UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

COASTAL GAS MARKETING COMPANY	)	FE DOCKET NO. 97-37-NG

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

DOE/FE ORDER NO. 1282

JUNE 24, 1997

I. DESCRIPTION OF REQUEST

On April 30, 1997, as supplemented on June 5, 1997, Coastal Gas Marketing Company (CGM) 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 up to 49 MMcf per day of Canadian natural gas for a ten-year term beginning on November 1, 1998. CGM, a Delaware corporation with its principal place of business in Houston, Texas, intends to purchase the imported natural gas from five Canadian producers: Canadian Natural Gas Resources (19.6 MMcf per day); Petro-Canadian (9.8 MMcf/day); Pinnacle Resources Ltd. (4.9 MMcf per day); Rio Alto Exploration Ltd. (5 MMcf per day); and Tarragon Oil & Gas Limited (9.8 MMcf per day) (collectively the Suppliers) pursuant to the terms of letter agreements dated September 3, 19962/ (Letter Agreements). The Letter Agreements between CGM and these five Suppliers provide for a netback pricing arrangement under which CGM pays a price based on average monthly revenues, minus transportation charges and other fees/expenses. The imported natural gas will become part of CGM's supply portfolio to serve CGM's existing and new markets in the U.S. Midwest and U.S. Northeast markets. These markets consist principally of local distribution companies, electric generation companies, and

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

2/ CGM and the Suppliers are negotiating formal contracts to replace the Letter Agreements.

industrial end-users. CGM presently markets in the U.S. Northeast in excess of 500 MMcf/d of natural gas.

The gas to be imported will be produced in the Province of Alberta, Canada, and transported by the NOVA Gas Transmission Ltd. (NOVA) pipeline system to Empress, Alberta, where NOVA interconnects with TransCanada PipeLines Limited (TCPL).3/

TCPL will transport the gas to the U.S./Canadian border near St. Clair, Michigan, to the interconnect of TCPL and Great Lakes Gas Transmission System (GLGT). In addition, CGM anticipates transporting the imported gas through a backhaul arrangement with GLGT to various interconnects in the State of Michigan.4/

Although St. Clair is the primary import point, CGM also requests the flexibility to import the gas at other border points.

II. FINDING

The application filed by CGM 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 (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

3/ CGM has requested firm transportation on TCPL from Empress, Alberta, to St. Clair, Michigan. The TCPL transportation is part of its expansion project with an in-service date of November 1, 1998.

4/ CGM has requested firm backhaul transportation on GLGT from St. Clair, Michigan, to various interconnects within the State.

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 CGM 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. Coastal Gas Marketing Company (CGM) is authorized to import up to 49 MMcf per day of Canadian natural gas for a ten-year term, beginning on November 1, 1998, under the terms and conditions of the letter agreements dated September 3, 1996, with Canadian Natural Gas Resources, Petro-Canada, Pinnacle Resources Ltd., Rio Alto Exploration Ltd. and Tarragon Oil & Gas Limited. This natural gas may be imported near St. Clair, Michigan, or at alternative border points where transportation facilities are accessible to CGM.

B. At such time the letter agreements with the five Canadian producers have been replaced with formal gas purchase contracts, CGM shall file them with the Office of Natural Gas & Petroleum Import and Export Activities within 30 days of their execution. CGM shall also file a copy of its firm 10-year backhaul transportation agreement with Great Lakes Gas Transmission Company once finalized.

C. Within two weeks after deliveries begin, CGM shall provide written notification to the Office of Natural Gas & Petroleum Import and Export Activities, Fossil Energy, Room 3F-056, FE-34, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first import delivery of natural gas authorized in Ordering Paragraph A above has occurred.

D. With respect to the natural gas imports authorized by this Order, CGM shall file with the Office of Natural Gas & Petroleum Import and Export Activities, within 30 days following each calendar quarter, a quarterly report indicating by month the volumes and prices of natural gas imported pursuant to this Order. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, CGM must report by month, the volumes in Mcf by supplier and the average purchase price of gas per MMBtu delivered at the international border and paid to Canadian Natural Gas Resources, Petro-Canada, Pinnacle Resources Ltd., Rio Alto Exploration Ltd, and Tarragon Oil & Gas Limited. Whenever imports have occurred at an entry point other than St. Clair, Michigan, these volumes and prices must be reported separately. The monthly price information shall itemize separately the demand and commodity charges, fuel charges, and if applicable, reservation fees. In addition, CGM shall provide to the extent possible, a breakdown of the import volume showing the amount sold in each State and to each of its customers.

E. The first quarterly report required by Ordering Paragraph D of this Order is due not later than January 30, 1999, and should cover the period from November 1, 1998, until the end of the fourth calendar quarter, December 31, 1998.

Issued in Washington, D.C. on June 24, 1997.

Wayne E. Peters
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Office of Natural Gas & Petroleum
Import and Export Activities
Office of Fossil Energy