

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

DARTMOUTH POWER ASSOCIATES)
LIMITED PARTNERSHIP)
_____)

DOCKET NO. 90-80-NG

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

DOE/FE OPINION AND ORDER 622-A

JULY 17 1992

I. BACKGROUND

On May 27, 1992, the Office of Fossil Energy (FE) of the Department of Energy (DOE) issued DOE/FE Opinion and Order No. 622 (Order 622) conditionally authorizing Dartmouth Power Associates Limited Partnership (DPA) to import 16,000 Mcf per day (Mcf/d) of natural gas from Canada over a twenty-year term beginning upon the date a combined-cycle, independent power facility owned by DPA and constructed in Dartmouth, Massachusetts, begins commercial operations. The DOE made a preliminary determination that the gas imports would not be inconsistent with the public interest. In particular, the DOE preliminarily found that the import arrangements would provide long-term reliable supplies of needed natural gas on market-responsive terms. The authorization was conditioned upon completion by DOE of a review of the environmental documentation being prepared by the Federal Energy Regulatory Commission (FERC) and completion of the DOE's National Environmental Policy Act (NEPA) responsibilities 1/ in connection with the new pipeline facilities required to transport and deliver the gas. The environmental review process is now complete.

II. Decision

The application filed by DPA has been evaluated to determine if the proposed import arrangement meets the public interest requirements of section 3 of the NGA. Under section 3, an import

1/ 42 U.S.C. 4321, et seq.

on behalf of DPA and four other power generation customers, i.e.,

Pepperell Power Associates Limited Partnership (Pepperell),
Niagara Mohawk Power Corporation (NiMo), Lockport Energy
Associates, L.P. (Lockport), and Boston Edison Company (Boston
Edison). The total transport volume would consist of 48,000 Mcf
per day of domestic gas and 77,000 Mcf per day of Canadian gas.
All of the gas destined for DPA in Massachusetts and NiMo in New
York would be Canadian in origin and enter the United States
through Iroquois' system at Waddington, New York. Likewise, the
gas to be delivered to Pepperell in Massachusetts would be
Canadian in origin, but would enter the United States through
Tennessee's system at Niagara, New York. 4/ The gas to be shipped
for Lockport in New York and Boston Edison in Massachusetts would
originate from supply sources in the U.S. Gulf Coast area and is
outside DOE's legal jurisdiction. Only Lockport's gas would be
shipped entirely on Tennessee's system. On May 20, 1992, FERC
issued an order approving the construction and operation of the
various facilities detailed below to enable Tennessee, Iroquois,

4/ Applications filed by Pepperell and NIMO for authorization to import Canadian gas are currently pending before DOE in Docket Nos. 87-71-NG and 89-33-NG, respectively. Although DOE's decision whether to authorize the import Arrangements associated with these filings will be considered apart from Dartmouth's application, the conclusion of no significant impact with respect to the construction and operation of the pipeline facilities proposed by Iroquois and Tennessee would be incorporated by reference to support any final orders issued to

NiMo and Pepperell.

and Algonquin to expand their transportation service to DPA, Pepperell, NiMo, and Lockport. 5/

2. Proposed Facilities

Tennessee

Tennessee proposes to construct three segments of buried 30- and 36-inch-diameter pipeline totaling nearly 30 miles parallel and adjacent to its existing mainline (a process referred to as "looping") to provide the contemplated transportation services for DPA. The locations of the pipeline loops would be Mercer and Crawford Counties in Pennsylvania, Albany County in New York, and Berkshire County in Massachusetts. Tennessee would also add a total of 3,100 horsepower (hp) of compression at its existing Compressor Stations 245 and 230-C in Herkimer and Niagara Counties, New York. Using its added capacity, Tennessee also would transport up to 9,800 Mcf per day of Canadian gas on behalf of Pepperell and 28,000 Mcf per day of domestic gas on behalf of Lockport.

Iroquois

Iroquois proposes to construct and operate a new 11,000 hp compressor station in Wright, New York to transport the Canadian

5/ See 59 FERC 61,199. This order did not concern the

facilities necessary for Tennessee to serve Boston Edison with domestic gas. These facilities will be considered in a separate FERC order. They include three proposed segments of pipeline loops totaling 21 miles to be built along Tennessee's system in Herkimer, Otsego, Ontario, and Chautauqua Counties, New York and a 1,000 horsepower compressor addition at Tennessee's Station 264

in Massachusetts.

gas destined for DPA. Using its added capacity, Iroquois also would transport up to 51,000 Mcf per day of Canadian gas on behalf of NiMo. The station will be constructed on a 2.5 acre site and will involve three buildings. Two buildings would each house 5,500 hp turbines and a third building would be constructed to house the control equipment and boilers for the station.

Algonquin

To transport DPA's gas, Algonquin would construct a meter station and about 140 feet of 6-inch diameter pipeline to connect the metering facility with the DPA powerplant.

3. ENVIRONMENTAL IMPACTS

The EA's for the proposals of Tennessee, Iroquois, and Algonquin to construct and operate the various pipeline loops, compression, and metering facilities to transport the specific volumes to be delivered to DPA, Pepperell, NiMo, Lockport, and Boston Edison were prepared by FERC in consultation with other Federal and state agencies. The EA's addressed construction procedures, erosion control and revegetation of the construction rights-of-way, impact on streams and wetlands, geologic concerns, land use, groundwater and soils, residential areas, federally and state-listed threatened or endangered species, air and noise quality, cultural resources, and polychlorinated biphenyls.

In addition, the EA's examined alternative routes for the proposed pipeline loops, alternative sites for the aboveground facilities, and the no action alternative. None of the pipeline route alternatives was preferred over the routes proposed by the

pipeline companies. After analyzing six alternate sites for the new compressor station, the Iroquois EA concluded that the site originally selected by Iroquois was the environmentally preferred site. This conclusion was based on the fact that the proposed site is adjacent to Iroquois' and Tennessee's existing meter station.

In the certificate order issued to the three pipeline companies on May 22, 1992, FERC found that construction and operation of the proposed pipeline loops, compression, and metering facilities would not constitute a major Federal action significantly affecting the quality of the human environment. 6/ An important factor in FERC's determination was that all proposed pipeline loops would be constructed using existing pipeline rights-of-way and all compressor additions would be installed at existing compressor stations. This generally minimizes environmental impact and is environmentally preferable to use of new rights-of-way or construction of new compressor stations. Another consideration was the extent to which mitigative construction techniques, in conjunction with erosion control, revegetation, and right-of-way maintenance procedures could be employed to reduce impact on streams, wetlands, residences, and other areas of concern.

To avoid or minimize adverse impacts, Appendix C of FERC's certificate order included 32 construction mitigation conditions applicable to Tennessee, Iroquois, and Algonquin based on the

6/ Id.

622 DOE preliminarily found that the uncontested DPA import arrangement conformed to DOE policy guidelines. The guidelines state that the competitiveness of an import arrangement will be assessed by a consideration of the whole fabric of the arrangement. They contemplate that the contract provisions should be sufficiently flexible to permit pricing and volume adjustments as required by market conditions and availability of competing alternative fuels, including domestic natural gas.

DPA's uncontested import proposal, as a whole, is competitive. In Order 622 DOE reviewed the gas contract and was satisfied that its provisions are sufficiently flexible to permit pricing and volume adjustments as required by market conditions. The purchase agreements allow for the commodity component of the price to be adjusted monthly to reflect changing market conditions and also allow both DPA and its suppliers to renegotiate the pricing provisions of the contracts every fifth contract year. Further, the contracts provide for arbitration if the parties are unable to arrive at a mutually agreeable renegotiated price.

Need for the gas is viewed under the guidelines as a function of marketability and gas is presumed to be needed if it is competitive. In Order 622 we have found on the basis of the record before us at the time that DPA's proposed import arrangement was competitive and, therefore, could be presumed to be needed.

Finally, Order 622 found the security of this Canadian gas supply was not in dispute. Natural gas has been imported from Canada for many years and there has been no instance of a major supply interruption that would call into question DPA's suppliers reliability as gas suppliers to this country. Reliability of the Canadian supplies was further supported by the contractual warranty obligations under which DPA's suppliers must deliver the daily firm contract quantities or suffer the penalty of having to reimburse DPA for any additional costs incurred in obtaining alternate supplies of gas to replace the delivery shortfall.

C. Conclusion

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DPA's proposal to import Canadian gas using the Iroquois, Tennessee, and Algonquin facilities is the same in all relevant respects as it was when conditionally approved by Order 622. Approval was conditioned upon the review by DOE of the environmental documentation prepared by the FERC and the completion by DOE of its NEPA responsibilities. After examining the entire record of this proceeding, including DOE/EA-0799 and the DOE Finding of No Significant Impact, I find that there is no information in the record that would provide a basis for altering the finding in Order 622 that the proposed import by DPA of 16,000 Mcf per day is not inconsistent with the public interest. Accordingly, this final opinion and order removes the conditions in Ordering Paragraph B of Order 622 and grants DPA authority to import, utilizing the Tennessee, Iroquois, and Algonquin

facilities, up to 16,000 Mcf/d of natural gas over a 20-year term beginning on the Initial Firm Delivery Date.

ORDER

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

A. Dartmouth Power Associates Limited Partnership is authorized to import from Canada, at a point on the international border near Iroquois, Ontario, up to 16,000 Mcf per day of natural gas in accordance with the provisions of its Purchase Agreements with Canadian Natural Gas Resources Limited, Columbia Gas Development of Canada, LTD, Excel Energy Inc., and Remington Energy Ltd. as described in DPA's application and Opinion and Order No. 622 and summarized in this Opinion and Order.

B. The term of this authorization shall be for a period of twenty years beginning on the Initial Firm Delivery Date.

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

D. With respect to the natural gas imports authorized by this Order, the applicant 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, and if so, giving by month, the total volume of the

imports in Mcf and the average price per MMBtu at the international border. The reports shall also provide the details of each transaction, including the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. Failure to file quarterly reports may result in termination of this authorization.

E. The first quarterly report required by Ordering Paragraph D above is due no later than October 30, 1992, and should cover the period from the date of this order until the end of the current calendar quarter, September 30, 1992.

Issued in Washington, D.C., on July 17, 1992.

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