

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

BOSTON GAS COMPANY
FE DOCKET NO. 98-98-NG

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

DOE/FE ORDER NO. 1445

DECEMBER 17, 1998

I. DESCRIPTION OF REQUEST

On December 8, 1998, Boston Gas Company (Boston 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, for authorization to import up to 43,200 Mcf per day of natural gas from Canada. The term of the import is for eight years beginning November 1, 1999, through March 31, 2007. Boston Gas is a Massachusetts corporation with its principal place of business in Boston, Massachusetts. The parent company of Boston Gas is Eastern Enterprises. Boston Gas is engaged in the distribution and sale of natural gas to approximately 540,000 residential, commercial, and industrial customers in the city of Boston and 73 other cities and towns in eastern Massachusetts. Boston Gas intends to use the imported gas to meet market requirements in its service area.

In DOE/FE Opinion and Order No. 552 (Order 552), issued November 27, 1991, Boston Gas was authorized to import from Imperial Oil Resources Limited (Imperial)⁽²⁾ up to 35,000 Mcf of natural gas supplies originating in Western Canada over a period of 15 years.⁽³⁾ Up to now, the gas supply has been transported in Canada using the pipeline system of TransCanada PipeLines Limited. Iroquois Gas Transmission System, L.P. and Tennessee Gas Pipeline Company delivered the gas to Boston Gas from the U.S./Canada border near Waddington, New York. The proposed import in this proceeding is the result of a restructured natural gas sales agreement between Boston Gas and Imperial, dated November 12, 1997, amending the previous agreement scheduled to expire March 31, 2007. The amending agreement reflects new supply, transportation, and pricing arrangements. By letter dated December 8, 1998, Boston Gas requests Order 552 be terminated November 1, 1999, subject to the granting of the import authorization in this proceeding.

Under the amending agreement, the natural gas would be delivered by Imperial to Boston Gas in Canada, at the outlet of the Sable Offshore Energy Project (SEOP) gas plant near Goldboro, Nova Scotia. After receipt, Boston Gas would transport the gas to the U.S./Canada border near Bailyville, Maine, and then to Dracut, Massachusetts, using the proposed pipeline facilities of Maritimes & Northeast Pipeline Limited Partnership (Maritimes & Northeast-Canada) and Maritimes & Northeast Pipeline, L.L.C. (Maritimes & Northeast-U.S.).⁽⁴⁾ Boston Gas is obligated to purchase Imperial's share of SOEP production, not to exceed 43,200 Mcf per day. The base price for all volumes is the higher of the Henry Hub first of the month index as reported in Inside FERC's Gas Market Report, minus \$0.15, or the SOEP Market Price, if such an index develops. Boston Gas has a one-time right to initiate price renegotiation by notifying Imperial during the period between June 1, 2002, and June 30, 2002. If renegotiation does not result in a new price, to be effective November 1, 2002, the contract provides for arbitration.

II. FINDING

The application filed by Boston Gas 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 authorization sought by Boston 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. Boston Gas Company (Boston Gas) is authorized to import at Bailyville, Maine, up to 43,200 Mcf per day of natural gas from Canada for a period of eight years commencing November 1, 1999, through March 31, 2007. This gas shall be imported consistent with the terms and conditions of the Natural Gas Sales - Amending Agreement, dated November 12, 1997, between Boston Gas and Imperial Oil Resources on file in this docket.

B. With respect to the natural gas imports authorized by this Order, Boston Gas shall file with the Office of Natural Gas

& Petroleum Import and Export Activities, within 30 days following each calendar quarter, quarterly reports indicating whether imports of natural gas have been made. Quarterly reports must be filed whether or not initial deliveries have begun. If no imports of natural gas have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, Boston Gas must report total monthly volumes in Mcf and the average purchase price of gas per MMBtu delivered at the international border.

C. The reports described in Ordering Paragraph B of this Order shall be filed with the Office of Natural Gas & Petroleum Import and Export Activities, Fossil Energy, Room 3E-033, FE-34, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585.

D. The first quarterly report required by Ordering Paragraph B of this Order is due not later than January 30, 2000, and should cover the period from November 1, 1999, until the end of the fourth calendar quarter, December 31, 1999.

Issued in Washington, D.C., on December 17, 1998.

John W. Glynn

Manager, Natural Gas Regulation

Office of Natural Gas & Petroleum

Import and Export Activities

Office of Fossil Energy

1. 1/ 15 U.S.C. § 717b.

2. Previously known as Esso Resources Canada Limited.

3. 1 FE ¶ 70,503.

4. Maritimes & Northeast-Canada and Maritimes & Northeast-U.S. are constructing a natural gas pipeline project extending from County Harbour, Nova Scotia, Canada to the Canadian-U.S. border near Bailyville, Maine. The pipeline will continue through the States of Maine and New Hampshire into Massachusetts, where it will then connect with the existing U.S. pipeline grid.