UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

CHEVRON NATURAL GAS SERVICES, INC.	FE DOCKET NO. 94-31-NG

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

DOE/FE ORDER NO. 938

MAY 2, 1994

I. DESCRIPTION OF REQUEST

On March 31, 1994, as supplemented on April 8 and April 14, 1994, Chevron Natural Gas Services, Inc. (CNGSI)1/ filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA)2/ and DOE Delegation Order Nos. 0204-111 and 0204-127, requesting authorization to import up to 22,000 MMBtu3/ per day of natural gas from Canada. The term of the proposed authorization is for a period of 15 years beginning on the date of the first delivery. CNGSI will import the gas for Chevron U.S.A. Inc. (CUSA),4/ its affiliate, which, in turn, will sell the gas to Hermiston Generating Company, L.P. (Hermiston).5/ The imports will be used, for the most part, to fuel a 474-megawatt combined-cycle electric power generation facility that Hermiston plans to build near Stanfield, Oregon. The gas will be supplied to CUSA primarily by Chevron Canada Resources (CCR) from reserves in the Provinces of Alberta and British Columbia.6/

1/ CNGSI is a Delaware corporation with a place of business in Houston, Texas. It is a wholly-owned subsidiary of Chevron Corporation, a Delaware corporation.

2/ 15 U.S.C. 717b.

3/ One MMBtu equates to approximately one Mcf.

4/ CUSA is a Pennsylvania corporation with a place of business in Houston, Texas, and is a wholly-owned subsidiary of Chevron

Corporation.

5/ Hermiston is a limited partnership organized under the laws of Delaware with its place of business in Bethesda, Maryland. Neither of the two partners, Larkspur Power Corporation and Buckeye Power Corporation, is affiliated with Chevron Corporation or its subsidiaries.

6/ CCR, a producer of natural gas in Canada, is a wholly-owned subsidiary of Chevron Corporation.

The import arrangement contemplates that CCR will ship the gas to the U.S.\Canada border and transfer title to CNGSI. CUSA will take title to the gas immediately after it is imported into the United States by CNGSI at the international border near Kingsgate, British Columbia\Eastport, Idaho. The gas will be transported from the international border over the existing pipeline facilities of Pacific Gas Transmission Company (PGT) and Northwest Pipeline Corporation (Northwest). Hermiston will commence receiving this gas at the power plant between July 1, 1996, and September 30, 1996, when the facility is expected to be placed in commercial operation. The electricity produced by the power plant will be sold to PacifiCorp, an Oregon corporation.

CNGSI filed a copy of the gas sale contract between CUSA and Hermiston dated February 28, 1994. The contract is for a primary term of 15 years from the date that the proposed power plant is placed in commercial operation. It will continue to operate thereafter on an annual basis until either party elects to terminate the contract on one years notice.

In the contract, Hermiston is to pay CUSA a price comprised of a monthly demand charge and a monthly commodity charge. The commodity charge is determined on the basis of a wellhead price which would be adjusted over time. CUSA and Hermiston have agreed to a wellhead price starting at approximately $1.61 (U.S.) per MMBtu as of November 1, 1993. That price will escalate five and one-half percent (5.5%) annually throughout the term of the contract. CNGSI states that the price at the wellhead will have increased to approximately $1.80 (U.S.) per MMBtu at the time of the initial delivery. The demand charge includes all charges paid by CCR and CUSA in connection with transporting the gas from its sources in Canada to the interconnection between the pipeline systems of PGT and Northwest. In addition, Hermiston is required to purchase 80 percent of the sum of the maximum daily contract quantities (22,000 MMBtu per day) each year.

If Hermiston takes less than the minimum annual obligation, it must pay a deficiency charge on the volume not taken. The deficiency charge starts at $0.40 per MMBtu, with fixed five and one-half percent (5.5%) annual escalations beginning November 1, 1994. It would be paid to CNGSI on the 25th day of November following each contract year. The contract includes a provision allowing Hermiston to remarket gas not used by the power plant to other purchasers in the United States at a price equal to its market value or the contract price paid by Hermiston. In addition, Hermiston is expressly entitled to remarket up to one-half of the maximum daily contract quantity to PacifiCorp, at 105 percent of the price at which Hermiston buys the gas from CUSA. In all cases, the sum total of gas nominated by Hermiston each day, either for use at the power plant or for resale, may not exceed 22,000 MMBtu.

II. FINDING

The application filed by CNGSI 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 CNGSI 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. Chevron Natural Gas Services, Inc. (CNGSI) is authorized to import from Canada up to 22,000 MMBtu (approximately 22,000 Mcf) per day of natural gas. The term of the authorization shall begin on the date of the initial delivery (expected to occur in the last half of 1996) and continue for a period of 15 years following the date that the electric power plant proposed to be built by Hermiston Generating Company, L.P. (Hermiston) near Stanfield, Oregon, is placed in commercial operation. This gas shall be imported near Kingsgate, British Columbia, under the provisions of the gas purchase agreement between Chevron U.S.A. Inc. and Hermiston dated February 28, 1994, 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 the power plant, it may be marketed by Hermiston to buyers in the United States.

B. Within two weeks after deliveries begin, CNGSI 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 first imports of natural gas authorized in Ordering Paragraph A above occurred. In addition, CNGSI shall notify OFP of the date that Hermiston's proposed power plant is placed in commercial operation, within 15 days of its being established.

C. With respect to the natural gas imports authorized by this Order, CNGSI shall file with 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 list separately (on a per unit (MMBtu) basis) the commodity charge and the demand charge for transporting the gas on Canadian pipelines to the international border. Also, the reports shall itemize separately any minimum take deficiency payment made by Hermiston.

D. The first quarterly report required by Ordering Paragraph C 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 May 2, 1994.

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