

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

SUMAS COGENERATION COMPANY, L.P.)

FE DOCKET NO. 90-92-NG

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

DOE/FE ORDER NO. 494-E

FEBRUARY 08, 1999

I. DESCRIPTION OF REQUEST

On January 27, 1999, Sumas Cogeneration Company, L.P. (SCCLP) filed an application with the Office of Fossil Energy (FE) 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 that FE amend SCCLP's current authority to import natural gas into the United States from Canada. The amendment to SCCLP's long-term authorization would increase its maximum daily and annual import quantities under a gas sale and purchase agreement with ENCO Gas, Ltd.(ENCO) dated December 23, 1991, as amended November 1, 1996.

SCCLP's primary place of business is located in Kirkland, Washington. It owns and operates a 125-megawatt cogeneration facility in Sumas, Washington. SCCLP's cogeneration facility uses natural gas purchased from various Canadian supply sources and transported from the U.S./Canada border over SCCLP's four-mile, private plant line and border crossing facilities. FE issued SCCLP its present long-term import authority on November 30, 1992. DOE/FE Order No. 494-B (Order 494-B)^{2/} granted SCCLP authority to import up to 24,000 Mcf of gas per day and a maximum of 8 Bcf annually over a term of 20 years beginning on the date of the first delivery.^{3/} The source of the gas imported by SCCLP was a combination of gas purchased from ENCO and Canadian Hydrocarbons Marketing Inc., predecessor-in-interest to Westcoast Gas Services, Inc. (WGSI).

On March 12, 1996, FE issued DOE/FE Order No. 494-C (Order 494-C)^{4/} amending Order 494-B to permit SCCLP to import up to 24,900 Mcf of gas per day and up to 8.9 Bcf of gas annually for the remainder of the 20-year authorization. The basis for amending the authorization

1/ 15 U.S.C. § 717b.

2/ 1 FE ¶ 70,717.

3/ Initial deliveries under SCCLP's gas import authority commenced April 1, 1993, and the authorization will expire March 31, 2013.

4/ 1 FE ¶ 71,239.

was a decision by SCCLP and WGSi to terminate their original long-term gas supply contract and enter into a new, one-year agreement, effective November 1, 1995, through October 31, 1996.

No other terms and conditions in Order 494-B were changed.

On July 11, 1997, FE issued DOE/FE Order No. 494-D (Order 494-D)^{5/} amending Order 494-C by reducing SCCLP's import quantity to up to 24,100 Mcf of gas daily and up to 8.9 Bcf of gas annually. This second amendment was due in part to a new gas supply agreement between SCCLP and WGSi, effective November 1, 1996, through October 31, 1997, which decreased the maximum daily purchase requirement. SCCLP was also granted authority to import, pursuant to its Gas Management Contract with WGSi dated January 30, 1992, an unspecified quantity of interruptible volumes from WGSi, when WGSi cannot supply all of the fuel requirements for the cogeneration plant under its firm supply agreement.

SCCLP currently imports gas from Canada under three purchase arrangements:

1. A gas purchase agreement with ENCO, dated December 23, 1991, as amended November 1, 1996, under which a maximum daily quantity of 12,000 MMBtu^{6/} per day is supplied.
2. A Gas Management Contract, dated January 30, 1992, with Engage Energy Canada, L.P. (Engage),^{7/} under which Engage provides interruptible volumes on an as-needed basis pursuant to the Gas Management Contract of January 30, 1992.

^{5/} 1 FE ¶ 71,426.

^{6/} One MMBtu is equal to approximately one Mcf.

^{7/} Engage was formerly known as WGSi.

3. Spot gas purchases from various suppliers, as necessary, pursuant to SCCLP's blanket import authorization in DOE/FE Order No. 1335 (Order 1335), issued November 19, 1997.^{8/}

The last one-year gas supply agreement between SCCLP and WGSJ expired October 31, 1997, and was not extended by the parties. To the extent SCCLP has purchased in excess of 12,000 MMBtu per day of gas from ENCO since November 1, 1997, it did so pursuant to short-term arrangements under its blanket import authorization in Order 1335.

SCCLP and ENCO executed a second amendment, dated September 1, 1998, to their existing gas purchase contract, under which SCCLP will be permitted to purchase up to 24,900 MMBtu per day from ENCO beginning November 1, 1998.^{9/} This represents a change from SCCLP's current arrangement with ENCO, under which SCCLP is purchasing approximately 12,000 MMBtu per day of gas from ENCO, and represents a material change to the current maximum daily quantities authorized by FE in Order 494-B, as amended. With the exception of this increase in the maximum daily quantity, no other material revisions have been made to SCCLP's current contract with ENCO. SCCLP and ENCO entered into the second amendment to increase the maximum daily quantity to the level contemplated by the parties when their gas supply agreement was originally executed.^{10/} Accordingly, SCCLP requests FE amend SCCLP's present

8/ 1 FE ¶ 71,490.

9/ In approving the terms and conditions of SCCLP's gas purchase contract with ENCO in Order 494-B, FE acknowledged that:

The volumes supplied by ENCO will increase to 24,000 Mcf per day after approximately three to five years when the gas supply from CHMI is expected to be eliminated. 1 FE at 72,051.

10/ *Id.*

gas import authority to reflect its ability to purchase up to 24,900 MMBtu per day (8.9 Bcf annually) from ENCO.

II. FINDING

The application filed by SCCLP has been evaluated to determine if the proposed import arrangement and contract amendment meet 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 SCCLP to amend its present authority 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. DOE/FE Order No. 494-B (Order 494-B), issued November 30, 1992, as amended, is further amended to authorize Sumas Cogeneration Company, L.P. (SCCLP) to import from Canada up to 24,900 Mcf per day and up to 8.9 Bcf per year, through March 31, 2013, pursuant to the terms of its gas sale and purchase agreement with ENCO Gas, Ltd. dated December 23, 1991, as amended November 1, 1996, and September 1, 1998.

B. All other terms and conditions contained in Order 494-B, issued November 30, 1992, as amended, shall remain in full force and effect.

Issued in Washington, D.C., on February 08, 1999.

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