UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

NORTHERN STATES POWER COMPANY (MINNESOTA)	FE DOCKET NO. 94-54-NG

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

DOE/FE ORDER NO. 965

AUGUST 11, 1994

I. DESCRIPTION OF REQUEST

On July 21, 1994, Northern States Power Company (Minnesota) [NSP(MN)] 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 16,000 Mcf per day of natural gas from Canada for a ten-year period ending November 1, 2004. NSP(MN), a Minnesota corporation, is a public utility which serves natural gas and electricity customers in the States of Minnesota, North Dakota, and South Dakota. The gas would be imported from Amoco Canada Petroleum Company Ltd. (Amoco) beginning November 1, 1994, pursuant to a gas sales agreement between NSP(MN) and Amoco dated May 11, 1994. NSP(MN) would use the proposed volumes as a source of system supply to meet the needs of its retail residential, commercial, and industrial sales distribution customers. However, NSP(MN) states that it may, at some future date, use some of the imported volumes to support off-system sales.

The point of delivery into the United States for this gas will be at the international boundary near Emerson, Manitoba. Transportation from Emerson, Manitoba, will be provided by Viking Gas Transmission Company to NSP(MN)'s distribution system in Minnesota and North Dakota. No new pipeline facilities would be constructed.

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

The contract between NSP(MN) and Amoco provides for payment of a total price comprised of a monthly demand charge and a monthly commodity charge per MMBtu delivered. The demand charge includes the Canadian pipeline charges incurred by Amoco each month to deliver the proposed import volumes, and a supply reservation charge of $0.06/MMBtu (U.S.). The commodity charge, for the first two contract years, is based on the average prices for spot market gas delivered into the pipeline system of Northern Natural Gas Company (NNG) in Kansas, Texas, and Oklahoma, as published in Inside FERC's Gas Market Report, minus

a transportation allowance reflecting the difference in the cost of transporting gas to NNG's market regions from reserves in Alberta versus domestic supplies from NNG's reserve areas. In any year after the second contract year, NSP(MN) and Amoco may substitute a different predetermined reference price index for calculating the commodity charge, or agree to use a new index.

Additionally, the contract provides that NSP(MN) may have to pay Amoco a deficiency charge if NSP(MN) purchases less than 85% of the sum of the maximum daily contract quantities (16,000 Mcf) each year. The deficiency charge would be equal to 20% of the weighted average commodity charge during the contract year in which a shortfall occurs, multiplied by the deficiency volumes.

II. FINDING

The application filed by NSP(MN) 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 NSP(MN) 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. Northern States Power Company (Minnesota) [NSP(MN)] is authorized to import from Canada up to 16,000 Mcf per day of natural gas purchased from Amoco Canada Petroleum Company Limited (Amoco) beginning November 1, 1994, and continuing through November 1, 2004. NSP(MN) shall import this gas near Emerson, Manitoba, pursuant to the terms of the contract between NSP(MN) and Amoco dated May 11, 1994, filed in this proceeding. To the extent any portion of the authorized daily import volumes below 100% is surplus to the general system needs of NSP(MN), it may be marketed by NSP(MN) to off-system buyers in the United States.

B. Within two weeks after deliveries begin, NSP(MN) 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, NSP(MN) 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 from Amoco and the average purchase price per MMBtu paid to Amoco at the international border. The price information for a particular month shall list separately (on a per unit [MMBtu] basis) the demand and commodity charges. The reports shall also itemize separately any supply reservation or minimum take deficiency payments made by NSP(MN) during a particular calendar quarter. Additionally, the reports shall provide the names of the buyers, market area, volumes, resale price per MMBtu, and, if applicable, the per unit demand/commodity charge breakdown for gas resold by NSP(MN) to off-system purchasers.

D. The first quarterly report required by Ordering Paragraph C of this Order is due not later than January 31, 1995, and should cover the period from November 1, 1994, until the end of the fourth calendar quarter, December 31, 1994.

Issued in Washington, D.C., on August 11, 1994.

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