

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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TENASKA GAS CO.)	FE DOCKET NOS. 91-59-NG
_____)	91-102-NG
	92-43-NG

ORDER GRANTING LONG TERM AUTHORIZATIONS
TO IMPORT NATURAL GAS FROM CANADA AND
GRANTING INTERVENTIONS

DOE/FE ORDER NO. 735

NOVEMBER 20, 1992

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I. DESCRIPTION OF THE REQUESTS

A. Docket No. 91-59-NG

On August 6, 1991, Tenaska Gas Co. (Tenaska) filed an application with the Office of Fossil Energy (FE) of the Department of Energy (DOE) under section 3 of the Natural Gas Act (NGA) requesting authorization to import up to 15,000 MMBtu of natural gas per day from Canada.^{1/} Tenaska, a Nebraska

Corporation with offices in Omaha, Nebraska, is a marketer of natural gas primarily in the Midwest region of the United States. This imported gas would be used primarily to fuel a 245 megawatt, combined cycle cogeneration facility to be built in Ferndale, Washington, and owned by Tenaska's affiliate, Tenaska Washington, Inc. (TWI). The term of the proposed import authorization would begin on the date of the first gas deliveries to the TWI cogeneration plant and continue through December 31, 2011. The cogeneration plant is expected to be in commercial operation by October 1, 1993.

The gas proposed for import by Tenaska would enter the U.S. at the international border near Sumas, Washington. From Sumas, the gas would be transported through the pipeline facilities of Cascade Natural Gas Corporation (Cascade) to the site of the proposed cogeneration facility at the British Petroleum Oil Company refinery in Ferndale, Washington. The imported gas would be purchased by TWI from Tenaska to generate electricity that

^{1/} One MMBtu is equal to approximately one Mcf.

would be sold to Puget Sound Power and Light Company (Puget).^{2/}

TWI does not at this time have a contract to sell thermal energy from this plant. Tenaska may also sell up to 600,000 MMBtu per year of this imported gas (about 11 percent) to Cascade under an agreement for Peak Gas Supply Service, dated January 15, 1991, between Cascade and Tenaska. Further, the gas proposed for import may be sold by Tenaska to others during periods when the TWI facility is not generating power. The imported gas would be supplied to Tenaska under a gas purchase agreement with Petro-Canada dated July 29, 1991, under which Petro-Canada would supply up to 15,000 MMBtu of natural gas per day. The "primary" term of the contract would commence with commercial operation of the cogeneration plant and end on the earlier of: (1) December 31 of the seventeenth year after the initial deliveries, or (2) December 31, 2011. A conditional order was issued on May 4, 1992, DOE/FE Order No. 614 (Order 614), in FE Docket No. 91-59-NG, authorizing the import of gas from Petro-Canada.

B. Docket No. 91-102-NG

On November 22, 1991, Tenaska filed an application with FE for authorization to import up to 13,000 MMBtu per day of Canadian natural gas from Husky Oil Operations Ltd. (Husky) beginning on the effective date of the requested authorization through December 31, 2011. The imported gas would be used to

^{2/} The cogeneration facility would be operated as a "qualifying facility" within the meaning of section 201 of the Public Utility Regulatory Policies Act of 1978.

supply the same proposed cogeneration facility in Ferndale, Washington, as the gas imported from Petro-Canada for which import authorization was requested in Docket No. 91-59-NG. Tenaska would sell most of the gas to TWI but may sell a small portion of the gas to Cascade and to others under the same conditions described in Docket No. 91-59-NG for gas imported from Petro-Canada. This imported gas would also enter the U.S. at the international border at Sumas, Washington and would be transported from Sumas to the proposed cogeneration facility by Cascade. The gas would be supplied to Tenaska by Husky under a gas purchase agreement dated November 4, 1991, under which Husky would supply up to 13,000 MMBtu per day of natural gas to Tenaska for resale to TWI. The primary term of the contract would commence with commercial operation of the cogeneration plant and end on the earlier of: (1) December 31 of the seventeenth year after the initial gas deliveries or (2) December 31, 2011.

C. Docket No. 92-43-NG

On March 31, 1992, Tenaska filed an application with FE for authorization to import up to 18,000 MMBtu per day of Canadian natural gas from BP Resources Canada, Limited (BP) beginning on the effective date of the requested authorization through December 31, 2011. This imported gas would also be used to fuel the TWI cogeneration facility at Ferndale, Washington. Tenaska would resell the gas to TWI under the same terms and conditions as gas imported from Petro-Canada (Docket No. 91-59-NG) and from

5/ 57 FR 29730.

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Northwest filed a motion to intervene without comment. This Order grants intervention to Northwest and Westcoast in Docket No. 91-102-NG and to Northwest in Docket No. 92-43-NG.

III. FINDING _____

The applications filed by Tenaska in Docket Nos. 91-59-NG, 91-102-NG, and 92-43-NG have been evaluated to determine if the proposed import arrangements meet 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 authorizations sought by Tenaska to import natural gas from Canada, a nation with which a free trade agreement is in effect, meet the section 3(c) criterion and are 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. Tenaska Gas Co. (Tenaska) is authorized to import up to 15,000 MMBtu per day of natural gas from Canada in accordance with the provisions of its July 29, 1991, gas purchase agreement with Petro-Canada as described in the application filed in FE Docket No. 91-59-NG. This authorization shall begin on the date

of the first delivery of gas to the proposed Tenaska Washington, Inc. (TWI) cogeneration facility to be constructed in Ferndale, Washington, and end on or before December 21, 2011, concurrent with the "primary" term of Tenaska's contract with Petro-Canada described above. This authorization supersedes the conditional authorization granted by DOE/FE Order No. 614, dated May 4, 1992.

B. Tenaska is authorized to import up to 13,000 MMBtu per day of natural gas from Canada in accordance with its November 4, 1991, gas purchase agreement with Husky Oil Operations Ltd. as described in the application filed in FE Docket No. 91-102-NG. This authorization shall begin on the effective date of this order and end on December 31, 2011.

C. Tenaska is authorized to import up to 18,000 MMBtu per day of natural gas from Canada in accordance with its March 26, 1992, gas purchase agreement with BP Resources Canada, Limited, as described in the application filed with FE in Docket No. 92-43-NG. This authorization shall begin on the effective date of this order and end on December 31, 2011.

D. Within two weeks after deliveries begin, Tenaska 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 occurred for each of the import authorizations granted in Ordering Paragraphs A, B and C above.

E. With respect to the natural gas imports authorized by this Order, Tenaska 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, Tenaska must report separately for each of its three supply contracts, the total monthly volumes in Mcf and the average purchase price per MMBtu at the international border. The reports shall itemize separately the demand and commodity charges on a per unit basis (MMBtu) and any deficiency payments made to any of its suppliers during a particular calendar quarter. In addition, Tenaska shall provide a breakdown of the repurchasers of the gas (including those other than TWI), volumes, and markets served. Furthermore, Tenaska shall notify OFP of any permanent reduction in the "maximum daily quantity" under its gas purchase contracts with any of its three suppliers.

F. The first quarterly reports required by Ordering Paragraph E of this Order are due not later than January 30, 1993, and should cover the period from the date of this order until the end of the current calendar quarter December 31, 1992.

G. The motions to intervene filed by Northwest Pipeline Corporation (Northwest) and Westcoast Energy Inc. in Docket No. 91-102-NG, and to Northwest in Docket No. 92-43-NG, are hereby granted provided that their participation is limited to the

matters specifically set forth in their motions to intervene and not herein specifically denied, and shall not be construed that they may be aggrieved because of any order issued in these proceedings.

Issued in Washington, D.C., on November 20, 1992.

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