UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

GRANITE STATE GAS TRANSMISSION, INC.	)	DOCKET NO. 93-85-NG

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

DOE/FE OPINION AND ORDER NO. 857

OCTOBER 5, 1993

I. DESCRIPTION OF REQUEST

On August 27, 1993, Granite State Gas Transmission, Inc. (Granite State) 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, requesting long-term authorization to import natural gas from Canada. Granite State would import up to 6,036 MMBtu per day (6,000 Mcf) on a firm basis beginning on the date of the authorization, through October 31, 2006. The gas would be supplied under a contract with Direct Energy Marketing Limited (Direct Energy) dated June 1, 1991.2/ The proposed import would be resold to Granite State's two affiliated distribution

1/ 15 U.S.C. Sec. 717b.

2/ Granite State has been importing natural gas from Direct Energy under this contract since November 1, 1991, using its two-year blanket authorization granted in DOE/FE Opinion and Order No. 414 issued July 31, 1990 (1 FE Para. 70,340). That authority expires October 31, 1993. Originally, Direct Energy had aggregated the gas supply underlying the contract for export and sale to Consolidated Fuel Supply Company (Consolidated Fuel) for consumption in a cogeneration facility that Consolidated Fuel planned to build and operate in East Georgia, Vermont. See Consolidated Fuel, DOE/FE Opinion and Order No. 333, 1 FE Para. 70,241 (September 22, 1989). When construction of the proposed facility was delayed, Consolidated Fuel sought another purchaser, Granite State, for the Direct Energy supply. Granite State, Consolidated Fuel, and Direct Energy entered into an arrangement through which Granite State obtained the rights to the gas supply in exchange for reimbursing Consolidated Fuel for costs it had incurred to acquire the gas. The 15-year contract Granite State executed with Direct Energy on June 1, 1991, implemented the arrangement. However, Granite State decided not to file for a long-term import authorization until it concluded a settlement with Consolidated Fuel. The Federal Energy Regulatory Commission (FERC) initially rejected a special surcharge in Granite State's rates to reimburse Consolidated Fuel for costs of arranging the Direct Energy gas supply and turning it over to Granite State. However, on December 22, 1992, FERC reversed itself on Granite State's request for rehearing and approved the surcharge (Granite State, 61 FERC Para. 61,355).

company customers, Bay State Gas Company (Bay State) and Northern Utilities, Inc. (Northern Utilities). Granite State, an interstate natural gas pipeline company, is a member of an integrated gas system that includes Bay State and Northern Utilities. Granite State and Northern Utilities are wholly-owned subsidiaries of Bay State. Granite State's principal place of business is in Westborough, Massachusetts. Direct Energy would deliver the imported gas into Granite State's pipeline system through an interconnection with the facilities of SCL Quebec Pipeline, Inc. at the border of the United States and Canada near Highwater, Quebec, and North Troy, Vermont.

Under the terms of the gas purchase contract, Granite State would pay Direct Energy a price that has a demand and a commodity component. The demand component is comprised of the monthly demand charges paid for transportation service contracted by Direct Energy on Canadian pipelines to deliver the gas to the import point. The commodity component is comprised of the monthly commodity charges paid by Direct Energy for transportation on Canadian pipelines, a compressor fuel charge, an energy charge for each MMBtu delivered to Granite State, and $0.10 (Cdn) per MMBtu. The energy charge (the largest component in the commodity charge) is equal to a base price of $1.004 (U.S.) per MMBtu, indexed monthly according to changes in the New England Power Pool (NEPOOL) average fossil fuel cost. In June 1993, the average price of gas imported under this contract was $2.62 (U.S.) per MMBtu.

Beginning with the third contract year and all subsequent contract years, there is an 80 percent minimum annual take obligation. Direct Energy may market gas not taken by Granite State to other purchasers, and Granite State would receive a credit toward its minimum volume obligation. The contract also provides for price arbitration whenever the NEPOOL index is not available or not published, and generally for arbitration on other matters. Further, the contract specifies that Consolidated Fuel has the right to terminate the agreement and call back the gas supplies if it provides an alternate supply to Granite State under terms that are equivalent to those under the Direct Energy contract.

II. FINDING

The application filed by Granite State has been evaluated to determine if the proposed import arrangement meets the pubic interest requirements 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 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 Granite State to import natural gas from Canada, a nation with 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. Granite State Gas Transmission, Inc. (Granite State) is authorized to import, near Highwater, Quebec, and North Troy, Vermont, up to 6,036 MMBtu (6,000 Mcf) per day of Canadian natural gas beginning on the date of this authorization through October 31, 2006. Granite State shall import this gas pursuant to the pricing and other provisions of its gas purchase agreement with Direct Energy Marketing Limited dated June 1, 1991, on file in this docket.

B. Within two weeks after deliveries begin, Granite State shall provide written notification to the Office of Fuels Programs (OFP), Fossil Energy, Room 3F-056, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first import of natural gas authorized in Ordering Paragraph A above occurred.

C. With respect to the natural gas import authorized by this Order, Granite State shall file with OFP, within 30 days following each calendar quarter, quarterly reports indicating 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 have occurred, Granite State must report total monthly volumes in Mcf and the average purchase price of gas per MMBtu at the international border. The price information shall itemize separately the demand charge, the commodity charge, and any minimum take deficiency charge that Granite State may have paid.

D. The first quarterly report required by Ordering Paragraph C of this Order is due not later than January 30, 1994, and should cover the period from the date of this Order until the end of the fourth calendar quarter, December 31, 1993.

Issued in Washington, D.C., on October 5, 1993.

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