UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

ENRON GAS MARKETING, INC. SITHE/INDEPENDENCE POWER PARTNERS, L.P.	FE DOCKET NO. 92-153-NG

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

DOE/FE ORDER NO. 762-A

On November 14, 1994, Enron Gas Marketing, Inc. (Enron) and Sithe/Independence Power Partners, L.P. (Sithe/Independence) jointly filed an application with the Office of Fossil Energy (FE) 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, seeking to transfer to Sithe/Independence a long-term authorization to import natural gas from Canada that was previously granted to Enron by DOE.2/ On January 22, 1993, Enron was authorized in DOE/FE Opinion and Order No. 762 (Order 762)3/ to import at Grand Island, New York, up to 32,000 Mcf per day of natural gas and up to 10.6 Bcf per year over a 10-year

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

2/ Enron is a Delaware corporation engaged, directly or through its wholly-owned subsidiaries, in marketing natural gas. Sithe/Independence is a Delaware limited partnership comprised of

Sithe/Independence, Inc., its general partner; Mitex, Inc., a limited partner; Sithe Energies U.S.A., Inc., a limited partner; and Sithe Energies, Inc., a limited partner.

3/ 1 FE 70,745. _

period from November 1, 1994, through October 31, 2004. This gas would be used to fuel a 1,000-megawatt cogeneration facility to be built by Sithe/Independence in Scriba, New York. The cogeneration facility is scheduled to begin commercial operation January 1, 1995. Within Canada, natural gas transportation would be provided by TransCanada PipeLines Limited (TCPL). In the United States, natural gas transportation would be provided by Empire State Pipeline and Niagara Mohawk Power Corporation. No gas has been imported by Enron under this authorization.

As originally contemplated under Order 762, Enron would purchase the gas from Unigas Corporation (Unigas) and sell it to Enron Power Services Inc. (EPSI)4/ for resale to Sithe/Independence at the point of importation. Sithe/Independence would pay EPSI $2.28 per MMBtu in 1995, increasing each year to $3.52 per MMBtu by the year 2000. The import price would be based on the amount paid by Consolidated Edison Company of New York to Sithe/Independence for electricity purchased from the cogeneration plant and the published spot price for natural gas deliveries to pipelines in Louisiana.

Subsequent to the issuance of Order 762, Enron Gas Services Canada Corp. (EGS Canada), as assignee, assumed the obligation of Enron (1) to purchase the Canadian natural gas from Unigas, now

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4/ Long-term sales of gas to electric utilities and independent power producers, such as Sithe/Independence, are made through Enron's wholly-owned subsidiary, EPSI, a Delaware corporation.

Westcoast Gas Services, Inc. (Westcoast),5/ and (2) to obtain transportation of the gas by TCPL. This natural gas now will be obtained by EPSI from EGS Canada for resale to Sithe/Independence. In addition, Sithe/Independence and EPSI amended their gas sales agreement on December 31, 1993, to adjust the sales price for certain quantities of gas purchased through the year 2000. Sithe/Independence now would pay EPSI $2.25 per MMBtu in 1995, increasing each year by slightly higher prices than before to $3.52 per MMBtu by the year 2000.

However, the primary reason for this joint application is that on October 31, 1994, Sithe/Independence and EPSI amended the gas sales agreement to change the point of sale and delivery for the Canadian natural gas to a point in Canada near Douglastown, Ontario, at a meter station on TCPL's system. Thus, Sithe/Independence will take title to the supply of gas before rather than as it enters the United States through the facilities of Empire State Pipeline at Grand Island, New York.

Under section 3 of the NGA, as amended by section 201 of the Energy Policy act of 1992 (Pub. L. 102-486), 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

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5/ Unigas was a Canadian corporation and marketing subsidiary of Union Energy, Inc., a Canadian energy company engaged in the exploration, development, production, transportation, storage, and marketing of natural gas. Recently, Westcoast, a Canadian corporation, acquired Union Energy, Inc. and, as a result, Westcoast is the successor-in-interest to Unigas.

related applications must be granted without modification or delay. Therefore, approving the proposed transfer to Sithe/Independence of the authority previously granted by DOE to Enron to import natural gas produced in Canada, a nation with which a free trade agreement is in effect, is consistent with the public interest.

ORDER

Pursuant to section 3 of the Natural Gas Act, the import authorization granted in DOE/FE Opinion and Order No. 762 (Order 762) is transferred from Enron Gas Marketing, Inc. to Sithe/Independence Power Partners, L.P. (Sithe/Independence), effective on the date of this Order. Sithe/Independence shall be responsible for notifying the Office of Fossil Energy in writing of the date that the first import delivery of natural gas occurs and for filing the quarterly reports required by Ordering Paragraph C of Order 762. In all other respects, Order 762 shall remain in full force and effect.

Issued in Washington, D.C., on December 9, 1994.

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