UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

TENASKA GAS CO. AND TENASKA WASHINGTON PARTNERS II, L.P.	)	FE DOCKET NO. 93-132-NG

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

DOE/FE ORDER NO. 909

JANUARY 5, 1994

I. DESCRIPTION OF REQUEST

On November 22, 1993, as amended on December 8, 1993, Tenaska Gas Co. and Tenaska Washington Partners II, L.P. (jointly, the Applicants) 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, requesting authorization to import up to 14,311 MMBtu2/ per day of natural gas from Canada. The gas would be consumed at a 248-megawatt electric power generation facility (the Facility) to be located in Pierce County, near Tacoma, Washington. The term of the authorization would be for a period of 20 years beginning on the date the Facility is placed in commercial operation, which is expected to be in 1996. The electricity produced by the Facility would be sold to the Bonneville Power Administration.

Tenaska Gas Co. (Tenaska), a Nebraska corporation with its principal office in Omaha, Nebraska, is a marketer of natural gas. Tenaska Washington Partners II, L.P. (Tenaska Partners) is a limited partnership under the laws of the State of Washington with its principal office in Omaha, Nebraska. Tenaska Partners was formed exclusively to own and operate the Facility.

The gas would be imported pursuant to a gas purchase agreement between the Applicants and Husky Gas Marketing, Inc. (Husky) dated June 1, 1993. The point of delivery into the

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

2/ One MMBtu equates to approximately one Mcf.

United States would be at the international boundary near Sumas, Washington. Northwest Pipeline Corporation (Northwest) will transport the gas from the receipt point to the Facility. No new pipeline facilities would be constructed.

The contract provides for deliveries of up to 14,311 MMBtu per day for a term of 20 years, commencing on the date of commercial operation of the Facility. However, the sale and purchase of gas under the contract is subject to several conditions precedent, including the requirement that the Applicants provide written notice to Husky by June 30, 1998, confirming that the Facility has started commercial operations. There is also a requirement that initial import deliveries commence by November 30, 1998. In the event any of the conditions are not satisfied, either party may terminate the contract.

Each month the Applicants must take a minimum volume of gas equal to 90 percent of the daily contract quantity (DCQ) times the number of days in the month. The DCQ may be reduced by the Applicants for up to two months in any given year to match the gas supply with the operational needs of the Facility. The contract also allows the Applicants to reduce the DCQ during those months the Facility is not producing power. If less than the full DCQ is requested by the Applicants for delivery, Husky may use the Applicants' unused transportation capacity on Northwest to market the gas.

The price to be paid by the Applicants at the U.S. border for gas purchased from Husky will be $2.18 (U.S.) per MMBtu for 1996. This price is then increased by 5.0 percent each year through 2000, and by 5.5 percent each year thereafter. By the year 2016 the sales price will escalate to $6.24 (U.S.) per MMBtu. The Applicants would be required to pay a deficiency charge if they do not take the prescribed minimum quantities during any month. The deficiency payment, if any, is equal to 30 percent of the sales price applied to the deficiency volumes below the 90 percent minimum take level. An additional deficiency charge would be payable if the Applicants, in any month, do not take the minimum quantity because they have substituted other supplies for Husky volumes under a separately arranged purchase agreement with a term of one year or less.

II. FINDING

The application filed by the Applicants has been evaluated to determine if the proposed import arrangement meets the public interest requirement of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub. 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 the Applicants 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. Tenaska Gas Co. and Tenaska Washington Partners II, L.P. (jointly, the Applicants) are authorized to import from Canada up to 14,311 MMBtu (approximately 14,311 Mcf) per day of natural gas purchased from Husky Gas Marketing, Inc. (Husky). The term of the authorization shall begin on the date of this Order and continue for a period of 20 years following the date that the electric power generation facility (the Facility) proposed to be built by Tenaska Washington Partners II, L.P., in Pierce County, near Tacoma, Washington, is placed in commercial operation. This gas shall be imported at Sumas, Washington, under the provisions of the gas purchase agreement between the Applicants and Husky dated June 1, 1993, which is on file in this docket.

B. The Applicants 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 the Facility is placed in commercial operation, within 15 days of its being established.

C. Within two weeks after deliveries begin, the Applicants shall provide written notification to OFP of the date that the first imports of natural gas authorized in Ordering Paragraph A above occurred.

D. With respect to the natural gas imports authorized by this Order, the Applicants shall file with the OFP, within 30 days following each calendar quarter, quarterly reports showing by month the total volume (in Mcf) imported and the average purchase price per MMBtu paid at the international border. The price information for a particular month shall itemize separately (on a per unit (MMBtu) basis) the sales price and any minimum take deficiency payment made by the Applicants.

E. The first quarterly report required by Ordering Paragraph D of this Order is due not later than 30 days after the calendar quarter in which imports first occur under this authorization.

Issued in Washington, D.C., on January 5, 1994.

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