UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

DISTRIGAS CORPORATION	)	DOCKET NO. 92-93-LNG

ORDER GRANTING LONG-TERM AUTHORIZATION
TO IMPORT LIQUEFIED NATURAL GAS FROM NIGERIA
AND GRANTING INTERVENTION

DOE/FE ORDER NO. 701

NOVEMBER 6, 1992

I. BACKGROUND

On July 17, 1992, Distrigas Corporation (Distrigas) filed an application with the Office of Fossil Energy of the Department of Energy (DOE) for authorization to import up to 10 cargoes (approximately 28 million MMBtu's) of liquefied natural gas (LNG) annually from Nigeria LNG Limited (NLNG) over a period of 20 years beginning in 1997. The application was filed under section 3 of the Natural Gas Act (NGA) and DOE Delegation Order Nos. 0204-111 and 0204-127. Distrigas, a Delaware corporation with its principal place of business in Boston, Massachusetts, is a wholly owned subsidiary of Cabot Corporation.

The LNG would be imported under a supply agreement Distrigas executed with NLNG dated June 15, 1992. NLNG is a Nigerian company formed and controlled by subsidiaries of the Nigerian state energy company, the Royal Dutch/Shell Group, the French energy company Elf Aquitaine and the Italian company Agip. Distrigas would resell the LNG to an affiliate, Distrigas of Massachusetts Corporation (DOMAC), for regasification and resale to a variety of U.S. customers. The LNG would be shipped from NLNG's new natural gas liquefaction plant to be built on Bonny Island, Rivers State, Nigeria, to DOMAC's existing terminalling facility in Everett, Massachusetts. DOMAC plans to sell these additional supplies to customers during the winter peaking season. The contract contains minimum take, make-up and arbitration provisions, and the pricing structure is based on the principle of "net back" pricing, tied to a reference price which reflects the price of competing oil and gas supplies in New England.

II. INTERVENTIONS AND COMMENTS

DOE published a notice of receipt of Distrigas' application in the Federal Register on September 22, 1992.1/ MASSPOWER, Inc., the owner of a new 239 megawatt, gas-fired cogeneration facility to be supplied by DOMAC, filed a motion to intervene in support of the proposed LNG import arrangement. In addition, Bay State Gas Company and 17 other gas distribution company customers of DOMAC intervened to support Distrigas' application.2/ This order grants intervention to these movants.

III. FINDING

The application filed by Distrigas has been evaluated to determine if the proposed import arrangement meets the public interest requirements of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (P.L. 102-486). Section 3(c), which governs DOE's review of Distrigas' application, provides that LNG imports shall be deemed to be

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1/ 57 F.R. 43728.

2/ The 17 gas distribution companies are The Berkshire Gas Company; Blackstone Gas Company; Boston Gas Company; Colonial Gas Company; Commonwealth Gas Company; Connecticut Natural Gas Corporation; EnergyNorth Natural Gas, Inc.; Essex County Gas Company; Fall River Gas Company; Fitchburg Gas and Electric Light Company; City of Holyoke, Massachusetts Gas and Electric Department; City of Norwich, Department of Public Utilities; The Providence Gas Company;

The Southern Connecticut Gas Company; Valley Gas Company; City of Westfield Gas and Electric Light Department; and Yankee Gas Services Company.

consistent with the public interest and must be granted without modification or delay.

ORDER

For reasons set forth above, pursuant to section 3 of the Natural Gas Act, it is ordered that:

A. Distrigas Corporation (Distrigas) is authorized to import from Nigeria up to 10 cargoes (approximately 28 million MMBtu's) of liquefied natural gas (LNG) annually under the terms of its LNG Sale and Purchase Contract with Nigeria LNG Limited (NLNG) dated June 15, 1992. Initial "build-up" deliveries to Distrigas are expected to commence in 1997, however, consistent with the contract, the authorization will remain in force for 20 years from the date NLNG's new Bonny Island liquefaction plant reaches full LNG production.

B. Within two weeks after deliveries begin, Distrigas shall notify the Office of Fuels Programs (OFP), Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, in writing, of the date that the first import delivery of LNG authorized in Ordering Paragraph A above occurred. Distrigas shall also inform OFP, in writing, of the date that the Bonny Island liquefaction plant reaches full production.

C. With respect to the LNG imports authorized by this Order, Distrigas shall file with OFP, after deliveries begin, within 30 days following each calendar quarter, quarterly reports indicating whether imports of LNG have been made. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports occur, Distrigas must report total monthly volumes in Mcf and the average landed cost per MMBtu at point of import. The reports shall also include the monthly volumes in Mcf taken by each of DOMAC's customers.

D. The motions to intervene filed by MASSPOWER, Inc. and Bay State Gas Company, et al., are hereby granted, provided that their participation is limited to the matters specifically set forth in their motions to intervene and not herein specifically denied, and shall not be construed as recognition that they may be aggrieved because of any order issued in these proceedings.

Issued in Washington, D.C., on November 6, 1992.

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Charles F. Vacek
Deputy Assistant Secretary
for Fuels Programs
Office of Fossil Energy