UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

TRANSCANADA GAS SERVICES INC.

FE DOCKET NO. 98-20-NG

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

DOE/FE ORDER NO. 1382

MAY 08, 1998

I. DESCRIPTION OF REQUEST

On March 16, 1998, TransCanada Gas Services Inc. (TCG Inc.) filed an application with the Office of Fossil Energy of the Department of Energy (FE/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 from Canada up to 11 billion cubic feet (Bcf) of natural gas per year (approximately 30,137 thousand cubic feet (Mcf) per day) over ten year period from the date of initial deliveries. Initial deliveries are expected to begin no earlier than November 1, 1998. TCG Inc. plans to purchase the gas supplies from TransCanada Gas Services (TCGS), A Division Of TransCanada Energy Ltd. pursuant to a Purchase/Sale Agreement dated February 1, 1998. TCG Inc., a Delaware corporation with its principal place of business in Calgary, Alberta, is a wholly-owned subsidiary of TransCanada PipeLines Ltd. (TransCanada).

TCG Inc. intends to transport the gas over the proposed Portland Natural Gas Transmission System (PNGTS), for sale in markets served by PNGTS, as well as other downstream markets. TCGS has contracted for long-term capacity on the TransCanada system and TCG Inc. has contracted for long-term capacity on the proposed PNGTS. TCG Inc. will import the gas at the proposed interconnection between the pipeline systems of TransCanada and PNGTS, on the United States/Canada border near East Hereford, Quebec and Pittsburg, New Hampshire. The mainline facilities of PNGTS will consist of 142 miles of 24-inch diameter pipeline extending from Pittsburg, New Hampshire to Westbrook, Maine.

The purchase contract filed with this application states that the contract price for each delivery month shall be a price in Canadian dollars per GJ equal to the average price per GJ for PNGTS deliveries during the month. Under this import arrangement, TCG Inc. will incur imbalance charges if it does not take its daily contract quantity.

II. FINDING

The application filed by TCG Inc. 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 TCG Inc. 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. TransCanada Gas Services Inc. (TCG Inc.) is authorized to import from Canada up to 11 billion cubic feet (Bcf) of natural gas per year, and up to 110 Bcf over a 10-year term commencing November 1, 1998, through October 31, 2008, or for 10 years after the commencement of deliveries if deliveries begin after November 1, 1998, in accordance with the terms of the Purchase/Sale Agreement signed by TCG Inc. and TransCanada Gas Services, A Division of TransCanada Energy Ltd. (TCGS), on February 1, 1998. This gas may be imported from Canada at the interconnection of TransCanada PipeLines Limited and Portland Natural Gas Transmission System near Pittsburg, New Hampshire, and East Hereford, Quebec, on the United States/Canada border.

B. Within two weeks after deliveries begin, TCG Inc. shall provide written notification to the Office of Natural Gas & Petroleum Import and Export Activities of the date that the first import of natural gas authorized in Ordering Paragraph A above occurred.

C. With respect to the natural gas imports authorized by this Order, TCG Inc. shall file with the Office of Natural Gas & Petroleum Import and Export Activities, within 30 days following each calendar quarter, a quarterly report indicating by month the volumes and prices of natural gas imported pursuant to this Order. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, TCG Inc. must report total monthly volumes in Mcf and the average purchase price of gas in U.S. dollars per MMBtu delivered at the international border, and paid to TCGS. The monthly price information shall itemize separately the monthly demand and commodity charges, and, if applicable, any imbalance charges that TCG Inc. may have incurred. In addition to the above volume and pricing information, TCG Inc. shall provide a volumetric breakdown of the geographic markets (by State) served by this gas supply.

D. The reports required by Ordering Paragraphs B and C of this Order shall filed with the Office of Natural Gas & Petroleum Import and Export Activities, Fossil Energy, Room 3E-042, FE-34, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C., 20585.

E. The first quarterly report required by Ordering Paragraph C of this Order is due not later than January 30, 1999, and should cover the period of the fourth calendar quarter of 1998 (October 1, 1998, through December 31, 1998).

Issued in Washington, D.C. on May 08, 1998.

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John W. Glynn

Manager, Natural Gas Regulations

Office of Natural Gas & Petroleum

Import and Export Activities

Office of Fossil Energy

1. 1/ 15 U.S.C. § 717b.