

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

MILFORD POWER COMPANY, LLC)
_____)

FE DOCKET NO. 99-48-NG

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

DOE/FE ORDER NO. 1507

AUGUST 26, 1999

I. DESCRIPTION OF REQUEST

On June 23, 1999, as supplemented on June 24, 1999, Milford Power Company LLC (Milford) 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 from Canada up to 75,000 Mcf of natural gas per day over a 20-year term (a total of 547 Bcf). Milford, a limited liability company organized and existing under the laws of the State of Delaware, with its principal place of business in Milford, Connecticut, is jointly owned by El Paso Milford Power I Company (El Paso I), El Paso Milford Power II Company (El Paso II), and PDC Milford Power LLC. El Paso I and II are subsidiaries of El Paso Energy Corporation, a diversified energy company with interests in power generation, natural gas pipelines, gas gathering and processing facilities and natural gas and power marketing. PDC Power LLC is a subsidiary of Power Development Company, Inc., a developer of independent power generation facilities in the United States.

Milford will use the imported volumes as fuel for a 540 MW gas-fired combined cycle power generation facility near Milford, Connecticut, which it will own and operate. Commercial operation is expected on or about March 2001. Milford states that the natural gas requirements of the plant will be approximately 96,000 Mcf per day and that these supplies will come from both domestic and Canadian sources, with the majority expected from Canada. Milford will sell the full output of its facility to El Paso Power Services Company (EPPS). EPPS will in turn sell the output in the wholesale power market in the U.S. Northeastern power grid. Milford has also

^{1/} 15 U.S.C. § 717b.

requested authority to import gas on a daily basis that is in excess of that required for use at the facility for resale to third parties.

The gas would be transported from Canada to the United States markets through the pipeline facilities of TransCanada PipeLines Limited (TCPL) and Tennessee Gas Pipelines Company at Niagara Falls, New York, and TCPL and Iroquois Gas Transmission System L.P. at Waddington, New York. Milford would purchase the imported gas from El Paso Gas Marketing Company (EPGM) under a Fuel Purchase Agreement dated March 25, 1999.

Under the agreement, Milford will purchase the gas in accordance with a fuel purchase plan recommended by EPGM and approved by Milford through Confirmation Letters, using one of the following pricing mechanisms: (i) a supply index-based price, plus applicable and reasonable fees, premiums and surcharges; (ii) a market index-based price (New England Market Index), plus applicable and reasonable fees, premiums and surcharges; and (iii) a test gas price consistent with daily market prices. If Milford and EPGM do not agree on a fuel purchase plan then a default purchase plan will be implemented (not to exceed three months in duration). The default pricing mechanism utilizes a basket of market-based indices in the Northeast. Milford and EPGM anticipate entering into one or more long-term import arrangements prior to the commencement of commercial operations in March 2001. The requested authorization will not require the construction of new pipeline facilities.

II. FINDING

The application filed by Milford 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 Milford 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. Milford Power Company, LLC (Milford) is authorized to import up to 75,000 Mcf of natural gas per day from Canada in accordance with the “Fuel Purchase Agreement” between Milford and El Paso Gas Marketing Company (EPGM) dated March 25, 1999. This natural gas may be imported from Canada at Niagara Falls or Waddington, New York.

B. The term of this authorization is for 20 years, beginning on the date of first delivery pursuant to this Order.

C. Within two weeks after the date of first delivery, Milford 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, Milford shall file with the Office of Natural Gas & Petroleum Import & Export Activities, 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, Milford must report by contract and import point, the total monthly volumes in Mcf and the average purchase price of gas per MMBtu delivered at the international border.

E. With respect to any volumes imported which are in excess of that required for use by Milford in its power generation facility and which Milford resells to third parties, the quarterly reports shall provide the details of each transaction, including the names(s) of the purchaser(s), geographic market(s) served (by States), and the volume in Mcf.

F. With respect to the Confirmation Letters executed under the Fuel Purchase Agreement for any import arrangement(s), within 2 weeks of their execution, Milford shall file with the Office of Natural Gas & Petroleum Import & Export Activities a copy of the executed Confirmation Letters. The executed Confirmation Letter shall contain at a minimum the following information: (1) the term of the contract; (2) the daily contract demand in Mcf (3) the identification of the exporter/seller of the gas if other than EPGM; (4) the date of the first import; and (5) the point of entry for this supply on the international border.

G. The notifications, Confirmation Letters, and reports required by Ordering Paragraphs C, D, and F 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.

H. The first quarterly report required by Ordering Paragraphs D and E of this Order is due 30 days following the quarter in which the first import of natural gas occurs.

Issued in Washington, D.C., on August 26, 1999.

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