UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

SUMAS COGENERATION COMPANY, L.P.	)	FE DOCKET NO. 90-92-NG

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

DOE/FE ORDER NO. 494-B

NOVEMBER 30, 1992

I. DESCRIPTION OF REQUEST

On February 25, 1992, Sumas Cogeneration Company, L.P. (SCCLP), and Sumas Energy, Inc. (SEI), filed an amended application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA),1/ requesting that SCCLP be authorized to import from Canada at Sumas Washington, up to 24,000 Mcf of natural gas per day and a maximum of 8 Bcf per year, over a 20-year term beginning in the first quarter of 1993. The proposed imports would be used to fuel a new 113 megawatt cogeneration plant built by SCCLP near Sumas, Washington. The gas would enter the United States through Sumas Pipeline-USA, a 3.8-mile pipeline which connects the cogeneration plant to the Canadian pipeline facilities of Westcoast Energy, Inc (Westcoast).

SCCLP is a limited partnership organized under the laws of the State of Delaware. SEI is the sole general partner and Whatcom Cogeneration, L.P., is the sole limited partner. SCCLP will sell electricity from the cogeneration plant to Puget Sound Power & Light Company and steam to SOCCO, INC. (SOCCO). SOCCO, an affiliate company of SEI, will own and operate a lumber-drying kiln facility to be built adjacent to the cogeneration plant.

The source of the gas imported by SCCLP will be a combination of gas purchased from ENCO Gas, Ltd. (ENCO), a wholly owned subsidiary of SCCLP, and from Canadian Hydrocarbons Marketing, Inc. (CHMI). SCCLP has entered into a gas purchase

1 15 U.S.C. 717b.

agreement with ENCO dated December 23, 1991, to buy on a firm basis up to 24,000 Mcf per day of natural gas over a 20-year period. It is anticipated, however, that in the initial contract years ENCO will supply SCCLP only 12,000 Mcf of natural gas per day, with CHMI supplying additional natural gas to SCCLP. The volumes supplied by ENCO will increase to 24,000 Mcf per day after approximately three to five years, when the gas supply from CHMI is expected to be eliminated. Under the SCCLP/ENCO agreement the price paid by SCCLP for the gas at the Sumas import point would be $1.95 (U.S.) per MMBtu for the first contract year (January 1993 - October 1993), escalating each year at a rate of 7.5 percent through October 31, 2000, and then at an annual rate of 4 percent in the remaining contract years (November 2000 - October 2013).

SCCLP has also entered into a gas purchase agreement with CHMI dated December 23, 1991, under which CHMI will supply on a firm basis up to 10,000 Mcf per day of gas beginning on the date of first delivery of gas to SCCLP, anticipated to be March 1, 1993, until October, 31, 2008. SCCLP has the option each year after the first contract year to extend CHMI's firm supply obligation for an additional year beginning November 1, or to reduce the quantity of gas covered by this obligation. It is anticipated that gas supplied by CHMI will be completely eliminated and replaced by quantities covered by the SCCLP/ENCO contract after three to five years. Under the SCCLP/CHMI agreement, the daily contract quantity (DCQ) would be 10,000 Mcf.

The price paid by SCCLP to CHMI would be $1.39 (U.S) per MMBtu for the first contract year, escalating in the second through fifth years in accordance with the estimated price for British Columbian gas subject to floor and ceiling limits. The price would be set by mutual agreement in subsequent years. In addition, SCCLP would pay a demand charge of 40 percent of the contract price times the difference in the DCQ and the actual takes of gas. Finally, the contract provides, in the event ENCO and CHMI cannot supply all of the fuel requirements for the cogeneration plant, CHMI will seek on a reasonable efforts basis to provide the deficient quantities. The price for such backstop gas will be CHMI's delivered cost multiplied by 103 percent.

DOE published a notice of SCCLP's amended application in the Federal Register on May 29, 1992,2/ inviting protests, motions to intervene, notices of intervention, and comments to be filed by June 29, 1992. No comments or motions to intervene were received. Earlier in this proceeding, Northwest Pipeline Corporation and Westcoast were granted party status.

II. FINDING

The application filed by SCCLP 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. Under section 3(c), the importation of natural gas from a nation with which there is in effect a free trade agreement requiring national

2 57 F.R. 22742.

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 SCCLP to import natural gas from Canada, a nation with which a free trade agreement is in effect, meets the section 3(c) criterion and is therefore consistent with the public interest.

ORDER

For the reasons set forth above, under section 3 of the Natural Gas Act, it is ordered that:

A. Sumas Cogeneration Company, L.P. (SCCLP), is authorized to import from Canada up to 24,000 Mcf of natural gas per day and a maximum of 8 Bcf per year for use in its cogeneration facility in Sumas, Washington. This gas may be imported at the international border near Sumas over a period of 20 years beginning on the date of the first delivery, expected to be in early 1993, in accordance with the provisions of SCCLP's two gas purchase agreements with ENCO Gas, Ltd. and Canadian Hydrocarbons Marketing, Inc. filed in this docket.

B. Within two weeks after deliveries begin, SCCLP shall notify the Office of Fuels Programs, 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 delivery of natural gas authorized in Ordering Paragraph A above occurred.

C. With respect to the natural gas imports authorized by this Order, SCCLP shall file with the Office of Fuels Programs, 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, SCCLP must report separately for each of its supply contracts, total monthly volumes in Mcf and the average purchase price per MMBtu at the international border. In addition, SCCLP shall itemize separately any demand and commodity charges on a per unit (MMBtu) basis.

D. The first quarterly report required by Ordering Paragraph C of this Order is due not later than January 30, 1993, and should cover the period from the date of this order until the end of the calendar quarter December 31, 1992.

Issued in Washington, D.C., on November 30, 1992.

Charles F. Vacek
Deputy Assistant Secretary
for Fuels Programs
Office of Fossil Energy