

UNITED STATE OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

ENCOGEN NORTHWEST, L.P.

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FE DOCKET NO. 91-116-NG

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

DOE/FE ORDER NO. 736

NOVEMBER 25, 1992

I. BACKGROUND

On December 23, 1991, Encogen Northwest, L.P. (Encogen) 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/} requesting authorization to import from CanWest Gas Supply, Inc. (CanWest) up to 9,579 Mcf of Canadian natural gas per day, plus unspecified additional amounts as may be agreed to by Encogen and CanWest. The natural gas would be used in a 160-megawatt cogeneration facility Encogen proposes to construct in Bellingham, Washington. Encogen also intends to market to other purchasers in the U.S. any gas which, from time to time, the cogeneration plant is unable to use. The term of the proposed import would begin January 1, 1993, and continue for fifteen years following the commencement of commercial operation of the cogeneration facility, which is expected in June 1993. A notice of Encogen's application was published in the Federal Register on May 6, 1992.^{2/}

Encogen is a Delaware limited partnership. Its sole general partner is EDC Northwest Cogeneration, Inc., a wholly-owned subsidiary of Enserch Corporation, a Texas corporation. The proposed cogeneration facility will be operated as a "qualifying

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1. 15 U.S.C. 717b.
 2. 57 F.R. 19418.

facility" under the Public Utility Regulatory Policies Act of 1978. Electricity and thermal energy produced by the facility will be sold to Puget Sound Power & Light Company and Georgia-Pacific Corporation, respectively, under long-term contracts. Approximately 26 percent of the cogeneration facility's fuel requirements would be met by Canadian gas with the remainder supplied from domestic sources.

The imported gas would enter the United States near Sumas, Washington where the facilities of Westcoast Energy, Inc. (Westcoast) interconnect with those of Northwest Pipeline Corporation (Northwest). Northwest would transport the gas to the facilities of Cascade Natural Gas Corporation (Cascade) at Bellingham. It would then be transported by Cascade to the cogeneration plant.

Encogen and CanWest executed a gas purchase contract dated October 16, 1991. Under the pricing provisions, the price for the gas purchased during the 15-year primary term of the contract, up to 103 percent of the daily contract quantity (DCQ), will be initially \$1.84 per MMBtu and will escalate annually thereafter by five percent. The price for gas purchased prior to the time the cogeneration plant begins commercial operations and volumes above 103 percent of the DCQ will be negotiated by CanWest and Encogen. If Encogen purchases less than 90 percent of the DCQ in each contract year, CanWest would be obligated to use or broker pipeline capacity on Westcoast equal to the

deficiency volume. Also, Encogen would have to pay a gas inventory charge equal to the amount by which the price for the deficiency quantity exceeded the net back consideration received by CanWest for such utilization or brokering, or 30 percent of the applicable price for the deficiency, whichever is less.

II. FINDING

The application filed by Encogen 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 Encogen 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. Encogen Northwest L.P. (Encogen) is authorized to import up to 9,579 Mcf of Canadian natural gas per day from CanWest Gas Supply, Inc. (CanWest), plus unspecified additional amounts as

may be agreed to by Encogen and CanWest. The authorization shall begin January 1, 1993, and continue for 15 years following the commencement of commercial operation of Encogen's Bellingham, Washington cogeneration facility, pursuant to the pricing and other provisions of the gas purchase agreement between Encogen and CanWest dated October 16, 1991, as described in the application and discussed in this Order.

B. Within two weeks after deliveries begin, Encogen 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, Encogen 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 have occurred, Encogen must report total monthly volumes in Mcf and the average purchase price per MMBtu at the international border. The monthly price information shall itemize separately any gas inventory charge that Encogen pays. In addition, the monthly volume and price information shall be reported separately for

imports sold to other purchasers, including identification of geographic markets served.

D. The first quarterly report required by Ordering Paragraph C of this Order is due not later than April 30, 1993, and should cover the period from January 1, 1993, until the end of the first calendar quarter March 31, 1993.

Issued in Washington, D.C., on November 25, 1992.

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