UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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| WESTCOAST GAS SERVICES INC. | ) | FE DOCKET NO. 94-73-NG |

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

DOE/FE ORDER NO. 991

OCTOBER 27, 1994

## I. DESCRIPTION OF REQUEST

On September 27, 1994, Westcoast Gas Services Inc. (Westcoast) 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 Westcoast to import at Monchy, Saskatchewan, up to 2,431 Mcf per day of gas over a period of nine years through September 19, 2003. Westcoast, a Canadian corporation with its principal office in Calgary, Alberta, is a marketer of natural gas throughout North America. Westcoast will purchase this imported gas from several Canadian producers and sell it to Wisconsin Gas Company (WIGAS). WIGAS is a local gas distribution company which serves customers in Wisconsin. The gas would be imported into the United States through the pipeline facilities of Northern Border Pipeline Company.

Westcoast and WIGAS entered into a letter agreement dated May 5, 1994, as amended on July 26, 1994, which essentially contains the terms and conditions that will later be included in a formal sales contract between Westcoast and WIGAS governing the import of the gas. The period of their import arrangement will be from the first date of deliveries on November 1, 1994, through September 19, 2003. The agreement provides for a market-based commodity price which will be determined monthly from an index of

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

spot market prices of gas delivered to four interstate pipeline systems in Texas, Oklahoma, and Kansas as published in Inside FERC's Gas Market Report. The pipeline companies comprising the index are Northern Natural Gas Company, Natural Gas Pipeline Company, Panhandle Eastern Pipe Line Company, and ANR Pipeline Company. The price each month would contain a commodity charge, a demand charge covering the demand tolls for transportation in Canada on the pipeline system of NOVA Corporation of Alberta, and a supplier demand charge. The commodity charge per MMBtu2/ sold to WIGAS will be equal to 93 percent of the arithmetic average of the index prices. The supplier demand charge will begin at $0.05 per MMBtu, and will escalate by 2.5 percent compounded annually.

Additionally, WIGAS may have to pay Westcoast a deficiency charge if WIGAS purchases less than 85 percent of the sum of the maximum daily contract quantities (2,431 Mcf) each year. The deficiency charge would be equal to $0.10 per Mcf, multiplied by the shortfall. Moreover, if WIGAS' nominations on any day are less than 20 percent of the maximum daily contract quantity (DCQ), it must pay an additional deficiency charge of $0.05 per Mcf on the deficiency below 20 percent of the DCQ.

II. FINDING

The application filed by Westcoast has been evaluated to determine if the proposed import arrangement meets the public interest requirements of section 3 of the NGA, as amended by

2/ One MMBtu equals approximately one Mcf.

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 Westcoast 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. Westcoast Gas Services Inc. (Westcoast) is authorized to import up to 2,431 Mcf per day of natural gas from Canada for sale to Wisconsin Gas Company (WIGAS). Westcoast shall import this gas near Monchy, Saskatchewan, pursuant to the terms of the letter agreement between Westcoast and WIGAS dated May 5, 1994, as amended July 6, 1994, filed in this proceeding.

B. The term of this import authorization shall extend from November 1, 1994, through September 19, 2003.

C. Westcoast shall file with the Office of Fuels Programs (OFP), Fossil Energy, Room 3F-056, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, the formal gas sales contract between Westcoast and WIGAS, within 15 days of its execution.

D. Within two weeks after deliveries begin, Westcoast shall notify OFP in writing of the date that the first import of natural gas authorized in Ordering Paragraph A above occurred.

E. With respect to the natural gas imports authorized by this Order, Westcoast 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 gas commodity charge, NOVA demand charge, and supplier demand charge. The reports shall also itemize separately any minimum take deficiency payments made by WIGAS during a particular calendar quarter.

F. The first quarterly report required by Ordering Paragraph E is due not later than January 30, 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 October 27, 1994.

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