day) for use as fuel in a new 61-megawatt combined-cycle cogeneration plant constructed in Pawtucket, Rhode Island.3/ The term of the authorization commenced November 1, 1992, the first day of delivery, and ends October 31, 2012. Pawtucket requests an amendment of Order 448 to authorize importation of gas pursuant to an agreement with Home Oil Company Limited ("Home Oil") in lieu of the Columbia agreement. The Opinac agreement remains in effect, but has been assigned by

1/ 15 U.S.C. § 717b.

2/ Pawtucket Power Associates, Docket No. 89-76-NG, 1 FE ¶ 70,376. An errata to this order was issued on November 29, 1990.

3/ The Opinac and Columbia agreements provide for maximum contract quantities of 43,800,000 Mcf and 62,092,500 Mcf, respectively, for a total of 105,892,500 Mcf of gas.

Opinac to Tarragon Oil and Gas Limited, which acquired the producing properties covered by the agreement.4/

On September 1, 1993, Pawtucket terminated its supply agreement with Anderson Oil and Gas, which had acquired the assets of Columbia in a merger, and entered into a new agreement with Home Oil. The gas purchase agreement between Pawtucket and Home Oil dated August 10, 1993, is for 20 years commencing on the first day of firm delivery. The terms in the Home Oil agreement are similar to the terms in the Columbia agreement but differ as to some details. Pawtucket is responsible for arranging transportation on TransCanada PipeLines Limited (TransCanada) from the Alberta border to the international boundary near Iroquois, Ontario/Waddington, New York, and on pipelines in the United States. The contract with Home Oil specifies a base price of $1.39 (U.S.) per MMBtu for gas delivered to Empress, Alberta, at the interconnection between the pipeline systems of Nova Corporation (NOVA) and TransCanada, adjusted monthly by an index reflecting: (1) the average of each months No. 6 fuel oil spot price quotes in Platt's Oilgram for New York Harbor -- 25 percent weight; (2) the arithmetic average of the prices for spot gas delivered to three interstate pipelines during the month as published in Inside F.E.R.C.'s Gas Market Report -- 50 percent

4/ The original contract, dated April 6, 1989, has been amended to reflect the fact that certain gas price information for Tennessee Gas Pipeline Company (Tennessee) is no longer available due to Tennessee's restructuring under Order 636, the pipeline services restructuring rule issued by the Federal Energy Regulatory Commission (FERC).

weight; and (3) New England Power Company's weighted average delivered coal cost reported in its most recent FERC Form 423 -- 25 percent weight. Pawtucket would reimburse Home Oil for the demand and commodity charges incurred to transport the volumes on NOVA. Redetermination of the base price is permitted every two years beginning November 1, 1994.

The Home Oil agreement establishes a maximum daily contract quantity (MDQ) of 8,230 Mcf delivered at Empress, and a total contract quantity of 57,618,230 Mcf.5/ If Pawtucket takes, on average, less than 70 percent of the MDQ over an 18-month period, then Home Oil may reduce the MDQ for the remainder of the contract term to 70 percent of actual nominations over the 18-month period.

In addition, the contract provides for Home Oil to be the sole supplier of at least 58.62 percent of the Pawtucket cogeneration plant's total gas requirements. Further, during periods when any portion of the daily contract quantity cannot be used by the cogeneration plant, Pawtucket may resell the surplus volumes to third parties in the United States to defray the cost of pipeline demand charges.

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5/ The Columbia contract, by comparison, established an MDQ of 8,500 Mcf delivered at the inlet to the Nova system. Pawtucket had separately arranged with NOVA for firm transportation service within Alberta to Empress. The difference between the Columbia and Home Oil contracts is a function of shrinkage on the NOVA facilities.

## II. FINDING

The application filed by Pawtucket has been evaluated to determine if the proposed import arrangement meets the public interest requirement of section 3 of the Natural Gas Act, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486). Under section 3(c), an import of natural gas from a nation with which the United States has 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 Pawtucket 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. Pawtucket Power Associates Limited Partnership (Pawtucket) is authorized to import from Canada up to 8,230 Mcf per day of natural gas, and a total of 57,618,230 Mcf, over a period of 20 years beginning on the date of the first delivery. This gas shall be imported at Iroquois, Ontario/Waddington, New York, under the provisions of the gas purchase agreement between Pawtucket and Home Oil Company Limited dated August 10, 1993, which is on file in this docket. To the extent any portion of the authorized daily import volume below 100 percent is surplus to the requirements of Pawtucket's cogeneration plant, it may be marketed by Pawtucket to buyers in the United States.

B. DOE/FE Opinion and Order No. 448 issued to Pawtucket on November 11, 1990, is amended as follows. Pawtucket's authority to import natural gas from Canada is reduced from 14,500 Mcf per day to 6,000 Mcf per day and from a total of 105,892,500 Mcf to a total of 43,800,000 Mcf to reflect the volumes contained in the now terminated gas purchase contract between Pawtucket and Columbia Development of Canada, Ltd. (now Anderson Oil and Gas) dated April 27, 1989, as amended. Further, as discussed in the body of this Order, the entire remaining supply will be purchased from Tarragon Oil and Gas Limited instead of Opinac Exploration Ltd. In all other respects Order 448 shall remain in full force and effect.

C. Within two weeks after deliveries begin, Pawtucket shall provide written notification to the Office of Fuels Programs (OFP), Fossil Energy, Room 3F-056, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that its first import of natural gas authorized by this Order occurred.

D. With respect to the natural gas imports authorized by this Order, Pawtucket shall file with OFP, within 30 days following each calendar quarter, quarterly reports showing by month the total volume (in Mcf) that it imported and the average purchase price per MMBtu paid at the international border. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. The price information for a particular month shall provide a breakdown, on a per unit (MMBtu) basis), of the commodity costs incurred by Pawtucket to acquire the gas at Empress, Alberta, and the transportation costs for shipping the volumes to Iroquois, Ontario/Waddington, New York.

E. With respect to the imports authorized by this Order which are resold by Pawtucket to buyers in the United States, the quarterly reports required by Ordering Paragraph D of this Order shall provide the details of each transaction including the name(s) of the purchaser(s), geographic market(s) served, and the volume in Mcf.

F. The first quarterly reports required by Ordering Paragraph D of this Order are due not later than January 30, 1994, and should cover the period from the date of this Order until the end of the fourth calendar quarter, December 31, 1993.

Issued in Washington, D.C., on December 15, 1993.

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