UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

NORTH CANADIAN MARKETING CORPORATION	)	FE DOCKET NO. 96-39-NG

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

DOE/FE ORDER NO. 1182

JUNE 26, 1996

I. DESCRIPTION OF REQUEST

On June 19, 1996, North Canadian Marketing Corporation (NCM) 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, for authorization to import up to 25,000 Mcf per day of natural gas from Canada. NCM, a California corporation with its principal place of business in Santa Ana, California, is a wholly-owned subsidiary of North Canadian Resources, Inc., a Delaware corporation.2/

The gas would be imported for sale under an agreement between NCM and Hermiston Generating Company (Hermiston) dated March 4, 1994. Hermiston is a limited partnership organized under the laws of the State of Delaware with an office in Bethesda, Maryland. The imported gas would be used to fuel a 474-megawatt combined-cycle cogeneration facility owned by Hermiston and constructed near Hermiston, Oregon. Commercial operation of the cogeneration facility is scheduled for July 1, 1996. Electricity produced by the cogeneration facility will be sold to PacifiCorp, an Oregon corporation.3/

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

2/ North Canadian Resources, Inc. is a wholly-owned subsidiary of Norcen Explorer Inc., a Delaware corporation, which is a wholly-owned U.S. subsidiary of Norcen Energy Resources Limited (Norcen), an Alberta Corporation.

3/ Pursuant to the terms of an Option Agreement between Hermiston and PacifiCorp dated October 7, 1993, PacifiCorp has exercised its option to purchase an undivided fifty percent interest in the Hermiston cogeneration facility and its related assets. Financial closing on the Option Agreement is scheduled for July 1, 1996.

The proposed authorization would be for a term of 15 years from the date of first delivery. Deliveries under the gas sales agreement are anticipated to begin as early as July 1, 1996, and not later than September 30, 1996. The gas would be transported from the wellhead in the Province of Alberta by the NOVA Gas Transmission Ltd. (NOVA) pipeline system to the Alberta border. Alberta Natural Gas Limited (ANG) then would transport the gas to its interconnection with the pipeline facilities of Pacific Gas Transmission Company (PGT) at the border of the United States and Canada near Kingsgate, British Columbia/Eastport, Idaho. From the international border, the gas would be transported by PGT to Malin, Oregon, where Hermiston would take possession.

The contract between NCM and Hermiston provides that Hermiston would pay NCM a price for the gas that consists of a monthly demand charge based on NCM s firm transportation arrangements on NOVA, ANG, and PGT, and a monthly commodity charge which includes an annual escalation clause. The monthly commodity charge is calculated by multiplying the wellhead price for the particular month by the total quantity of gas actually delivered, plus the aggregate quantity of fuel gas used by NOVA, ANG, and PGT for transportation, to the extent such fuel gas is not supplied by the transporting pipelines as part of their tariff or rate for service. The wellhead price, which would be adjusted each November, starts at $1.635 (U.S.) per MMBtu as of November 1, 1993. The commodity charge would increase by 5.5 percent on November 1, 1994, and each year thereafter.

Notwithstanding the foregoing, the actual import price per MMBtu paid by Hermiston at the international border would be the demand charge and the commodity charge, minus the transportation and fuel gas charges of PGT (which represents the cost of transporting this gas within the United States).

The contract also provides for a gas inventory charge which applies to any contract year in which Hermiston purchases less than 80 percent of the sum of the maximum daily contract quantities each year. If Hermiston takes less than the minimum annual obligation, it must pay a gas inventory charge on the volumes not taken. The gas inventory charge starts at $0.40 (U.S.) per MMBtu, with 5.5 percent annual escalations beginning November 1, 1996. This charge would be paid by Hermiston on the 25th day of November following each contract year.

The contract includes a provision allowing Hermiston to remarket gas not used in the cogeneration facility to other purchasers in the United States at a price equal to its market value. The sum total of gas nominated by Hermiston each day, either for use at the cogeneration facility or for resale, may not exceed 25,000 Mcf.

II. FINDING

The application filed by NCM 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 (P.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 NCM 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. North Canadian Marketing Corporation (NCM) is authorized to import at Kingsgate, British Columbia/Eastport, Idaho, up to 25,000 Mcf per day of Canadian natural gas for a period of 15 years beginning on the date of the first delivery, which shall not be later than September 30, 1996. This gas shall be imported consistent with the terms and conditions of NCM's gas sales agreement with Hermiston Generating Company, L.P. (Hermiston), dated March 4, 1994, on file in this docket.

B. Within two weeks after deliveries begin, NCM shall provide written notification to the Office of Fuels Programs (OFP), Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first import delivery of natural gas authorized in Ordering Paragraph A above occurred.

C. With respect to the natural gas imports authorized by this Order, NCM shall file with OFP, within 30 days following each calendar quarter, quarterly reports indicating whether imports of natural gas have been made. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports occur, NCM must report total monthly volumes in Mcf and the average purchase price of gas per MMBtu paid by Hermiston at the international border, assuming Hermiston had taken possession there, instead of Malin, Oregon. The monthly price information shall itemize separately the demand and commodity charges, and, if applicable, any gas inventory charges paid by Hermiston. Additionally, the reports shall provide, by month, the names, volumes, and market area (State) for natural gas sold by Hermiston to any third-party repurchaser.

D. The first quarterly report required by Ordering Paragraph C of this Order is due not later than October 30, 1996, and should cover the period from July 1, 1996, until the end of the third calendar quarter, September 30, 1996.

Issued in Washington, D.C., on June 26, 1996.

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