UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

WISCONSIN POWER AND LIGHT COMPANY	)	FE DOCKET NO. 93-101-NG

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

DOE/FE ORDER NO. 862

OCTOBER 18, 1993

I. DESCRIPTION OF REQUEST

On September 21, 1993, Wisconsin Power and Light Company (WP&L) 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 authorization to import up to 11,758 Mcf per day of natural gas from Canada beginning November 1, 1993, through October 31, 2003. WP&L, a Wisconsin corporation with its office in Madison, Wisconsin, is a local distribution company serving customers in south-central Wisconsin. The gas would be imported from ProGas Limited (ProGas) and Western Gas Marketing Limited (WGML) pursuant to separate ten-year gas purchase contracts with each supplier. The point of delivery into the United States would be at the international boundary near Emerson, Manitoba. Transportation from Emerson, Manitoba, would be provided by Viking Gas Transmission Company to Marshfield, Wisconsin, and then by ANR Pipeline Company (ANR) to WP&L's distribution system. No new pipeline facilities would be constructed.

WP&L presently is a sales customer of ANR. As a result of ANR's restructuring under Federal Energy Regulatory Commission (FERC) Order 636,2/ WP&L agreed to purchase directly from

1/ 15 U.S.C. § 717b.

2/ Pipeline Service Obligations and Revisions to Regulations Governing Self-Implementing Transportation; and Regulation of

Natural Gas Pipelines After Partial Wellhead Decontrol, Order No. 636, 57 Fed. Reg. 13267 (April 16, 1992), FERC Statutes and Regulations ¶ 30,939 (April 8, 1992), order on reh'g, Order No.

(continued...)

Canadian suppliers a volume of gas up to its pro rata share of the gas that ANR purchased from the same Canadian gas suppliers.3/ WP&L included in its application two unexecuted gas supply contracts with ProGas (up to 3,387 Mcf per day) and WGML (up to 8,371 Mcf per day). Both contracts, which generally are similar, provide for payment of a total price comprising a monthly commodity charge per MMBtu delivered, a monthly demand charge (mostly covering Canadian transportation costs), and a gas inventory charge. The commodity charge would be calculated by adding a base price (set at $1.80/MMBtu and $1.82/MMBtu in the ProGas and WGML contracts, respectively)4/ to a composite of specified domestic and Canadian spot prices as published in Inside FERC's Gas Market Report and the Canadian Gas Price Reporter. The formula for calculating the commodity charge is subject to renegotiation and arbitration if the parties are unable to agree on a revised formula. Under the ProGas contract,

2/(...continued)
636-A, 57 Fed. Reg. 36128 (August 12, 1992), FERC Statutes and Regulations ¶ 30,950 (August 3, 1992), order on reh'g, Order No. 636-B, 57 Fed. Reg. 57911 (December 8, 1992), 61 FERC ¶ 61,272 (1992), rehearing denied, 62 FERC ¶ 61,007 (1993); appeal pending sub nom., Atlanta Gas Light Co. v. FERC, No. 92-8782 (11th Cir.).

3/ ANR presently has long-term authorization to import up to 75,000 Mcf per day of gas from ProGas granted by DOE/ERA Opinion and Order No. 216, issued January 22, 1988 (1 ERA ¶ 70,748), order on reh'g, DOE/ERA Opinion and Order No. 216-A, 1 ERA ¶ 70,798 (May 25, 1988). In addition, ANR received blanket authority under DOE/FE Order No. 729, issued November 20, 1992, to import up to 350 Bcf of spot market Canadian gas for a term of two years (1 FE ¶ 70,702). ANR's imports from WGML are under its blanket authorization.

4/ References herein are to U.S. dollars.

ProGas has the right to market gas not taken by WP&L to other purchasers, and WP&L would receive a credit toward its monthly demand charge.

Additionally, the contracts provide that WP&L may have to pay a minimum take deficiency charge. Each year, WP&L would elect a minimum annual quantity of gas to be purchased from ProGas, termed its annual purchase obligation. The annual purchase obligation may be any increment of 10 percent between 50 percent and 100 percent of WP&L's maximum daily contract quantity (MDCQ) multiplied by the number of days in the year. WP&L would pay ProGas $0.10/Mcf for the deficient volumes if it purchases less than its elected annual purchase obligation. However, it would have one year to make up any shortfall in purchases before being assessed the deficiency charge. The ProGas contract also provides that the commodity charge WP&L pays would be reduced by one percent for volumes purchased above WP&L's elected annual purchase obligation. In the contract with WGML, WP&L would incur a deficiency charge of $0.05/Mcf if it nominates less than 20 percent of its MDCQ for delivery on any day.

II. FINDING

The application filed by WP&L 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 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 WP&L 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. Wisconsin Power and Light Company (WP&L) is authorized to import from Canada up to 11,758 Mcf per day of natural gas purchased from ProGas Limited (up to 3,387 Mcf per day) and Western Gas Marketing Limited (up to 8,371 Mcf per day) beginning November 1, 1993, through October 31, 2003. WP&L shall import this gas near Emerson, Manitoba, pursuant to the contractual arrangements with these suppliers filed in this proceeding.

B. All executed contracts that underlie the acquisition of this gas shall be filed with DOE within 15 days of their execution.

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

D. With respect to the natural gas imports authorized by this Order, WP&L shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports showing by month the total volume (in Mcf) imported under each of WP&L's supply contracts, the average purchase price per MMBtu paid at the international border under each contract, and a weighted average of the prices. The price information for a particular month shall list separately (on a per unit (MMBtu) basis) the demand charge, commodity charge, and gas inventory charge. Also, the reports shall itemize separately any minimum take deficiency payments made by WP&L during a particular calendar quarter.

E. The first quarterly report required by Ordering Paragraph D of this Order is due not later than January 30, 1994, and should cover the period from November 1, 1993, until the end of the fourth calendar quarter, December 31, 1993.

Issued in Washington, D.C., on October 18, 1993.

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