UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

BAY STATE GAS COMPANY	)	FE DOCKET NO. 94-64-NG

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

DOE/FE ORDER NO.978

SEPTEMBER 20, 1994

I. DESCRIPTION OF REQUEST

On September 7, 1994, Bay State Gas Company (Bay State) 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 natural gas from Canada. The authorization would allow Bay State to import up to 6,423 Mcf per day of gas from Renaissance Energy Ltd. (Renaissance) over a period of 10 years beginning on or about November 1, 1995, through November 1, 2005. Bay State, a Massachusetts corporation with its principal place of business in Westborough, Massachusetts, is a natural gas distributor that provides retail gas service to approximately 247,000 customers in southeastern, western, and northeastern Massachusetts.2/ Bay State would import this gas into the United States through the Niagara Spur Loop Line3/ which interconnects with the Canadian pipeline facilities of TransCanada PipeLines Limited (TransCanada) at the international border near Niagara Falls, New York.

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

2/ Bay State is the parent company in an integrated natural gas system with two wholly-owned subsidiaries: Northern Utilities, Inc., a natural gas distributor operating in Maine and New Hampshire; and Granite State Transmission, Inc., an interstate natural gas pipeline company.

3/ It is jointly owned by National Fuel Gas Supply Corporation, Tennessee Gas Pipeline Company (Tennessee), CNG Transmission Corporation, and Texas Eastern Transmission Corporation. Tennessee operates the facilities.

Bay State and Renaissance executed a gas purchase contract dated April 6, 1994. The imports would begin November 1, 1995, or as soon as firm transportation service is available to Renaissance on TransCanada, whichever is later. Bay State would pay an import price consisting of four components: (1) a monthly demand charge; (2) a monthly commodity charge; (3) a monthly reservation charge; and (4) a monthly transporter charge. The demand charge is equal to the sum of the per Mcf Canadian transportation demand tolls of NOVA Corporation of Alberta (NOVA) and TransCanada multiplied by the daily contract quantity (6,423 Mcf). The commodity charge is based on the published spot market price paid for Alberta gas (50% weight) and U.S. gas delivered into the pipeline system of Panhandle Eastern Pipe Line Company (50% weight).4/ The reservation charge is equal to a percentage of the commodity charge. It would vary from 2.5 percent to 10 percent based on the amount of gas actually purchased by Bay State each month (2.5% when the volumes nominated equal or exceed 90% of contract quantities). The transporter charge is equal to the commodity charges for transportation and charges for fuel gas used on the systems of NOVA and TransCanada in transporting the gas. Bay State estimates that the delivered price at Niagara Falls, New York, during the first year would be $2.00 (U.S.) per MMBtu in the

---

4/ Published in Canadian Natural Gas Focus, Canadian Natural Gas

Market Report, and Inside FERC's Gas Market Report.

winter months and $1.87 (U.S.) per MMBtu in the summer months. Prior to November 1, 2000, either party may initiate renegotiation of the commodity and reservation charges applicable to the last five contract years by giving written notice. If the renegotiation process is unsuccessful, either party may require arbitration.

Bay State is required to take at least 75 percent of the daily contract quantity on an annual basis or make up the deficient volume in the next contract year. If Bay State does not purchase the minimum annual quantity and make up the deficiency in the next year, Renaissance may reduce the daily contract quantity or terminate the contract.

II. FINDING

The application filed by Bay State has been evaluated to determine if the proposed import arrangement meets the public interest requirements 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 Bay State 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. Bay State Gas Company (Bay State) is authorized to import up to 6,423 Mcf per day of Canadian natural gas purchased from Renaissance Energy Ltd. (Renaissance). Bay State shall import this gas near Niagara Falls, New York, pursuant to the terms of the gas purchase contract between Bay State and Renaissance dated April 6, 1994, filed in this proceeding.

B. The term of this import authorization shall begin November 1, 1995, or the date of the first delivery, whichever is later, and continue through November 1, 2005.

C. Within two weeks after deliveries begin, Bay State shall notify the Office of Fuels Programs (OFP), Fossil Energy, Room 3F-056, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, in writing of the date that the first import of natural gas authorized in Ordering Paragraph A above occurred.

D. With respect to the natural gas imports authorized by this Order, Bay State shall file with OFP, within 30 days following each calendar quarter, quarterly reports showing by month the total volume (in Mcf) imported from Renaissance 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 gas demand charge, the gas commodity charge, the gas reservation charge, and the gas transporter charge.

E. The first quarterly report required by Ordering Paragraph D 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 September 20, 1994.

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