

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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ST. LAWRENCE GAS COMPANY, INC. ) FE DOCKET NO. 96-26-NG  
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ORDER GRANTING LONG-TERM AND BLANKET AUTHORIZATION  
TO IMPORT NATURAL GAS FROM CANADA

DOE/FE ORDER NO. 1190

JULY 26, 1996

I. DESCRIPTION OF REQUEST

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On May 6, 1996, as amended, June 19, 1996, St. Lawrence Gas Company, Inc. (St. Lawrence) filed an application with the Office of Fossil Energy 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 import up to 20,275 Mcf per day of natural gas and up to approximately 5.26 Bcf per year of natural gas from Canada. St. Lawrence is a natural gas distribution company serving customers in St. Lawrence County in northern New York State. Its principal place of business is in Massena, New York. St. Lawrence is a wholly owned subsidiary of The Consumers Gas Company Ltd. (Consumers Gas), a Canadian corporation which distributes gas in the Province of Ontario.

Under a gas sales contract between St. Lawrence and TransCanada Gas Services Limited (TCGS)<sup>2/</sup>, dated July 14, 1995, up to 10,275 Mcf per day and up to 3.75 Bcf annually would be imported to supply St. Lawrence's long-term general system needs. The remainder of the gas, up to 10,000 Mcf per day and up to approximately 1.51 Bcf in total, would be withdrawn from underground storage facilities owned by Union Gas Limited (Union) near Dawn, Ontario, during the heating season (November 1 through March 31) and imported by St. Lawrence from TCGS to meet peak

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

2/ TCGS is acting as agent for TransCanada Gas Marketing Limited. \_

winter demand.<sup>3/</sup> The term of St. Lawrence's proposed import authorization would be effective as of November 1, 1992, and would extend through October 31, 2002.<sup>4/</sup> In addition, St.

Lawrence requests a two-year, renewable, blanket authorization to import from Canada to the United States up to a total of 16.3 Bcf of natural gas. The term of this authorization would begin on the date of the first blanket import delivery.

St. Lawrence currently imports its natural gas supplies primarily from TCGS at either the Cornwall, Ontario/Massena, New York, or Iroquois, Ontario/Waddington, New York international border points. Beginning November 1, 1993, St. Lawrence periodically entered into short-term contracts with various Canadian suppliers to purchase additional gas to satisfy its system requirements.

The portion of St. Lawrence's system supply gas that would be withdrawn from Canadian storage would be transported from

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3/ The gas sales contract between St. Lawrence and TCGS does not directly provide storage services. The storage service is covered under a separate contract executed by St. Lawrence and Consumers Gas on September 3, 1995. This contract expires March 31, 2000, but may be renewed by mutual agreement of the parties at any time prior to March 31, 2000.

4/ The Federal Power Commission originally authorized St. Lawrence to import natural gas from Canada in Order 347, dated August 8, 1961. This authorization was nullified when St. Lawrence's underlying gas purchase and sale contract expired on October 31, 1992. In its application, St. Lawrence acknowledged that it inadvertently continued to import gas without authorization from November 1, 1992, to the present. DOE has reviewed the factual issues and explanatory statements submitted

by the applicant s counsel. Accordingly, DOE accepts St. Lawrence s contention that the unauthorized imports were inadvertent.

Alberta by the pipeline facilities of TransCanada, Union, and Niagara Gas Transmission, Ltd. (Niagara) to the border near Massena, New York, where Niagara's gas transmission pipeline interconnects with St. Lawrence's pipeline system. Yearlong direct deliveries to St. Lawrence from Empress, Alberta, would be transported by the pipeline facilities of TransCanada and Niagara to Massena, New York, or by TransCanada to the border near Waddington, New York, where TransCanada's pipeline facilities interconnect with the pipeline facilities of Iroquois Gas Transmission System, L.P. (Iroquois). The gas then would be transported by the Iroquois pipeline to its interconnection with St. Lawrence's system. The requested import authorization is premised on the use of existing pipeline facilities.

St. Lawrence would pay an import price to TCGS for the gas in storage and the gas delivered directly to St. Lawrence from Alberta in accordance with a two-part, demand-commodity rate structure. The demand charge would be determined monthly based on the transportation charges of TransCanada and NOVA Gas Transmission Ltd., plus a charge for fuel gas used on TransCanada's system. The commodity component is based on a formula indexed to the weighted average price paid each month by Consumers Gas (the Gas Price) under current long-term contracts for the purchase and sale of gas on a firm basis from suppliers whose gas is produced in Western Canada. The Gas Price component of the monthly commodity charge is subject to annual renegotiation at the request of either party, and in the absence

of agreement, arbitration. Also, St. Lawrence is contractually obligated to pay the monthly demand charge regardless of the actual volume of gas taken. If St. Lawrence experiences verifiable market loss, it may elect to reduce, upon notice, the daily contract volumes.

## II. FINDING \_\_\_\_\_

The application filed by St. Lawrence 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 (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 long-term and blanket authorizations sought by St. Lawrence 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. DOE emphasizes that the blanket authority is for transactions under contracts with terms of no longer than two years.

## ORDER

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

A. St. Lawrence Gas Company, Inc. (St. Lawrence) is hereby granted authority to import from Canada up to 20,275 Mcf per day with an annual limit of approximately 5.26 Bcf. Of this volume, St. Lawrence is authorized to import directly up to 10,275 Mcf per day with an annual limit of approximately 3.75 Bcf. This gas shall be imported at Massena, New York, and/or Waddington, New York. St. Lawrence is authorized to import the balance, up to an additional 10,000 Mcf per day, of storage gas during the winter period November 1 through March 31 at Massena, New York. The total volume of storage gas imported during each winter period shall not exceed approximately 1.51 Bcf.

B. The term of this authorization is for 10 years retroactive to November 1, 1992, and shall continue through October 31, 2002.

C. The gas supply authorized in Ordering Paragraph A of this Order shall be imported in accordance with the terms and conditions of the gas sales letter agreements and the gas sales contract between St. Lawrence and TransCanada Gas Services Limited (TCGS) dated July 14, 1995, filed in this proceeding.

D. St. Lawrence is authorized to import on a blanket basis up to 16.3 Bcf of natural gas over a period of two years beginning on the date of the first delivery. These volumes are in addition to the volumes which St. Lawrence is authorized to



import in Ordering Paragraph A above. This gas may be imported at any point on the border of the United States and Canada.

E. Within two weeks after initial deliveries begin under Ordering Paragraph D above, St. Lawrence shall provide written notification to the Office of Fuels Programs (OFP), Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585-0350, of the date that the first import of natural gas occurred.

F. With respect to the long-term imports authorized by Ordering Paragraph A of this Order, St. Lawrence shall file with OFP, within 30 days following each calendar quarter, quarterly reports showing by month and by entry point, the total volume imported in Mcf and the average purchase price per MMBtu at the international border. The monthly pricing information shall itemize separately the demand and commodity charges paid on a per unit (MMBTU) basis.

G. St. Lawrence shall file with OFP separate quarterly reports with respect to the two-year, blanket authorization granted in Ordering Paragraph D above. Each report shall indicate 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, St. Lawrence must report total monthly volumes (in Mcf) and the average purchase price of gas per MMBtu at the international border. The reports shall also provide the details of each import transaction, including: (1) the name of the seller(s); (2) the

name of the purchaser(s); (3) the estimated or actual duration of the agreement(s); (4) the name of the U.S. transporter(s); (5) the point(s) of entry; (6) the geographic market(s) served; (7) whether sales are being made on an interruptible or firm basis; and, if applicable, (8) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price. The quarterly reports required by Ordering Paragraphs F and G of this Order shall be submitted together.

H. The first quarterly reports required by Ordering Paragraphs F and G of this Order are due not later than October 30, 1996, and should cover the period from the date of this Order until the end of the third calendar quarter, September 30, 1996.

Issued in Washington, D.C., on July 26, 1996.

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