

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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NORTHERN NATURAL GAS COMPANY	)	
	)	
GREAT PLAINS NATURAL GAS	)	
COMPANY	)	
	)	
MINNEGASCO, DIVISION OF ARKLA,	)	
INC.	)	
	)	
NATURAL GAS CLEARINGHOUSE	)	
	)	
NORTHERN ILLINOIS GAS COMPANY	)	FE DOCKET NO. 93-114-NG
	)	
NORTHERN MINNESOTA UTILITIES	)	
	)	
NORTHERN STATES POWER COMPANY	)	
(MINNESOTA)	)	
	)	
NORTHERN STATES POWER COMPANY	)	
(WISCONSIN)	)	
	)	
PEOPLES NATURAL GAS COMPANY,	)	
DIVISION OF UTILICORP UNITED,	)	
INC.	)	
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ORDER GRANTING AUTHORIZATIONS TO IMPORT NATURAL  
GAS FROM CANADA AND VACATING PRIOR AUTHORIZATION

DOE/FE ORDER NO. 874

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OCTOBER 29, 1993

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I. DESCRIPTION OF REQUEST

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On October 19, 1993, as supplemented October 26, 1993, Northern Natural Gas Company (Northern) and eight other parties filed a joint application with the Office of Fossil Energy (FE) of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA)<sup>1/</sup> and DOE Delegation Order Nos. 0204-111 and 0204-127, to have a natural gas import authorization held by Northern reassigned. In DOE/FE Opinion and Order No. 514, issued June 24, 1991, Northern was authorized to import up to 47,500 Mcf of gas per day on a firm basis through October 31, 2001, under a contract dated November 1, 1990, with Western Gas Marketing Limited (WGML).<sup>2/</sup> The gas is imported at the U.S./Canada border near Emerson, Manitoba, and used for Northern's system supply. Northern is restructuring the gas supply arrangement so it can comply with the unbundling requirements of Order 636, the pipeline services restructuring rule issued by the Federal Energy Regulatory Commission (FERC).<sup>3/</sup> Northern states that, with the effectiveness of its restructuring, it will for all practical purposes no longer have a firm natural gas merchant role.

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1/ 15 U.S.C. § 717b.

2/ 1 FE § 70,460.

3/ Pipeline Service Obligations and Revisions to Regulations

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Governing Self-Implementing Transportation; and Regulation of

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Natural Gas Pipelines After Partial Wellhead Decontrol, Order No.

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636, 57 Fed. Reg. 13267 (April 16, 1992), FERC Statutes and  
Regulations □ 30,939 (April 8, 1992), order on reh'g, Order No.

636-A, 57 Fed. Reg. 36128 (August 12, 1992), FERC Statutes and  
Regulations □ 30,950 (August 3, 1992), order on reh'g, Order No.

636-B, 57 Fed. Reg. 57911 (December 8, 1992), 61 FERC □ 61,272  
November 27, 1992), rehearing denied, 62 FERC □ 61,007  
(January 8, 1993).

Further, Northern maintains that the reassignment of the import authorization would reduce it's costs associated with the Order 636 transition.

Under the restructuring, Northern has assigned its contractual rights to the total gas supply sold to Northern by WGML to nine parties. The nine parties taking assignment of the WGML contract are Great Plains Natural Gas Company; Minnegasco, Division of Arkla, Inc.; Natural Gas Clearinghouse; Northern Illinois Gas Company; Northern Minnesota Utilities; Northern States Power Company (Minnesota); Northern States Power Company (Wisconsin); Peoples Natural Gas Company, Division of Utilicorp United, Inc.; and Wisconsin Gas Company ("Wisconsin Gas"). Wisconsin Gas would import the Canadian gas related to its portion of its assigned WGML contract volumes under its two-year blanket import authorization granted on September 30, 1993, in DOE/FE Order No. 847.4/ Most of the assignees listed above

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were previously served by Northern in its merchant role. By order issued July 16, 1993, FERC approved Northern's restructured services effective November 1, 1993.5/

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As indicated above, the gas sales contract was originally entered into by Northern and WGML on November 1, 1990. The contract was amended February 1, 1992, to implement new pricing terms. Further, on August 2, 1993, Northern notified WGML that it is reducing its obligation to purchase gas volumes under the

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4/ 1 FE □ 70,851.

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5/ Northern Natural Gas Company, 64 FERC □ 61,073.

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contract to zero effective November 1, 1994. Thus, the remaining term of the contract effectively ends October 31, 1994.

Under the contract, as amended, the assignees must nominate 60 percent of their base contract quantity or pay an additional charge for deficiencies below the 60 percent take level. For base volumes delivered each month, the assignees would pay WGML a demand charge (covering costs for Canadian pipeline transportation) and a commodity charge based on a percentage of a composite price equal to the arithmetic average of the prices for spot gas delivered to four midwestern interstate pipelines during the month as published in Inside Ferc's Gas Market Report.

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In addition, the assignees would pay commodity charges and fuel gas costs billed each month to WGML by Canadian transporters. The point of title transfer remains at the interconnection of the pipeline facilities of TransCanada PipeLines Limited and Great Lakes Gas Transmission Limited Partnership near Emerson, Manitoba.

The 47,500 Mcf per day of Canadian gas supply for the remaining year of Northern's contract with WGML would be assigned as follows:

Customer	Volume (Mcf/day)
Great Plains Natural Gas Company	249
Minnegasco, Division of Arkla, Inc.	11,819
Natural Gas Clearinghouse	8,139
Northern Illinois Gas Company	3,046





Northern States Power Company (Minnesota)	13,211
Northern States Power Company (Wisconsin)	2,461
Peoples Natural Gas Company, Division of Utilicorp United, Inc.	6,274
Wisconsin Gas Company	1,924
TOTAL	<u>47,500</u>

## II. FINDING

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This joint application has been evaluated to determine if the proposed import arrangement meets the public interest requirement 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 authority requested in this proceeding 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

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Pursuant to section 3 of the Natural Gas Act, it is ordered that:

A. Great Plains Natural Gas Company is authorized to import from Canada up to 249 Mcf of natural gas per day during

the period November 1, 1993, through October 31, 1994.

B. Minnegasco, Division of Arkla, Inc. is authorized to import from Canada up to 11,819 Mcf of natural gas per day during the period November 1, 1993, through October 31, 1994.

C. Natural Gas Clearinghouse is authorized to import from Canada up to 8,139 Mcf of natural gas per day during the period November 1, 1993, through October 31, 1994.

D. Northern Illinois Gas Company is authorized to import from Canada up to 3,046 Mcf of natural gas per day during the period November 1, 1993, through October 31, 1994.

E. Northern Minnesota Utilities is authorized to import from Canada up to 377 Mcf of natural gas per day during the period November 1, 1993, through October 31, 1994.

F. Northern States Power Company (Minnesota) is authorized to import from Canada up to 13,211 Mcf of natural gas per day during the period November 1, 1993, through October 31, 1994.

G. Northern States Power Company (Wisconsin) is authorized to import from Canada up to 2,461 Mcf of natural gas per day during the period November 1, 1993, through October 31, 1994.

H. Peoples Natural Gas Company, Division of Utilicorp United, Inc. is authorized to import from Canada up to 6,274 Mcf of natural gas per day during the period November 1, 1993, through October 31, 1994.

I. The natural gas volumes authorized in Ordering Paragraphs A through H shall be imported at the border of the United States and Canada near Emerson, Manitoba, consistent with the provisions of the contract dated November 1, 1990, between

Western Gas Marketing Limited (WGML) and Northern Natural Gas Company (Northern), as amended, which was filed with the Office of Fuels Programs (OFP), Fossil Energy.

J. Northern shall file with OFP copies of the Assignment and Novation Agreements under which Northern transfers its remaining rights under the WGML contract to the importers listed above within two weeks after Northern receives fully executed copies of such documents.

K. Northern's authority to import natural gas from Canada pursuant to DOE/FE Opinion and Order No. 514, issued June 24, 1991, is vacated in its entirety, effective November 1, 1993, the date the reassignments take effect.

L. Within two weeks after deliveries begin, each importer identified in Ordering Paragraphs A through H shall provide written notification to OFP, Room 3F-056, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that its first import of natural gas authorized by this Order occurred. Furthermore, each importer at this time shall identify the person who will be responsible for filing quarterly reports pursuant to the following Ordering Paragraphs M and N.

M. With respect to the natural gas imports authorized by this Order, each importer shall file with OFP, within 30 days following each calendar quarter, quarterly reports showing by month the total volume (in Mcf) that it imported and the average purchase price per MMBtu paid at the international border. If no imports have been made, a report of "no activity" for that

calendar quarter must be filed. The price information for a particular month shall list separately (on a per unit (MMBtu) basis) the demand charge and commodity charge. Also, the reports shall itemize separately any minimum take deficiency payments made during a particular calendar quarter.

N. The first quarterly reports required by Ordering Paragraph M of this Order are due not later than January 30, 1994, and should cover the period from November 1, 1993, until the end of the fourth calendar quarter, December 31, 1993.

Issued in Washington, D.C., on October 29, 1993.

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Anthony J. Como  
Director  
Office of Coal & Electricity  
Office of Fuels Programs  
Office of Fossil Energy