

99-92-NK

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NOV 11 1999

November 5, 1999

**VIA COURIER**

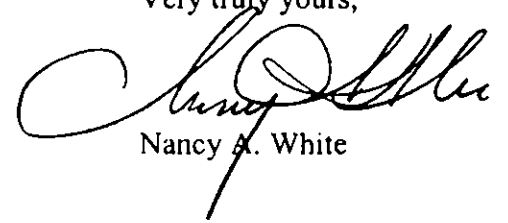
Mr. John W. Glynn  
Manager, Natural Gas Regulation  
Office of Natural Gas Petroleum Import and Export Activities  
Fossil Energy  
U.S. Department of Energy  
Forrestal Building, Room 3E-042, FE-34  
1000 Independence Avenue, SW  
Washington, DC 20585

**Re: Application of TransCanada Gas Services, A Division Of  
TransCanada Energy Limited For Long Term Import Authorization**

Dear Mr. Glynn:

I enclose the application of TransCanada Gas Services, A Division Of TransCanada Energy Ltd. for long-term authorization to import natural gas from Canada pursuant to arrangements between TCGS and Yankee Gas Services Company. I also enclose the filing fee in the amount of \$50.00. Please do not hesitate to call me if you have any questions regarding the enclosed application.

Very truly yours,



Nancy A. White

NAW/jeh  
Enclosures

**ORIGINAL**

**UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY**

5 1992 002/7E

1000000 P 10 21

TransCanada Gas Services, )  
A Division Of TransCanada Energy Limited )

FE Docket No. 99-92-NG

**APPLICATION OF TRANSCANADA GAS SERVICES,  
A DIVISION OF TRANSCANADA ENERGY LIMITED  
FOR LONG TERM IMPORT AUTHORIZATION**

Pursuant to Section 3 of the Natural Gas Act, 15 U.S.C. §717b, and the Rules and Regulations of the Department of Energy, Office of Fossil Energy, 10 C.F.R. Part 590 (1999), TransCanada Gas Services, A Division Of TransCanada Energy Limited (TCGS) hereby files this application for long term authorization to import natural gas from Canada pursuant to an agreement between TCGS and Yankee Gas Services Company (Yankee). In support hereof, TCGS respectfully states as follows:

**I. Identification of Applicant.**

Applicant's exact name and the location of its principal place of business are as follows:

TransCanada Gas Services, A Division  
Of TransCanada Energy Limited  
3400, 237 Fourth Avenue, SW  
Calgary, Alberta  
Canada T2P 5A4

The names, addresses, and telephone numbers of the persons to whom service is to be made and to whom communications are to be addressed in this proceeding are:

Rob Pirt  
Vice President - Transportation  
TransCanada Gas Services, A Division  
Of TransCanada Energy Limited  
3400, 237 Fourth Avenue, SW  
Calgary, Alberta  
Canada T2P 5A4  
(403) 213-5633

Robert I. White  
Nancy A. White  
Squire, Sanders & Dempsey L.L.P.  
1201 Pennsylvania Avenue, NW  
P.O. Box 407  
Washington, D.C. 20044-0407  
(202) 626-6600

TCGS, an Alberta corporation, is a division of TransCanada Energy Ltd., which in turn is a wholly-owned subsidiary of TransCanada Pipelines Limited (TransCanada). TransCanada owns, inter alia, TransCanada PipeLines, a natural gas transmission system extending from Alberta to Quebec. TransCanada and its subsidiaries purchase, transport and sell natural gas to consumers in Canada and the United States. TCGS is engaged in the purchase and sale of natural gas and also acts as agent for TransCanada and its marketing affiliates. TCGS is the successor to TransCanada Gas Marketing Limited (TGML) who, in turn, acted as agent for TransCanada with respect to TransCanada's sales to Boundary Gas, Inc. (Boundary) and Alberta Northeast Gas Ltd. (ANE).

## **II. Background.**

Boundary and ANE are companies organized by several Northeast U.S. local distribution companies (LDCs) for the purpose of purchasing and importing Canadian natural gas for resale to these LDCs.<sup>1</sup> ANE and Boundary own no facilities but rather serve as commercial conduits for purchases of natural gas from certain Canadian suppliers.

Prior to June 25, 1998, Yankee purchased natural gas indirectly from TransCanada, through ANE and Boundary. These purchases were effectuated by four contracts, as follows:

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<sup>1</sup> Boundary Gas Inc., DOE/FE Order No. 1155 (1996); The Brooklyn Union Gas Co., et al., DOE/FE Order No. 368-G, 1 FE ¶ 70,994 (1994).

1. TGML and Boundary were parties to a gas purchase and sales agreement dated September 14, 1987, whereby Boundary purchased natural gas from TGML, as agent for TransCanada, with gas so purchased destined for resale to Yankee.
2. Boundary and Yankee were, in turn, parties to a gas purchase and sales agreement, also dated September 14, 1987 whereby Boundary resold gas purchased from TGML to Yankee.
3. TGML and ANE were parties to a gas purchase and sales agreement dated February 7, 1991, whereby ANE purchased natural gas from TGML, as agent for TransCanada, with gas so purchased destined for resale to Yankee.
4. ANE and Yankee were parties to a gas purchase and sales agreement, also dated February 7, 1991, whereby ANE resold natural gas purchased from TGML to Yankee.

Insofar as import authorizations were concerned, Boundary obtained the long term import authorization necessary to make deliveries under its contract with Yankee. Specifically, Boundary was authorized to import up to 92,500 Mcf/day of natural gas for a term ending January 15, 2003.<sup>2</sup> Yankee's share of the volumes so imported by Boundary was 9,463 Mcf/day. Yankee holds, in its own name, the requisite long term import authority related to its purchases from ANE.<sup>3</sup> Thereunder, Yankee was authorized to import up to 59,000 Mcf/day<sup>4</sup> for a 15 year term, commencing with the date of first imports. Imports under this authorization commenced in late 1991.

In mid-1998, Yankee and TCGS, as successor to TGML and as agent for TransCanada, commenced discussions regarding modification of the above noted contractual arrangements in

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<sup>2</sup> Boundary Gas, Inc., DOE/FE Opinion and Order No. 358, 1 FE ¶ 70,273 (1989).

<sup>3</sup> See, Brooklyn Union Gas Co., et al., DOE/FE Opinion and Order Nos. 368, 1 FE ¶ 70,285 (1990); 368-A, 1 FE ¶ 70-370 (1990); and 368-C, 1 FE ¶ 70,426 (1991).

<sup>4</sup> The original import authorization was amended in DOE/FE Order No. 368-G to increase the authorized import volumes to include fuel calculated pursuant to Iroquois Gas Transmission System's FERC Gas Tariff. The Brooklyn Union Gas Co., et al., 1 FE ¶ 70,994 (1994).

order to enable Yankee and TCGS to contract directly with each other. TCGS and Yankee desired to implement this new arrangement on July 1, 1998, and to do so entered into an Interim Gas Purchase Contract (Interim Contract). Under the Interim Contract, Yankee purchases natural gas directly from TCGS, pursuant to terms and conditions that are, in all material respects, identical to the terms and conditions of the ANE/Boundary contracts.

At the time the Interim Contract was executed on June 25, 1998, TCGS and Yankee determined that further negotiations might result in an agreement that departed, in some respects, from the terms of the ANE/Boundary Contract that were incorporated by the Interim Contract. To accommodate any such changes, the Interim Contract provided that TCGS and Yankee would, at a later date, execute a permanent gas purchase contract that would supersede the Interim Contract. However, in recognition of the fact that further discussions between TCGS and Yankee also could result in a decision to adhere to the incorporated terms of the ANE/Boundary contract, the parties provided that the Interim Contract could remain in effect, unless superseded, until November 1, 2006.

The Interim Contract contemplates that deliveries to Yankee and would commence pursuant to the Seller's, *i.e.*, TCGS' existing regulatory authority. In this regard, TCGS' affiliate, TransCanada Gas Services, Inc. (TCG Inc.) then held, and continues to hold, a blanket import/export authorization which expressly permits TCG Inc. to import and export natural gas as agent for others.<sup>5</sup> Accordingly, imports under the Interim Contract have been accomplished by TCG Inc., as agent for TCGS.

TCGS and Yankee have now concluded that no further changes to their contractual arrangement are required at this time and a new long term contract is therefore unnecessary.

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<sup>5</sup> TransCanada Gas Services, Inc., DOE/FE Order No. 1424 (October 26, 1998).

Given the parties' decision to abide by the Interim Contract for an extended period, use of TCG Inc.'s blanket import/export authorization no longer is appropriate. Accordingly, TCGS by this application seeks a long term import authorization specific to the Interim Contract.<sup>6</sup>

### III. Authorization Requested.

TCGS proposes to import up to 68,463 Mcf of natural gas per day, plus an amount for fuel as calculated pursuant to the then-effective Iroquois FERC Gas Tariff, for a term commencing with the date of first import hereunder and ending October 31, 2006.<sup>7</sup> The natural gas so imported will be resold to Yankee pursuant to the terms of the Interim Purchase Agreement, a copy of which is attached hereto as Appendix A. TCGS will import natural gas under the requested authorization at points of interconnections between TransCanada and U.S. pipeline facilities.

At present, TCGS' deliveries of natural gas to Yankee under the Interim Contract occur at the existing interconnections between TransCanada and Iroquois at a point on the U.S./Canada boundary near Waddington, New York and at the existing interconnection between TransCanada and Tennessee Gas Pipeline Company at a point on the U.S./Canada boundary near Niagara Falls, New York. However, TCGS asks that the import authorization not be limited to these two existing interconnections. Rather, TCGS asks that it be permitted to import volumes for sale to Yankee under the Interim Contract at any point of interconnection between Canadian and U.S. pipeline facilities.<sup>8</sup>

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<sup>6</sup> A copy of the Interim Contract is attached as Appendix A.

<sup>7</sup> An opinion of counsel as required by 10 C.F.R. § 590.202(c) is attached as Appendix B.

<sup>8</sup> No new facilities are required for the proposed imports. However, new interconnections between Canadian and U.S. pipeline facilities may become available for transporting gas purchased under the Interim Contract.

**IV. The Requested Authorization Meets The Criterion Of NGA Section 3(c) And Should Be Granted Without Further Procedures.**

Consideration of this application is governed by NGA Section 3, 15 U.S.C. § 717b.

Section 3 requires that a proposed import or export be approved unless FE determines that the export will not be consistent with the public interest. Id. NGA Section 3(c) further provides that imports and exports of natural gas shall be deemed to be consistent with the public interest when gas is proposed to be imported from or exported to a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas. 15 U.S.C. § 717b(c).

Canada is party to a free trade agreement with the United States which provides for national treatment for natural gas.<sup>9</sup> Accordingly, pursuant to NGA Section 3(c), TCGS' proposed import must be deemed to be consistent with the public interest, and its application should be granted without further proceedings.

**V. Environmental Impact.**

As noted above, the imports proposed herein do not require the construction of new pipeline facilities. Accordingly, there will be no environmental impact associated with the proposed imports.

**VI. Quarterly Reports.**

Consistent with the FE's Orders on other long-term import applications, TCGS proposes that, with respect to the natural gas imports under the requested authorization, it will file, within 30 days following each calendar quarter, a quarterly report indicating by month the volumes and prices of natural gas imported pursuant to the authorization. Such reports will include the

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<sup>9</sup> North American Free Trade Agreement, Chapter 6, Article 607.

volumes in Mcf imported by TCGS and the average purchase price of gas per MMBtu delivered at the international border.

**Conclusion**

**WHEREFORE**, TransCanada Gas Services, A Division Of TransCanada Energy Ltd. respectfully requests that the Department of Energy, Office of Fossil Energy issue an order authorizing TCGS to import from Canada to the United States up to 68,463 Mcf of natural gas per day, plus applicable fuel, for sale to Yankee Gas Services, Inc. for a term commencing with the with the date of the first import hereunder and ending October 31, 2006.

Respectfully submitted,

By 

Robert I. White  
Nancy A. White  
Squire, Sanders & Dempsey L.L.P.  
1201 Pennsylvania Avenue, N.W.  
P.O. Box 407  
Washington, D.C. 20044-0407  
(202) 626-6600

Washington, D.C.  
November 5, 1999



APPENDIX A

**AMENDMENT TO  
INTERIM GAS PURCHASE CONTRACT**

THIS AMENDMENT ("Amendment") amends the INTERIM GAS PURCHASE CONTRACT dated June 26, 1998 (the "Interim Contract") by and between Yankee Gas Services Company ("Yankee Gas" or "Buyer") and TransCanada Gas Services, a division of TransCanada Energy Ltd., successor to TransCanada Gas Marketing Limited, and as agent for TransCanada Pipelines Limited ("TransCanada" or "Seller") (collectively referred to as "Parties").

WHEREAS, Yankee Gas and TransCanada Gas Services Inc. ("TCGS"), an affiliate of TransCanada, are entering into a separate Bundled Gas Service Agreement ("Bundled Gas Agreement") and in order to better effectuate that agreement, the Parties agree to change the points of delivery for Gas purchased under the Interim Contract.

NOW, THEREFORE, in consideration of the mutual promises herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, the Parties agree as follows:

1. As of the effective date of this Amendment, all gas delivered to Yankee Gas under the Interim Contract for ANE contract volumes shall be delivered at the Canadian side of the international border at or near the Waddington, New York interconnection between TransCanada Pipelines Limited and the Iroquois Pipeline.

2. As of the effective date of this Amendment, all gas delivered to Yankee Gas under the Interim Contract for Boundary contract volumes shall be delivered at the Canadian side of the international border at or near the Niagara, New York interconnection between TransCanada Pipelines Limited and the Tennessee Gas Pipeline.

3. It is the belief of the Parties that Yankee Gas will not incur any tax liability by purchasing gas under the Interim Contract in Canada and reselling the same to TCGS in Canada under the terms of the Bundled Gas Agreement. If Yankee Gas becomes subject to any tax liability for effectuating the above transaction, TransCanada agrees to assume such tax liability from Yankee Gas and shall make all payments required to fulfill such tax liability to the relevant governmental authority in a timely manner.

4. This Amendment shall only go into effect as of the effective date of the Bundled Gas Agreement. Should Yankee Gas and TCGS fail to execute the Bundled Gas Agreement, this Amendment shall be void and have no force and effect. Further, Yankee Gas shall have the option in its sole discretion to terminate this Amendment upon any termination of the Bundled Gas Agreement.

Except as modified by this Amendment, all of the terms and conditions of the Contract shall remain in full force and effect.

**YANKEE GAS SERVICES COMPANY**

By: Thomas J. Houde  
Thomas J. Houde  
Title: VP-Rates and Resource Planning  
Date: Oct 27 1998  
Attest: [Signature]

**TRANSCANADA GAS SERVICES**  
A division of TransCanada Energy Ltd.  
As agent for  
**TRANSCANADA PIPELINES LIMITED**

By: [Signature]  
Mark Brown  
Title: VP - Marketing, Northeast Region  
Date: October 27/98  
Attest: [Signature]

Legal	<u>[Signature]</u>
Content	

## INTERIM GAS PURCHASE CONTRACT

This Interim Gas Purchase Contract ("Interim Contract") is made this 25<sup>th</sup> day of June 1998 by and between TransCanada Gas Services, a division of TransCanada Energy Ltd. ("TCGS"), successor to TransCanada Gas Marketing Limited, and as agent for TransCanada PipeLines Ltd. ("TransCanada" or "Seller") and Yankee Gas Services Company ("Yankee" or "Buyer") (collectively referred to as "Parties") pursuant to the following recitals and terms.

WHEREAS, Seller currently provides gas to Buyer through Alberta Northeast Gas Limited ("ANE") and Boundary Gas Inc. ("BGI") (collectively "ANE/BGI") under Gas Purchase Contract No. 1 and Gas Purchase Contract No. 2 between TransCanada and ANE and Gas Sales Agreement No. 1 and Gas Sales Agreement No. 2 between ANE and Yankee, all dated February 7, 1991, and Phase 2 Gas Purchase Contract between TransCanada and BGI and Phase 2 Gas Sales Agreement between BGI and Yankee, both dated September 14, 1987, referred to as the ANE contracts and the Boundary contracts, and both Parties have agreed to terminate this contractual relationship for Buyer's gas purchases and split out Buyer's ANE and Boundary volumes so that the Parties can contract with each other directly and without ANE/BGI; and

WHEREAS, the Parties wish to implement these arrangements on or about July 1, 1998, but do not have time to execute permanent, long-term contracts for these gas volumes prior to such date, and wish to execute this Interim Contract to cover the period between the termination of gas sales through ANE/BGI for both the ANE contracts and Boundary contracts until the permanent long-term contracts can be executed and put into effect; and

WHEREAS, in order to effectuate this change, Buyer must promptly deliver a Notice of Termination to ANE so that it will no longer receive any gas volumes from Seller through ANE/BGI as of the effective date of this Interim Contract and Seller must also promptly deliver to ANE/BGI a consent which relieves ANE/BGI from any future obligations under the ANE and Boundary contracts for the Yankee volumes.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, Seller and Buyer agree as follows:

1. This Interim Contract shall be effective as of July 1, 1998 at 9:00 a.m. (Eastern Daylight Time) and shall remain in effect until replaced with a permanent contract or contracts to be negotiated and executed in good faith between the Parties as soon as reasonably possible. Provided, however, in no event shall this Interim Contract remain in effect after November 1, 2006. Provided further, this Interim Contract shall only go into effect if ANE/BGI have received and accepted Yankee's Notice of Termination and TransCanada's consent to such termination such that this Interim Contract can go into effect by July 1, 1998.

2. The gas quantities, price, billing, payment and all other terms and conditions applicable to this Interim Contract shall be the same, in all material respects, as those currently in effect under the Boundary and ANE contracts applicable to both Yankee and TransCanada, except as specifically provided herein.

3. During the term of this Interim Contract the Seller agrees to provide gas to Buyer at the Waddington, New York delivery point for delivery into the Iroquois Pipeline for the ANE contract volumes and at Niagara, New York for delivery into Tennessee Gas Pipeline for the Boundary contract volumes; all such deliveries to be pursuant to Seller's existing regulatory authority. Seller warrants that it has export and import authorization from Canadian and U.S. regulators, and any other applicable authorization, sufficient to fully and lawfully perform this gas sale and transportation.

4. Upon the execution of this Interim Contract the Buyer shall promptly deliver a written Notice of Termination to ANE/BGI which requests that all service from ANE/BGI for the TransCanada volumes under the Boundary Gas and ANE contracts shall terminate as of 9:00 a.m. (Eastern Daylight Time) July 1, 1998 and Seller shall promptly deliver to ANE/BGI such consents as are necessary to effectuate this termination. The Parties agree to cooperate and take all reasonable steps to secure ANE/BGI's timely acceptance of this Notice of Termination.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed in separate counterparts, each of which shall be deemed an "original" hereof, but all of which shall constitute one and the same instrument and have caused their corporate seal to be hereunto affixed, attested by the hands of their proper officers duly authorized in that behalf as of the day and year first above written.

ATTEST:

TransCanada Gas Services,  
a division of TransCanada Energy Ltd.  
on its own behalf and as agent for  
TransCanada PipeLines Limited

\_\_\_\_\_  
(seal)

per: \_\_\_\_\_  
Title: \_\_\_\_\_

ATTEST

\_\_\_\_\_  
(seal)

*[Signature]*  
Assistant Corporate  
Secretary

Yankee Gas Services Company

per: *[Signature]*  
Title: \_\_\_\_\_

THOMAS J. HOUE  
VICE PRESIDENT  
RATES AND RESOURCE PLANNING

3. During the term of this Interim Contract the Seller agrees to provide gas to Buyer at the Waddington, New York delivery point for delivery into the Iroquois Pipeline for the ANE contract volumes and at Niagara, New York for delivery into Tennessee Gas Pipeline for the Boundary contract volumes; all such deliveries to be pursuant to Seller's existing regulatory authority. Seller warrants that it has export and import authorization from Canadian and U.S. regulators, and any other applicable authorization, sufficient to fully and lawfully perform this gas sale and transportation.

4. Upon the execution of this Interim Contract the Buyer shall promptly deliver a written Notice of Termination to ANE/BGI which requests that all service from ANE/BGI for the TransCanada volumes under the Boundary Gas and ANE contracts shall terminate as of 9:00 a.m. (Eastern Daylight Time) July 1, 1998 and Seller shall promptly deliver to ANE/BGI such consents as are necessary to effectuate this termination. The Parties agree to cooperate and take all reasonable steps to secure ANE/BGI's timely acceptance of this Notice of Termination.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed in separate counterparts, each of which shall be deemed an "original" hereof, but all of which shall constitute one and the same instrument and have caused their corporate seal to be hereunto affixed, attested by the hands of their proper officers duly authorized in that behalf as of the day and year first above written.

ATTEST:

TransCanada Gas Services,  
a division of TransCanada Energy Ltd.  
on its own behalf and as agent for  
TransCanada PipeLines Limited

\_\_\_\_\_  
(seal)

per: \_\_\_\_\_  
Title: \_\_\_\_\_

Mark Brown  
Vice President  
Marketing N.E. Region

ATTEST:

Yankee Gas Services Company

\_\_\_\_\_  
(seal)

per: \_\_\_\_\_  
Title: \_\_\_\_\_

NOTICE AND ACKNOWLEDGMENT

TransCanada PipeLines Limited ("TransCanada") and its agent TransCanada Gas Services, a division of TransCanada Energy Ltd. ("TCGS"), successor to TransCanada Gas Marketing Limited, hereby consent, effective 9:00 a.m. (Eastern Daylight Time) July 1, 1998, to the following: TransCanada and TCGS agree to relieve Alberta Northeast Gas Limited ("ANE") and Boundary Gas Inc. ("BGI") (collectively "ANE/BGI") of any obligation or liability associated with Yankee Gas Services Company's ("Yankee") BGI and ANE/TCGS gas volumes. TransCanada and TCGS consent both in their capacity as Seller(s) under the Boundary and ANE/TCGS Contracts and in their capacity as signatory(s) to the Consents and Agreements between and among (a) TCGS, ANE and Yankee; (b) TransCanada, ProGas Ltd., ANE and Yankee, and (c) TransCanada, ATCOR, ANE and Yankee.

ATTEST:

TransCanada Gas Services,  
a division of TransCanada Energy Ltd.  
on its own behalf and as agent for  
TransCanada PipeLines Limited

\_\_\_\_\_  
(seal)

per: 

Title: \_\_\_\_\_

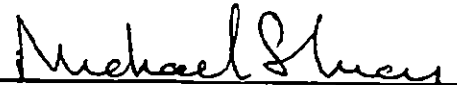
Mark Brown  
Vice President  
Marketing N.E. Region

Date: \_\_\_\_\_

25/6/98

By signing below ANE/BGI acknowledge (i) the receipt of this Notice; (ii) the receipt and acceptance of Yankee's Notice of Termination for its BGI and ANE/TCGS gas volumes and (iii) affirmatively state that ANE/BGI hereby consent to the issuance of any amendment of the joint export license or new export license, as well as any new or amended import license, which may be needed from any Canadian or U.S. regulatory authority in order to make, complete or document this change.

Signed: \_\_\_\_\_

  
for Alberta Northeast Gas Limited and  
Boundary Gas, Inc.

Date: \_\_\_\_\_

6/26/98

ATTEST:

  
(Seal)

APPENDIX B

*Squire, Sanders & Dempsey*

L.L.P.

*Counsellors at Law*

*1201 Pennsylvania Avenue, N.W.*

*P.O. Box 407*

*Washington, D.C. 20044-0407*

*Telephone (202) 626-6600*

*Cable Squire DC*

*Telex (202) 626-6780*

*Direct Dial Number*

*(202) 626-6285*

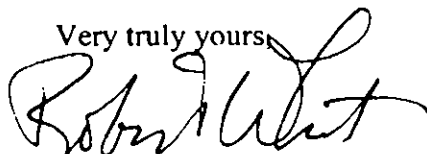
November 5, 1999

John W. Glynn  
Manager, Natural Gas Regulation  
Office of Natural Gas and Petroleum  
Import and Export Activities  
Fossil Energy  
U.S. Department of Energy  
Forrestal Building, Room 3E-042, FE-34  
1000 Independence Avenue, S.W.  
Washington, D. C. 20585

Dear Mr. Glynn:

This opinion of counsel is furnished pursuant to 10 C.F.R. §590.202(c), in connection with the Application of TransCanada Gas Services, A Division Of TransCanada Energy Ltd. ("TCGS") For Long Term Import Authorization pursuant to Section 3 of the Natural Gas Act, 15. U.S.C. §717b. The undersigned is of the opinion that TCGS is a corporation duly organized, valid, existing and in good standing under the laws of Alberta, Canada, and the proposed imports and exports are within TCGS' corporate powers.

Very truly yours,



Robert I. White  
Counsel for TransCanada Gas Services,  
A Division Of TransCanada Energy Ltd.

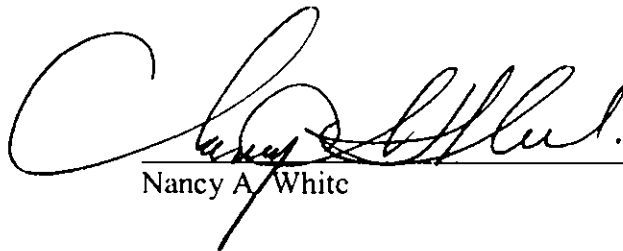
RIW/jeh



**VERIFICATION**

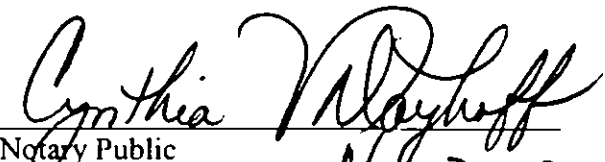
**DISTRICT OF COLUMBIA,**

Nancy A. White, being first duly sworn, deposes and says that she is Counsel for TransCanada Gas Services, A Division Of TransCanada Energy Limited, that she is authorized to sign the foregoing; that she is familiar with the contents thereof; and that the matters and thoughts set forth therein are true and correct to the best of her knowledge, information and belief.

  
\_\_\_\_\_  
Nancy A. White

Sworn before me at Washington, D.C. this 5th day of November, 1999.

  
My Commission Expires November 30, 2003

  
\_\_\_\_\_  
Notary Public  
My Commission expires Nov. 30, 2003



## I. DESCRIPTION OF REQUEST

On November 5, 1999, TransCanada Gas Services, A Division of TransCanada Energy Limited (TCGS) 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, for authorization to import natural gas from Canada. TCGS proposes to import up to 68,463 Mcf of natural gas per day plus fuel for pipeline transportation. The term of the authorization would commence on the date of the first delivery and continue through October 31, 2006. TCGS will sell the imported gas to Yankee Gas Services Company (Yankee)<sup>2/</sup> pursuant to an Interim Gas Purchase Contract dated June 25, 1998.

TCGS, an Alberta corporation, is a division of TransCanada Energy Ltd., which, in turn, is a wholly-owned subsidiary of TransCanada PipeLines Limited (TransCanada). TransCanada owns *inter alia*, TransCanada PipeLines, a natural gas transmission system extending from Alberta to Quebec. TransCanada and its subsidiaries purchase, transport, and sell natural gas to consumers in Canada and the United States. TCGS purchases and sells natural gas on its own behalf and also acts as agent for TransCanada and its marketing affiliates. TCGS is the successor to TransCanada Gas Marketing Limited (TGML) who, in turn, acted as agent for TransCanada with respect to TransCanada's sales to Boundary Gas, Inc. (Boundary) and Alberta Northeast Gas Ltd. (ANE).

Boundary and ANE are companies established by several New York, New Jersey, and New England local natural gas distribution companies (LDCs) to act as middlemen in the purchase of Canadian gas and

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<sup>1/</sup> 15 U.S.C. § 717b.

<sup>2/</sup> Yankee is Connecticut's largest natural gas distribution company.

its resale to these LDCs.<sup>1/</sup> Boundary was established in 1980 and ANE in 1986. Each LDC buys a predetermined share of the quantity that is imported. The design and operation of Boundary and ANE differ in that both the purchase and resale of the gas by ANE take place on the Canadian side of the international border.

Prior to June 25, 1998, Yankee (formerly Connecticut Light and Power Company)<sup>2/</sup> bought natural gas indirectly from TransCanada through ANE and Boundary. These purchases were carried out under four contracts. TGML supplied the gas to Boundary and ANE under two of the contracts, dated September 14, 1987, and February 7, 1991, respectively. Thereupon, Yankee acquired the gas from Boundary and ANE under the other two contracts, also dated September 14, 1987, and February 7, 1991, respectively.

With respect to Boundary's import arrangement with TGML, FE authorized Boundary to import 92,500 Mcf of gas per day for a term ending January 15, 2003.<sup>3/</sup> Yankee's share was 9,463 Mcf. Yankee holds, in its own name, the long-term authority related to its purchases from ANE. Under that authorization, Yankee may import up to 59,000 Mcf of gas per day for a 15-year term commencing with the date of first delivery.<sup>4/</sup> Yankee's imports began in late 1991.

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1/ See *Boundary Gas Inc.*, DOE/ERA Opinion and Order No. 45 issued August 9, 1982 (1 ERA ¶ 70,539); *The Brooklyn Union Gas Company, et al.*, DOE/FE Opinion and Order No. 368 (Order 368) issued November 11, 1991 (1 FE ¶ 70,285).

2/ On March 18, 1991, the import volumes approved for delivery by Brooklyn Union to Connecticut Light and Power Company under DOE/FE Opinion and Order Nos. 368 and 368-A (Order 368-A) were transferred to Yankee. See Order 368, *Id.*; Order 368-A issued November 15, 1990 (1 FE ¶ 70,370); and DOE/FE Opinion and Order No. 368-C issued March 18, 1991 (1 FE ¶ 70,426).

3/ See *Boundary Gas Inc.*, DOE/FE Opinion and Order No. 358 issued December 8, 1989 (1 FE ¶ 70,273).

4/ *Supra* note 4. The original import authorization was amended in DOE/FE Order No. 368-G to approve additional gas to cover increased compressor fuel requirements for transportation on Iroquois. *The Brooklyn Union Gas Company, et al.*, issued July 11, 1994 (1 FE ¶ 70,994).

In mid-1998, Yankee and TCGS, as successor to TGML and as agent for TransCanada, entered into an arrangement whereby Yankee would terminate its contractual relationships with Boundary and ANE to enable Yankee and TCGS to contract directly with each other. This new arrangement was implemented on July 1, 1998, pursuant to an Interim Gas Purchase Contract dated June 25, 1998, as amended October 27, 1998. Imports will continue through October 31, 2006. To date, imports under the Interim Contract have been accomplished using the two-year blanket authorization held by TCGS' affiliate, TransCanada Gas Services, Inc.<sup>5/</sup>

Under the Interim Contract, Yankee purchases natural gas from TCGS pursuant to terms and conditions that are virtually identical to the terms and conditions of the Boundary and ANE contracts. The Interim Contract provides for a two-part demand and commodity price structure indexed to the price of alternative fuels and for pricing flexibility to assure marketability of the gas. At present, deliveries of natural gas under the Interim Contract occur at the pipeline interconnections between TransCanada and Iroquois Gas Transmission System (Iroquois) at the international boundary near Waddington, New York, and the interconnection between TransCanada and Tennessee Gas Pipeline Company at the international boundary near Niagara Falls, New York. However, TCGS asks that the new import authorization not be limited to these two border points. Rather, TCGS asks that it be permitted to import volumes for sale to Yankee under the Interim Contract at any interconnection between Canadian and U.S. pipeline facilities. The requested authorization will not require the construction of new pipeline facilities.

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<sup>5/</sup> *TransCanada Gas Services, Inc.*, DOE/FE Order No. 1424 issued October 26, 1998 (2 FE ¶ 70,245).

## II. FINDING

The application filed by TCGS 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 import 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 TCGS to resell natural gas to Yankee that it imports 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.

This authorization will replace the long-term authority granted to Yankee in DOE/FE Opinion and Order Nos. 368 and 368-A, as amended.<sup>6/</sup> These orders are being amended by the Department in a separate order, DOE/FE Order No. 368-I (Order 368-I),<sup>7/</sup> at the request of the LDCs that purchase gas from ANE.

### ORDER

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

A. TransCanada Gas Services, A Division of TransCanada Energy Limited (TCGS) is authorized to import up to 68,463 Mcf of natural gas per day from Canada, plus fuel for pipeline transportation. This natural gas shall be imported over a period beginning on the date of the first delivery through October 31,

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<sup>6/</sup> *Supra* note 4.

<sup>7/</sup> Order 368-I will be published in the *Federal Register* on a future date.

2006, in accordance with the Interim Gas Purchase Contract between TCGS and Yankee Gas Services Company dated June 25, 1998, as amended.

B. The importation of this natural gas may occur at any point on the international border where U.S. and Canadian pipeline facilities interconnect.

C. Within two weeks after deliveries begin, TCGS shall provide written notification to the Office of Natural Gas & Petroleum Import & Export Activities of the date that the first import of natural gas authorized in Ordering Paragraph A above occurred.

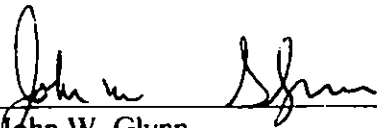
D. With respect to the natural gas imports authorized by this Order, TCGS shall file, within 30 days following each calendar quarter, reports indicating whether imports of natural gas have been made.

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, TCGS must list separately, by point of entry, the total monthly volumes in Mcf and the average purchase price of gas per MMBtu delivered at the international border. The monthly price information shall itemize separately the monthly demand and commodity charges. [OMB No.: 1901-0294]

F. The notification and reports required by Ordering Paragraphs C and D of this Order shall be filed with the Office of Natural Gas & Petroleum Import & Export Activities, Fossil Energy, Room 3E-042, FE-34, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C., 20585.

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

Issued in Washington, D.C., on November 23, 1999.

  
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John W. Glynn  
Manager, Natural Gas Regulation  
Office of Natural Gas & Petroleum  
Import & Export Activities  
Office of Fossil Energy





**TransCanada**

**Energy**

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December 10, 1999

Department of Energy  
Docket Room, 3E-402; FE-34  
Forestell Building  
1000 Independence Avenue S.W.  
Washington, D.C.  
20585 U.S.A.

Attention: Office of Fuels Program  
Fossil Energy

Re: Notification of Compliance for DOE/FE Order No. 1543

Dear Sir,

TransCanada Gas Services Inc. (TransCanada) hereby notifies the Office of Fuels Programs, Fossil Energy, that on July 1, 1998 TransCanada began the import and export of natural gas from and to Canada as authorized on November 23, 1999 by DOE/FE Order no. 1543(FE Docket No. 99-92-NG) and extending through October 31, 2006.

Please note that gas imports under this permit for the period of July 1, 1998 to September 30, 1999 have been reported under Order No. 368(FE Docket No 86-44-NG)

Yours Truly

*Lea Parsons*  
Lea Parsons  
Accounting Analyst

Enclosures

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Accounting Analyst

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