

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

_____)
WISCONSIN GAS COMPANY) FE DOCKET NO. 94-06-NG
_____)

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

DOE/FE ORDER NO. 920

FEBRUARY 18, 1994

I. DESCRIPTION OF REQUEST

On January 13, 1994, Wisconsin Gas Company (Wisconsin Gas) 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/} and DOE Delegation Order Nos. 0204-111 and

0204-127, requesting authorization to import up to 35,105 Mcf per day of Canadian natural gas from ProGas Limited (ProGas) under two similar long-term gas sales agreements.^{2/} Wisconsin

Gas, a Wisconsin public utility, is a subsidiary of WICOR, Inc. Both companies' principal place of business is Milwaukee, Wisconsin. One gas sales contract between Wisconsin Gas and ProGas, dated September 17, 1993, provides for Wisconsin Gas to import a daily quantity of up to 6,615 Mcf through October 31, 2002. The second contract between Wisconsin Gas and ProGas, dated October 20, 1993, provides for Wisconsin Gas to import a daily quantity of up to 28,490 Mcf through October 31, 2000.^{3/}

The point of delivery into the United States for this gas would be at the international boundary near Emerson, Manitoba.

Transportation from Emerson, Manitoba, would be provided by Viking Gas Transmission Company, and then by ANR and/or Northern

1/ 15 U.S.C. 717b.

2/ Since November 1, 1993, Wisconsin Gas has been importing this gas from ProGas under its blanket authorization granted by DOE/FE Order No. 858 on October 7, 1993 (1 FE 70,863).

3/ Due to ANR Pipeline Company's (ANR) restructuring under Order No. 636, approved by the Federal Energy Regulatory Commission and

effective on November 1, 1993, ANR has assigned its contract rights to previous gas sales customers, including Wisconsin Gas. The October 20, 1993, contract between Wisconsin Gas and ProGas is a result of this type of assignment.

Natural Pipeline Company to Wisconsin Gas' distribution system. No new pipeline facilities would be constructed.

Both contracts between Wisconsin Gas and ProGas provide for payment of a total price comprised of a monthly commodity charge per MMBtu delivered, a monthly demand charge (mostly covering Canadian transportation costs), and a gas inventory charge. The commodity charge would be calculated by adding a base price of \$1.80/MMBtu (U.S.) to a composite of spot gas prices from Louisiana and Oklahoma, as published in Inside FERC's Gas Market

Report. The formula for calculating the commodity charge is

subject to renegotiation and arbitration if the parties are unable to agree on a revised formula. ProGas has the right to market gas not taken by Wisconsin Gas to other purchasers, and Wisconsin Gas would then receive a credit toward its monthly demand charge. Additionally, both contracts provide that Wisconsin Gas may have to pay ProGas a minimum take deficiency charge. Each year, Wisconsin Gas would elect a minimum annual quantity of gas to be purchased from ProGas, termed its annual purchase obligation. The annual purchase obligation may be any increment of 10 percent between 50 percent and 100 percent of Wisconsin Gas' maximum daily contract quantity (MDCQ) multiplied by the number of days in the year. Wisconsin Gas would pay ProGas \$0.10/Mcf for the deficient volumes if it purchases less than its elected annual purchase obligation. However, it would have one year to make up any shortfall in purchases before being

assessed the deficiency charge. The contracts also provide that

the commodity charge Wisconsin Gas pays would be reduced by one percent for volumes purchased above Wisconsin Gas' elected annual purchase obligation.

II. FINDING _____

The application filed by Wisconsin Gas 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 authorization sought by Wisconsin Gas 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

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

A. Wisconsin Gas Company (Wisconsin Gas) is authorized to import from Canada up to 6,615 Mcf per day of natural gas purchased from ProGas Limited (ProGas) beginning on the date of this Order, and continuing through October 31, 2002, pursuant to the terms of the contract between Wisconsin Gas and ProGas dated September 17, 1993, filed in this proceeding.

B. Wisconsin Gas is also authorized to import from Canada up to 28,490 Mcf per day of natural gas purchased from ProGas Limited (ProGas) beginning on the date of this Order, and continuing through October 31, 2000, pursuant to the terms of the contract between Wisconsin Gas and ProGas dated October 20, 1993, filed in this proceeding.

C. Wisconsin Gas shall import this gas near Emerson, Manitoba, pursuant to the terms of both contracts between Wisconsin Gas and ProGas filed in this proceeding.

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

E. With respect to the natural gas imports authorized by this Order, Wisconsin Gas shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports showing by month the total volume (in Mcf) imported from ProGas and the average purchase price per MMBtu paid to ProGas at the international border. The price information for a particular month shall list separately (on a per unit [MMBtu] basis) the demand charge, commodity charge, and gas inventory charge. Also, the reports shall itemize separately any minimum take deficiency payments made by Wisconsin Gas during a particular calendar quarter.

F. The first quarterly report required by Ordering Paragraph E of this Order is due not later than April 30, 1994, and should cover the period from the date of this Order until the end of the first calendar quarter, March 31, 1994.

Issued in Washington, D.C., on February 18, 1994.

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