UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

UTILICORP UNITED, INC.	FE DOCKET NO. 93-148-NG

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

DOE/FE ORDER NO. 915

JANUARY 26, 1994

I. DESCRIPTION OF REQUEST

On December 22, 1993, as supplemented on January 25, 1994, UtiliCorp United, Inc. (UtiliCorp), d/b/a Michigan Gas Utilities (MGU), 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 2,674 Mcf per day of natural gas from Canada for a seven-year period ending October 31, 2000. UtiliCorp is a Delaware corporation which has its corporate offices in Kansas City, Missouri. MGU, an operating division of UtiliCorp, is a local distribution company, with its principal place of business in Monroe, Michigan. The gas would be imported from ProGas Limited (ProGas) pursuant to a gas purchase contract between MGU and ProGas which was dated October 31, 1993, and became effective November 1, 1993,2/ subject to the parties receiving approval from Canadian and U.S. government authorities. The point of delivery into the United States would be at the international boundary near Emerson, Manitoba. Transportation from Emerson, Manitoba, would be provided by Viking Gas Transmission Company, and then by ANR to MGU's distribution system. No new pipeline facilities would be constructed.

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

2/ Due to ANR Pipeline Company's (ANR) restructuring under Order No. 636, approved by the Federal Energy Regulatory Commission and effective on November 1, 1993, ANR has assigned its contract rights to previous gas sales customers, including MGU.

The contract between UtiliCorp and ProGas provides for payment of a total price comprised of a monthly commodity charge per MMBtu delivered, a monthly demand charge (mostly covering Canadian transportation costs), and a gas inventory charge. The commodity charge would be calculated by adding a base price of $1.80/MMBtu (U.S.) to a composite of spot gas prices from Louisiana and Oklahoma, as published in Inside FERC's Gas Market Report. The formula for calculating the commodity charge is subject to renegotiation and arbitration if the parties are unable to agree on a revised formula. ProGas has the right to market gas not taken by UtiliCorp to other purchasers, and UtiliCorp would then receive a credit toward its monthly demand charge. Additionally, the contract provides that UtiliCorp may have to pay ProGas a minimum take deficiency charge. Each year, UtiliCorp would elect a minimum annual quantity of gas to be purchased from ProGas, termed its annual purchase obligation. The annual purchase obligation may be any increment of 10 percent between 50 percent and 100 percent of UtiliCorp's maximum daily contract quantity (MDCQ) multiplied by the number of days in the year. UtiliCorp would pay ProGas $0.10/Mcf for the deficient volumes if it purchases less than its elected annual purchase obligation. However, it would have one year to make up any shortfall in purchases before being assessed the deficiency charge. The contract also provides that the commodity charge UtiliCorp pays would be reduced by one percent for volumes purchased above UtiliCorp's elected annual purchase obligation.

II. FINDING

The application filed by UtiliCorp 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 UtiliCorp 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. UtiliCorp United, Inc. (UtiliCorp), d/b/a Michigan Gas Utilities (MGU), is authorized to import from Canada up to 2,674 Mcf per day of natural gas purchased from ProGas Limited (ProGas) beginning on the date of this Order, and continuing until October 31, 2000. UtiliCorp shall import this gas near Emerson, Manitoba, pursuant to the terms of the contract between MGU and ProGas dated October 31, 1993, filed in this proceeding.

B. Within two weeks after deliveries begin, UtiliCorp shall provide written notification to the Office of Fuels Programs, Fossil Energy, Room 3F-056, Forrestal Building, 1000

Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first imports of natural gas authorized in Ordering Paragraph A above occurred.

C. With respect to the natural gas imports authorized by this Order, UtiliCorp shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports showing by month the total volume (in Mcf) imported under the contract with ProGas and the average purchase price per MMBtu paid to ProGas at the international border. The price information for a particular month shall list separately (on a per unit [MMBtu] basis) the demand charge, commodity charge, and gas inventory charge. Also, the reports shall itemize separately any minimum take deficiency payments made by UtiliCorp during a particular calendar quarter.

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

Issued in Washington, D.C., on January 26, 1994.

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