

FE DOCKET NO.: 96-31.JNG

APPLICANT(S): CRESTAR ENERGY MARKETING CORP

ITEM	PREPARED OR FILED BY	FILING TYPE	DESCRIPTION OF DOCUMENT	DATED	DATE FILED OR ISSUED
1 ✓	CRESTAR ENERGY MARKETING CORP	APPLICATION	Application for Long-Term Authority to Import Natural Gas from Canada	96-05-23	96-05-23
2 ✓	DOE/FE	ORDER	Order 1178—Granting Long-Term Authority to Import Natural Gas from Canada	96-06-25	96-06-25

UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF FUELS PROGRAMS
FOSSIL ENERGY

MAY 23 1996
REC'D DOE/FE/OF

CRESTAR ENERGY MARKETING CORP.

DOCKET NO. 96-31-NG

APPLICATION OF
CRESTAR ENERGY MARKETING CORP.
FOR AN ORDER
AUTHORIZING THE IMPORTATION OF NATURAL GAS FROM CANADA

I. ACTION SOUGHT

Pursuant to Section 3 of the Natural Gas Act ("The NGA"), 15 U.S.C., s.717b and Part 590 of the Regulations of the Department of Energy ("DOE"), Office of Fuels Program, Fossil Energy ("FE"), Crestar Energy Marketing Corp. ("Applicant" or "Crestar") submits this application for an order authorizing Applicant to import natural gas from Canada for sale in the United States to Northern States Power Company ("NSP") pursuant to a Gas Purchase Contract ("NSP Contract") executed October 14, 1994 and effective November 1, 1994 made between Applicant and NSP. In particular, authorization is sought to import up to 6347 Mcf per day ("Mcf" means 1000 cubic feet of gas) through the end of the term of the NSP Contract, November 1, 2001.

II. EXACT LEGAL NAME OF APPLICANT

The exact legal name of Applicant is Crestar Energy Marketing Corp.

III. DESCRIPTION OF APPLICANT

Applicant is a Delaware corporation having its registered office in Wilmington, Delaware. It is also registered to carry on business in Minnesota. Its principal office is

in Calgary, Alberta, Canada at 3100, 333 - 7th Avenue S.W. Applicant is a wholly owned subsidiary of Crestar Energy Inc. and is engaged in the purchase and sale of oil and gas in the United States of America. Crestar Energy Inc. is incorporated under the laws of Canada. Its principal office is the same as that of the Applicant. The voting shares of Crestar Energy Inc. are publicly traded.

IV. APPLICANT'S ADDRESS FOR COMMUNICATIONS

Communications concerning this application should be addressed as follows:

Crestar Energy Marketing Corp.
Attention: Mr. Earle L. Forgues
Vice President, Marketing
and Resource Development
3100, 333 - 7th Avenue S.W.
P.O. Box 888
Calgary, Alberta, Canada
T2P 4M8

Please include Mr. Forgues on the official service list.

V. DESCRIPTION OF TRANSACTION

Deliveries pursuant to the NSP Contract commenced November 1, 1994 and will continue until November 1, 2001. To the date of this application imports have been reported as deliveries under successive two year blanket authorizations to import and export natural gas from and to Canada (DOE/FE Order No. 766 issued February 18, 1993 and No. 1059 issued June 13, 1995).

Pursuant to the NSP Contract, gas is to be delivered in the United States, on the Northern Border Pipeline near Port of Morgan, Montana, or such other points agreeable to Crestar and NSP.

The NSP Contract requires NSP to purchase approximately 1.75 million Mcf per year. Maximum daily deliveries are 6347 Mcf per day. Where NSP experiences verifiable market loss, it may elect to reduce, on notice, daily and annual volumes.

The price of gas delivered under the NSP Contract is comprised of a demand charge and a commodity charge. The demand charge equals Northern Natural Gas Company's tariffed firm rate plus \$0.05 per MMBtu. The commodity charge equals the index price or shall equal the Index Price of Spot Gas Delivered to Pipelines (per MMBtu dry) for Northern Natural Gas Company for Texas, Oklahoma, Kansas ("TOK") as published in the first edition each month of the Inside FERC's Gas Market Report or such successor index as may be agreed to by the Parties.

A copy of the NSP Contract is attached as Exhibit "A".

The contract terms summarized above insure that the NSP Contract will be responsive to changing market conditions and remain competitive over the NSP Contract term. Under the NSP Contract, NSP enjoys a high degree of flexibility in the amount of gas to be delivered to enable NSP to respond to varying demands.

Applicant does not own or control any natural gas reserves and accordingly has contracted with Crestar Energy to supply all natural gas needed to meet Applicant's obligations under the NSP Contract. Crestar Energy, is a partnership comprised of Crestar Energy Inc. and certain of its subsidiaries. A copy of that contract ("Crestar Contract") and the amendment thereto is attached as Exhibit "B". As of December 31, 1995, Crestar Energy has proven gas reserves of 858 billion cubic feet located in the Provinces of Alberta and British Columbia, Canada. It is actively developing additional reserves on an ongoing basis. Also as of December 31, 1995, Crestar Energy's proven and probable gas reserves are 1022 billion cubic feet. Current natural gas production is approximately 325 Mcf per day.

NSP is a Minnesota corporation which carries on business from its offices at 825 Rice Street, St. Paul, Minnesota 55117, U.S.A. NSP owns and operates a local distribution system which serves approximately 390,000 residential, commercial and industrial consumers primarily in the state of Minnesota, but also in Wisconsin and North Dakota. In the year ending December 31, 1993, NSP purchased over \$280 million (U.S.) of gas and had annual gas utility operating revenues in excess of \$400 million.

The gas to be exported hereunder will be sold by Crestar Energy to Applicant at the point of interconnection of the pipeline systems of Foothills Pipe Lines Ltd. ("Foothills") and Northern Border Pipelines Company ("NBPL") at or near Monchy, Saskatchewan. Applicant, in turn, will immediately thereafter sell the gas to NSP.

VI. RELATIONSHIP OF PARTICIPANTS IN TRANSACTION

Neither Applicant nor any of the partners of Crestar Energy are affiliated with NSP.

VII. CORPORATE POWER

The proposed import is within the corporate powers of Applicant. An opinion of legal counsel to that effect is included with this application. Applicant has complied with State laws and the rules and regulations of State authorities in all States in which the Applicant operates.

VIII. PUBLIC INTEREST

The Energy Policy Act provides that the importation of natural gas from or to a nation with which there is in effect a free trade agreement shall be deemed to be within the public interest, and that applications for such import and export shall be granted without modification or delay. Because Crestar's application is for the import of natural gas from and to Canada, a nation with which the United States has a free trade agreement, Applicant submits that its application is within the public interest.

IX. ENVIRONMENTAL CONSIDERATIONS

No adverse environmental impact is anticipated. Applicant intends to use existing transportation facilities and accordingly will not require the construction of new or separate facilities.

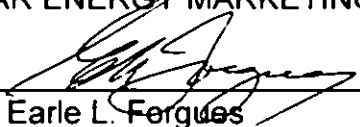
X. CONSIDERATION BY OTHER AGENCIES

To the best knowledge of Applicant this matter is not under consideration by any other part of the Department of Energy, the Federal Energy Regulatory Commission or any other Federal agency or department.

DATED this 21st day of May, 1996.

All of which is respectfully submitted by,

CRESTAR ENERGY MARKETING CORP.



Per: Earle L. Fergues
Vice President, Marketing
and Resource Development

RECEIVED
DEC 17 1994
REGISTERED

EXHIBIT "A"

CRESTAR COPY

GAS SALES AGREEMENT

BETWEEN

CRESTAR ENERGY MARKETING CORPORATION

AND

NORTHERN STATES POWER COMPANY

EXECUTED OCTOBER 14, 1994

EFFECTIVE NOVEMBER 1, 1994

264

ARTICLE	TITLE	PAGE
I	Definitions	1
II	Term	4
III	Regulatory Conditions Precedent	4
IV	Obligation as to Deliveries, and Receipts, Quantities and Tender of Gas	5
V	Buyer's Minimum Purchase Obligation	7
VI	Delivery Points	8
VII	Title and Warranties	8
VIII	Quality, Measurement and Balancing	9
IX	Nominations of Daily Quantities	10
X	Price	11
XI	Taxes	12
XII	Government Regulations	12
XIII	Billing and Payment	12
XIV	Succession and Assignment	14
XV	Liability and Force Majeure	14
XVI	Default and Termination	16
XVII	Dispute Resolution	17
XVIII	Miscellaneous	19
	Exhibit A	
	Exhibit B	
	Exhibit C	
	Exhibit D	
	Exhibit E	
	Exhibit F	
	Exhibit G	
	Exhibit H	
	Exhibit I	

GAS SALES AGREEMENT

THIS GAS SALES AGREEMENT ("Agreement") is made and entered into this 14th day of October, 1994, by and between **CRESTAR ENERGY MARKETING CORPORATION**, a Delaware corporation, hereinafter referred to as "Seller" and **NORTHERN STATES POWER COMPANY**, a Minnesota corporation, hereinafter referred to as "Buyer." Seller and Buyer may be hereinafter referred to individually as "Party" or collectively as "Parties."

WITNESSETH

WHEREAS, Buyer is seeking to purchase firm volumes of natural gas supplies for sale to, inter alia, gas consumers connected to Buyer's local distribution system; and

WHEREAS, Seller has supplies of natural gas which are available for sale and delivery to Buyer; and

WHEREAS, Buyer and Seller desire to enter into a mutually beneficial agreement and this Agreement contains terms and conditions which are intended by the Parties to permit this Agreement to be economically beneficial to both Parties for the term hereof;

WHEREAS, Seller shall obtain firm transportation on Foothills to effectuate the sale and purchase of gas hereunder which may be assigned by Seller to Buyer at Buyer's option at the end of the primary term of this Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, Seller and Buyer mutually agree and covenant as follows:

ARTICLE I DEFINITIONS

- "Affiliate" means a corporation legally affiliated with a party, including a parent holding company, parent corporation, a wholly-owned subsidiary, or sibling corporate entity which is wholly-owned by the parent corporation of a Party.

- **"Agreement"** means this Gas Sales Agreement, including Exhibits attached to it, and all written amendments to it, that may be made from time to time.
- **"Alberta/TOK Market Differential"** shall equal the average of the 1 year forward strip of the NYMEX basis differential between NNG TOK and Alberta as determined by Banque Paribas, BT Bank of Canada and Morgan Stanley. An example is attached as Exhibit H. *Quote influence is Empire*
- **"Bcf"** means one billion (1,000,000,000) cubic feet of gas.
- **"British Thermal Unit" or "Btu"** means the amount of energy required to raise the temperature of one (1) pound of pure water one degree Fahrenheit (1°F.) from fifty-nine degrees Fahrenheit (59°F.) to sixty degrees Fahrenheit (60°F.).
- **"Btu Content"** means the total heating value of gas expressed in Btu/cubic foot determined by the complete combustion at constant pressure of one cubic foot of gas, free from water vapor with the product of combustion cooled to the initial temperature of the gas and the water formed by the combustion condensed to the liquid state.
- **"Business Day"** means a day other than Saturdays, Sundays and other days recognized as statutory holidays by the Province of Alberta, Canada, the United States, or the State of Minnesota.
- **"Contract Year"** shall mean the period from November 1 of any calendar year through October 31 of the following year during the term of this Agreement.
- **"Day or Gas Day"** means a period of twenty-four (24) consecutive hours, beginning at 12:00 Noon on said calendar day and ending at 12:00 Noon on the following calendar day, Central Standard Time ("CST").
- **"Delivery Point(s)"** means the NBPL natural gas custody transfer metering equipment on the international boundary between Canada and the United States near Port of Morgan, Montana or such other points mutually agreeable to the Parties and documented in Exhibit A.

- **"Firm Volumes"** means volumes which Seller agrees hereunder to deliver on a firm basis.
- **"Foothills"** means Foothills Pipeline Ltd. or its successors.
- **"Index"** shall equal the INDEX PRICE OF SPOT GAS DELIVERED TO PIPELINES (per MMBtu dry) for Northern Natural Gas Company for Texas, Oklahoma, Kansas ("TOK") as published in the first edition each month of the *Inside FERC's Gas Market Report* or such successor index as may be agreed to by the Parties.
- **"Load Factor Adjustment"** shall be as defined in Section 10.3.2.
- **"Max DQ"** means maximum daily quantity.
- **"Mcf"** means one thousand (1,000) cubic feet of gas.
- **"Min AQ"** means minimum annual quantity.
- **"Month"** means a period beginning at 12:00 Noon CST on the first Day of a calendar month and ending at 12:00 Noon CST on the first Day of the next succeeding calendar month.
- **"MMBtu"** means one million (1,000,000) British thermal units.
- **"Natural Gas" or "Gas"** shall mean sales quality natural gas that meets minimum NOVA pipeline specifications, including gas-well gas, casinghead gas, and/or residue gas resulting from processing both casinghead gas and gas-well gas, and shall include liquefied natural gas and synthetic gas in a vaporized state.
- **"NBPL"** means Northern Border Pipeline Company or its successors.
- **"NEB"** means the National Energy Board of Canada or its successor agency.
- **"NNG"** means Northern Natural Gas Company or its successors.
- **"NOVA"** means NOVA Corporation of Alberta or its successors.

- "NYMEX" means the New York Mercantile Exchange.
- "Peak Shaving" means gas obtained by the vaporization of propane or liquefied natural gas from Buyer's storage facilities to meet Buyer's market requirements.
- "Total Monthly Bill" shall be as defined in Section 10.3.4.

ARTICLE II TERM

2.1 Except as otherwise provided, this Agreement shall become effective on the date first above written and shall continue in effect through 12:00 Noon CST November 1, 2001. Initial deliveries shall commence at 12:00 Noon CST on November 1, 1994.

ARTICLE III REGULATORY CONDITIONS PRECEDENT

Except as otherwise agreed, the commencement of deliveries is subject to the completion of the following conditions precedent on or before November 1, 1994, which Seller and Buyer shall use due diligence to satisfy.

3.1 Seller will have obtained an order from the National Energy Board, pursuant to Section 8 of the National Energy Board Part VI Regulations, authorizing the export of natural gas from Canada, at those quantities as set out in Article IV herein and at a price as set out in Article X herein;

3.2 Seller will have obtained all other permits, approvals or orders that may be required from Canadian regulatory authorities as a result of the gas delivered hereunder to the Delivery Point(s) being produced in or transported through any province other than Alberta.

3.3 Seller will be the importer of record and Seller or its affiliate will prepare and secure the necessary import authorizations from U.S. regulatory authorities. Seller or its affiliate will prepare periodic import reports associated with the import of the gas as required by U.S. regulatory authorities.

3.4 Buyer will have obtained any approval of U.S. regulatory authorities necessary to effect transportation of the said gas from the NBPL natural gas custody metering equipment on the international boundary between Canada and the United States border at or near Port of Morgan, Montana to NBPL's interconnections with NNG.

ARTICLE IV
OBLIGATION AS TO DELIVERIES, AND
RECEIPTS, QUANTITIES AND TENDER OF GAS

4.1 Subject to the terms and conditions of this Agreement, Seller agrees to sell and deliver gas nominated by Buyer up to a Max DQ of 6,347 Mcf per day of Firm Volumes at the Delivery Point(s) provided in Exhibit A.

4.2 Seller may, at the request of Buyer, increase the Firm Volume Max DQ on terms acceptable to the parties, but is under no obligation to do so.

4.3 Buyer agrees to buy and receive at the Delivery Point(s) all Firm Volumes nominated by Buyer up to the Max DQ unless a failure to buy and receive is excused hereunder.

4.4 In the event of Seller's inability to deliver gas at the Delivery Point(s) hereunder for reasons of force majeure, prior to making interruptible gas sales to third parties Seller shall use reasonable efforts to make deliveries of the requested volumes at secondary delivery points which (i) are available to Buyer; (ii) at which Seller is capable of delivering gas supplies at that time; and (iii) yield a netback price to the Seller equal to or no less than achievable for deliveries to the primary Delivery Point; in the event the transportation cost to the secondary delivery points will result in a lower netback price to Seller, if Buyer agrees to bear the additional transportation costs, Seller shall make the requested deliveries to such points.

4.5.1 If Seller fails to tender for delivery Buyer's nomination up to the Max DQ or any part of such nomination at the Delivery Point(s), unless such failure is excused hereunder, Buyer as liquidated damages for Seller's failure to deliver may reduce its payment to Seller by the incremental cost to Buyer of acquiring substitute gas as set forth below plus three percent to a maximum of \$0.10/MMBtu. The payment reduction shall be calculated as (a) the sum of the 100% load factor cost of fixed

transportation charges not utilized due to non-delivery (i.e., NNG Market Area Transport) plus (b) the difference between (i) the commodity charge for gas as defined under Section 10.3.1 from Seller delivered to Buyer's town border stations including fixed and variable transportation costs, and either (ii) the price of substitute gas delivered to Buyer's town border stations including fixed and variable transportation costs, and/or (iii) if Peak Shaving is the most economic alternative the per MMBtu cost thereof as calculated on Buyer's books of account plus variable operating and maintenance expense on a per MMBtu basis. Examples are shown on Exhibit B. Except as provided in Section 16.1 the foregoing shall be the exclusive remedy of Buyer for Seller's failure to deliver the Max DQ. Seller shall not be liable for any indirect, incidental or consequential damage arising from such failure including but not limited to any loss of profits, loss of revenues, business interference or claims of third parties.

4.5.2 The reduction in the payment due to Seller shall be made as a credit to Buyer's bill in the month or months following the month in which the failure to deliver Buyer's nomination occurred; provided, however, Buyer shall first provide to Seller information supporting the payment reduction. Should Seller's obligation to reimburse Buyer for acquisition of substitute gas exceed payments due to Seller from Buyer, Buyer, at its option, may render statements to Seller which shall be paid within ten (10) days, subject to interest under the provisions of Section 13.4. Subject to the limitations in Section 13.6, in the event it is later determined that the reduction(s) in payments to Seller or direct payment(s) to Buyer by Seller were in error, Buyer agrees to repay such amounts as were in error within ten (10) days of the date of such determination, together with interest from the date of such reduction or payment to the date of repayment calculated as provided in Section 13.4.

4.5.3 Buyer agrees to act in good faith and in mitigation of such liquidated damages to first, purchase substitute gas when that will minimize Seller's obligation to Buyer under Section 4.5.1 while taking into consideration availability and reliability of alternate supplies delivered to Buyer's town border stations, and then to use its Peak Shaving facilities if substitute Gas is not readily available or is more expensive.

4.6.1 In the event Buyer experiences non-voluntary verifiable firm market loss or general system conversions from Buyer's firm retail sales service, Buyer may elect to reduce its Max DQ upon 180 days notice to Seller, provided Buyer exerts reasonable efforts to ensure that the market losses do not occur including assignment (in whole or in part) of Buyer's rights and obligations comparable to these General Terms and Conditions and any Sales Agreement then in effect or remaining to be performed.

4.6.2 If Buyer reduces the Max DQ under Section 4.6.1, Seller has the right of first refusal to purchase at the market rate the NBPL transport that will not be utilized due to Buyer's reduction. The market rate for NBPL transport shall be determined in the following order: 1) permanent releases or assignments of transportation as listed on NBPL's Electronic Bulletin Board (EBB) or if no permanent release or assignment has been listed in the 180 days prior to Buyer's notice of reduction of the Max DQ, then 2) the verifiable rate offered by any third party, or if no verifiable offer is available, then 3) the Alberta/TOK Market Differential as defined in Article I shall be used to determine the value of the transport.

ARTICLE V BUYER'S MINIMUM PURCHASE OBLIGATION

5.1 Buyer's Minimum Daily Quantity for any day under this Agreement shall be zero (0) Mcf per day.

5.2.1 Subject to the terms and conditions of this Agreement, Buyer agrees to nominate a Min AQ of Firm Volumes equal to 80% annually (80% of the Max DQ times the number of days in the year).

5.2.2 If the Max DQ is reduced during the Contract Year pursuant to Article 4.6.1, the Min AQ shall be calculated as the sum of the products of the Max DQ's times the number of days each Max DQ was in effect during said Contract Year.

5.2.3 If Buyer fails to nominate to receive the Min AQ at the Delivery Point(s) specified in Article VI, Buyer shall pay Seller per MMBtu calculated as the volume weighted average of the Commodity Charge for the contract year multiplied by twenty percent (0.20) multiplied by the difference between the Min AQ and the actual volume nominated during the Contract Year. A sample calculation is shown in Exhibit C to this Agreement.

ARTICLE VI
DELIVERY POINT(S); TRANSPORTATION

6.1.1 Seller and Buyer shall make the necessary transportation arrangements to cause the delivery of natural gas to Buyer from Seller at the Delivery Point(s) listed in Exhibit A, or at other mutually agreeable points.

6.1.2 The Seller will act as Buyer's agent for managing NBPL transportation in accordance with the contemporaneous agency agreement between the Parties and attached as Exhibit D.

6.1.3 In the event Buyer does not schedule NBPL capacity for use under this Agreement for a particular period, Buyer shall notify Seller of this occurrence as soon as reasonably possible and Seller shall have the first right to use the NBPL capacity and shall be reimbursed by Buyer the difference between the NBPL tariff rate paid by Seller and the market rate as determined by comparable release activity on NBPL's EBB or if not available then the Alberta/TOK Market Differential, for all volumes utilized by Seller, as a debit to Buyer's bill for the month. In the event of a negative difference between the NBPL tariff rate paid by Seller and the market rate, then 50% of the amount calculated under Article 10.3.4 shall be credited to Buyer's bill for the month. A sample calculation is shown in Exhibit E to this Agreement.

6.2 Seller warrants that throughout the term of this Agreement any NOVA and Foothills transportation upstream of the Delivery Point(s) will be provided as firm transportation and if such firm transportation is not offered by the transporter, then under the most reliable transportation available.

6.3 Buyer warrants that throughout the term of this Agreement any transportation downstream of the Delivery Point(s) will be provided by firm transportation and if such firm service is not offered by the transporter(s), then under the most reliable transportation service available.

ARTICLE VII
TITLE AND WARRANTIES

7.1 Title to all gas delivered hereunder shall pass from Seller to Buyer at the Delivery Point(s).

7.2 Seller hereby warrants that it has full right and absolute authority to sell the gas hereunder; and Seller warrants that all such gas is owned or controlled by Seller free from prior commitment to other parties as well as from all liens and adverse claims, including liens to secure payment of production taxes, severance taxes and other taxes. Seller shall at all times have the obligation to make payments to the owners of interests under Seller's gas purchase agreements, and Seller agrees to indemnify Buyer and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses, including attorney's fees, arising from or out of adverse claims of any and all persons, firms or corporations to said gas or to royalties, overriding royalties, taxes, license fees, or charges thereon, which are applicable before the title to the gas passes to Buyer.

7.3 Seller represents and warrants that (a) it has the full right to enter into this Agreement; (b) the execution of this Agreement does not violate (i) Seller's certificate of incorporation or by-laws, (ii) any agreement to which Seller is a party, or (iii) any existing statute, law, order, regulation or rule of any court or governmental agency applicable to Seller; and (c) there are no administrative or judicial proceedings pending or, to Seller's knowledge, threatened that challenge the validity of this Agreement.

7.4 Buyer represents and warrants that (a) it has full right to enter into this Agreement; (b) the execution of this Agreement does not violate (i) Buyer's certificate of incorporation or by-laws, (ii) any agreement to which Buyer is a party, or (iii) any existing statute, law, regulation or rule of any court or governmental agency applicable to Buyer; and (c) there are no administrative or judicial proceedings pending or, to Buyer's knowledge threatened, that challenge the validity of this Agreement.

7.5 Seller represents and warrants that at all times during the term of the Agreement, Seller shall exercise due diligence to own, control, purchase, or otherwise acquire sufficient natural gas to enable Seller to perform its delivery obligations subject to the lawful orders of the Canadian regulatory authorities.

ARTICLE VIII

QUALITY, MEASUREMENT AND BALANCING

8.1 All gas delivered and received hereunder shall meet or exceed the minimum quality and pressure specifications of Buyer's transporter(s).

8.2 Seller's deliveries of natural gas shall be calculated from the measurements taken at meter(s) installed, operated and maintained by NBPL at the Delivery Point(s), and from the volumes and heating value determined by the instruments operated by NBPL.

8.3 The applicable quality, pressure and measurement specifications of Buyer's transporter(s) shall be those included in their respective tariff(s), in effect from time-to-time.

8.4 It is understood that the natural gas purchased and sold hereunder will be transported pursuant to the applicable transporter(s) approved tariffs. These tariffs may provide for penalties for the over or under delivery or receipt of natural gas. This Section 8.4 apportions the responsibility for such penalties, if any, between Buyer and Seller. Seller shall be responsible for penalties charged as a result of Seller's action or inaction. Buyer shall be responsible for penalties charged as a result of Buyer's action or inaction.

ARTICLE IX NOMINATIONS OF DAILY QUANTITIES

9.1 Buyer shall notify Seller four (4) working days prior to the beginning of each month of the estimated daily quantities it intends to purchase the subsequent month. Thereafter, Buyer shall provide nominations at least twenty-six (26) hours in advance of the Gas Day if any changes in daily volumes are required.

9.2 Seller shall make all reasonable efforts to accommodate requested nomination changes by Buyer when such requests are made less than twenty-six (26) hours in advance, but shall not be obligated to accommodate nomination changes unless such are allowed by transporting pipeline companies.

9.3 For purposes of nominating natural gas pursuant to this Article IX, Buyer shall, until notified otherwise by Seller, telephone Seller's designee and subsequently confirm such nominations in writing.

**ARTICLE X
PRICE**

10.1 The Price of gas to be sold and purchased hereunder shall consist of a Demand Charge and a Commodity Charge and shall be calculated as per the example in Exhibit E.

10.2.1 The Demand Charge shall equal the NNG Field Rate plus the Supply Reservation Charge ("SRC")

10.2.2 NNG Field Rate is the applicable NNG tariffed firm rate (NNG TFF) for gas transported to NNG's Market Area divided by the average number of days per month (30.4) plus variable field transport and fuel from MID9 (or successor) to MID16B (Demarcation) and agreed upon prior to the start of each Contract Year.

10.2.3 SRC is equal to US\$ 0.05 per MMBtu.

10.3.1 The ^{Adjusted.} Commodity Charge shall equal the Index/as defined in Article I.
(THE AILB-TOL market Differential)

10.3.2 The Load Factor Adjustment is the differential between Max DQ times the number of days in the month times NBPL's MCF to MMBtu conversion factor for the month less the volume actually taken multiplied by the NNG Field Rate.

10.3.3 All prices are on a dry basis delivered to the Delivery Point(s).

10.3.4 Total Monthly Bill shall equal i) the Demand Charge times the Max DQ times the number of days in the month, less ii) any gas volumes not delivered pursuant to Section 4.5.1 times the SRC, plus iii) the Commodity Charge times the volume actually taken during the month, less iv) the Load Factor Adjustment plus v) when applicable as described in Section 6.1.3, the difference between the NBPL full tariff rate and the market rate times the differential between Max DQ times the number of days in the month less the volume actually taken.

10.4 Should publication of the price index(s) referenced in this Agreement either discontinue or stop being representative of the price of spot gas delivered to pipelines for Northern Natural Gas Company for Texas, Oklahoma, Kansas on an annualized basis, as determined by the reasonable discretion of either Party, either

Party may request that the index(s) be replaced. This index will then be replaced by another published index by mutual agreement representative of such prices, and if no agreement is reached, by arbitration pursuant to Article XVII.

10.5 Should the NNG Field Rate either discontinue or stop being representative of the transportation cost for gas to move from the mid-continent area to NNG's Market Area, as determined by the reasonable discretion of either party, the NNG Field Rate shall be set at the last agreed upon value for the NNG Field Rate.

10.6 Buyer shall have the right, by notifying Seller at least 45 days prior to the start of any new Contract Year, to review the delivered prices (differentials) between Alberta and the TOK Basin. If the review, as per Example 1 in Exhibit I, shows a positive difference between the prices, the Commodity Charge shall be reduced by an amount equal to one half of that difference. If the review, as per Example 2 in Exhibit I, shows a negative difference between the prices, the Commodity Charge shall remain unchanged.

ARTICLE XI TAXES

11.1 Seller shall be liable for all taxes assessed, imposed or incurred prior to or at the Delivery Point(s) and for all royalties, overriding royalties and payments out of production required by Seller's leases or by law to be paid with respect to the production of gas prior to or at the Delivery Point(s). Buyer shall be liable for all taxes assessed, imposed or incurred after the Delivery Point(s).

ARTICLE XII GOVERNMENT REGULATIONS

12.1 This Agreement shall be subject to all valid applicable Local, State, Province and U.S. and Canadian laws, orders, directives, rules and regulations of any governmental body, agency or official having jurisdiction over this Agreement and the sale and purchase of gas hereunder.

ARTICLE XIII BILLING AND PAYMENT

13.1 Seller shall submit a statement to Buyer on or before the fifteenth (15th) day of each calendar month for the gas delivered hereunder during the preceding

calendar month. If the actual total quantities are not available by the billing date, billing will be on an estimated basis on the fifteenth (15th) day of the month. The estimates will then be corrected to actual totals on the following month's billing or as soon as available. Statements shall specify the quantities of gas delivered to Buyer at the Delivery Point(s) on a daily basis.

13.2 Payment by Buyer to Seller shall be due on or before the twenty-fifth (25th) day of the month in which said bill is received by Buyer. Buyer will bring any adjustments it feels necessary to the immediate attention of Seller and in any event no later than twelve (12) months after receipt of the statement by Buyer. Payment by Buyer to Seller shall be made on or before the due date in immediately available U.S. funds (per wire transfer or ACH (Automated Clearinghouse)) to a depository designated from time to time by Seller at its sole discretion. When the due date falls on a day other than a Business Day, then Buyer shall cause such payment to be made on or before the last Business Day on which the designated depository is open before such due date. Seller's designated depository is listed on Exhibit F.

13.3 If presentation of a statement by Seller is delayed after the fifteenth (15th) day of the month, then the date payment is due shall be extended for an equal number of days.

13.4 Should Buyer fail to remit the full amount when due, interest on the unpaid portion shall accrue at a rate equal to one percent (1%) above the then effective "Prime Rate" of interest for large money center commercial banks published under "Money Rates" by the "Wall Street Journal" for corporate loans at large U.S. money center commercial banks, from the date due until the date of payment. If such failure to pay continues for thirty (30) days after payment is due, Seller, in addition to any other remedy it may have, may suspend further sale and delivery of gas until such amount, including interest, is paid. However, if Buyer in good faith, disputes the amount of any such billing or part thereof, Buyer shall pay Seller the amount Buyer believes to be correct. Seller shall promptly investigate the matter and submit a corrected bill to Buyer. If Buyer has underpaid the amount actually due, Buyer shall remit any amount due plus interest calculated as stated above. If Buyer has overpaid the amount actually due, Seller shall remit to Buyer any necessary refund plus interest calculated as stated above.

13.5 Seller and Buyer shall have the right, at all reasonable times upon reasonable notice, to examine the books and records of the other, to the extent reasonably necessary to verify the accuracy of any statement, charge, computation or demand made under this Agreement.

13.6 If either Seller or Buyer shall discover any error or inaccuracy in invoices, statements, billings, payment, calculations or determinations under this Agreement, then proper adjustment and correction thereof shall be made as promptly as practicable thereafter, with payment due to the appropriate Party within ten (10) Days thereafter; provided, however, that any claim for an undercharge or overcharge shall be made within sixty (60) Days from the date of initial discovery; and in any event, if no such errors or inaccuracies are identified by either Buyer or Seller and reported to such other Party within twenty-four (24) Months from the date of such statement, billing payment, calculation, or determination, the same shall be deemed conclusively to be correct.

ARTICLE XIV SUCCESSION AND ASSIGNMENT

14.1 Any party which shall succeed by purchase, merger or consolidation to the properties, substantially or as an entirety, of Buyer or Seller as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Agreement. Either Party may, without relieving itself of its obligations hereunder, assign any of its rights hereunder to an Affiliate, provided the Affiliate's credit is reasonably acceptable to the other party, but otherwise no assignment of this Agreement or any of the rights or obligations hereunder shall be made by Seller or Buyer without prior written approval from the other party, which shall not be unreasonably withheld. Any attempted assignment in violation of this provision shall be void. It is agreed, however, that the restrictions on assignments contained in this Section 14.1 shall not in any way prevent either Party to this Agreement from pledging or mortgaging its rights hereunder as security for its indebtedness.

ARTICLE XV LIABILITY AND FORCE MAJEURE

15.1 Seller and Buyer each assume full responsibility and liability for and shall indemnify and save harmless the other Party from all liability and expense on account of any and all damages, claims or actions, including injury to and death of persons,

arising from any act or accident occurring when title to the gas is vested in the indemnifying Party. The indemnifying party shall not be liable for any indirect, incidental or consequential damage arising from such act including but not limited to any loss of profits, loss of revenues, business interference or claims of third parties. However, Buyer's sole remedy for Seller's failure to deliver Buyer's nomination, if any, shall be as provided in Section 4.5.1 and 16.1 and Seller's sole remedy for Buyer's failure to nominate and receive the Max DQ shall be as provided in Section 5.2.3.

15.2 Except with regard to Buyer's and Seller's obligations to make payments to the other Party due under this Agreement, in the event either Party hereto is rendered unable, wholly or in part, by an event of force majeure to carry out its obligations under this Agreement, it is agreed that upon such Party's giving notice and full particulars of such force majeure by telephone and by any written notice provided for in Section 18.3 (a) to the other Party promptly after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such force majeure, from its inception, shall be suspended during the continuance of any inability so caused but for no longer period, and the Party affected shall not be liable to the other Party for damages or otherwise by reason thereof. Such cause shall as far as possible be remedied with all reasonable dispatch.

15.3 The term "force majeure" as employed herein shall mean anything that is beyond the control of the Party claiming the force majeure including, but not limited to, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, riots, landslides, hurricanes, lightning, earthquakes, fires, floods, washouts, unavoidable freezing of pipes and wells as well as explosions, or any other event beyond the control of Seller or Buyer. Force majeure shall also include any declared force majeure or firm service curtailment by Buyer's or Seller's transporters which prevents Seller's delivery of gas to Buyer.

15.4 Whenever an actual or potential labor dispute delays or threatens to delay Seller's performance under this Agreement, Seller shall immediately give notice thereof to Buyer. Such notice shall include all relevant information with respect to such dispute.

ARTICLE XVI
DEFAULT AND TERMINATION

16.1 If Seller should fail to deliver Buyer's nominations, up to the Max DQ, of Firm Volumes four (4) or more separate non-consecutive times during a Contract Year or for more than five (5) consecutive days during a Contract Year, Buyer in addition to receiving the payment provided for in Section 4.5.1, shall have the right to 1) terminate this Agreement upon sixty (60) days written notice, and 2) take assignment of the firm transportation on Foothills. Provided, however, failure to deliver Buyer's nomination caused by force majeure interruption shall not be treated as a failure to deliver Buyer's nominations for the purposes of this Agreement. Buyer's right to terminate this Agreement must be exercised by giving notice of termination within thirty (30) days of the end of the applicable time period. Failure to give timely notice shall constitute a waiver of Buyer's right of termination related to such period.

16.2 If at any time during the term thereof, any governmental authority having jurisdiction over Buyer issues any order, which denies Buyer the ability to pass through to its customers the cost of gas under this Agreement, Buyer shall have the right at its sole discretion to terminate this Agreement effective the following contract anniversary date subject to having provided the Seller with at least twelve (12) months written notice and assignment in the manner provided as per the terms in Section 4.6. However, such order shall not relieve the Buyer of its pre-existing obligations under this Agreement, and Seller shall have no obligation to refund to the Buyer any amounts collected or reduce any amounts due if any such entity denies Buyer the ability to pass through to its customers the cost of gas sold under this Agreement.

16.3 In the event Seller shall make an assignment for the benefit of creditors, or be adjudged a bankrupt; or bankruptcy, insolvency, reorganization, arrangement, debt adjustment, receivership or liquidation proceedings are instituted by or against Seller, and if instituted against Seller, Seller consents to such proceedings or admits the material allegations of the petition or said proceedings remain undismissed for sixty (60) days, or if foreclosure or ejectment proceedings are instituted against Seller with respect to the supply of gas, Buyer may, in addition to and not in limitation of its rights available at law or in equity, cancel the Agreement.

16.4 In the event Buyer shall make an assignment for the benefit of creditors, or be adjudged a bankrupt; or bankruptcy, insolvency, reorganization, arrangement, debt adjustment, receivership or liquidation proceedings are instituted by or against Buyer, and if instituted against Buyer, Buyer consents to such proceedings or admits the material allegations of the petition or said proceedings remain undismissed for sixty (60) days, or if foreclosure or ejectment proceedings are instituted against Buyer with respect to the supply of gas, Seller may, in addition to and not in limitation of its rights available at law or in equity, cancel the Agreement.

ARTICLE XVII DISPUTE RESOLUTION

17.1 Any claim or dispute between Parties relating to this Agreement, or the breach thereof, shall be subject to resolution by mediation or arbitration.

17.2 Any claim or dispute between Parties shall first be set forth in writing by notice pursuant to Section 18.3. If the claim or dispute is not resolved by mediation within sixty (60) calendar days of such initial notice, either Party may give notice in writing that the claim or dispute shall be decided by arbitration. Any failure to initiate arbitration within ten (10) days from the end of said sixty (60) day period shall be deemed a waiver of the right to arbitrate such claim or dispute. Any such waiver shall not prejudice a Party's right to arbitrate a claim or dispute based on facts arising subsequent to the facts that gave rise to prior claims or disputes.

17.3.1 Mediation shall be conducted by a single mediator appointed by mutual agreement of the Parties. The mediator shall not have the power to bind the Parties to a resolution.

17.3.2 Mediation shall take place on two (2) consecutive business days and shall be attended by a representative from each Party with full authority to settle the matter, along with other representatives necessary to discuss the issues involved in the claim or dispute.

17.3.3 On the first day of the mediation, each Party shall be allotted a maximum of four (4) hours to state its views of the claim or dispute to the mediator and to the other Party. On the second day of the mediation, the Parties shall attempt to resolve the dispute with the aid of the mediator in a format agreed by the Parties or imposed by the mediator.

17.4.1 Arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") using a panel of three (3) arbitrators appointed by the AAA. The arbitrators shall have jurisdiction and authority to interpret, apply, or determine compliance with the provisions of this Agreement insofar as shall be necessary for the resolution of the claim or dispute properly before the arbitrators. The arbitrators shall issue appropriate findings and conclusions regarding the claim or dispute and the decision of the arbitrators shall be binding upon the Parties to the extent permitted by law. Except as otherwise provided for in this Agreement, the arbitrators shall not have jurisdiction or authority to add to, detract from, or alter the provisions of this Agreement, or any applicable law or rule of civil procedure.

17.4.2 Each Party shall have the rights of discovery under the rules governing civil actions in accordance with Section 18.4. All discovery issues shall be determined by order of the arbitrators upon motion made to them by either Party. When a Party is asked to reveal material which the Party considers to be proprietary or trade secret information, the party shall bring the matter to the attention of the arbitrators who shall make such protective orders as are reasonable and necessary, or as are otherwise provided by law. The arbitration shall be closed to observation or monitoring by a third party.

17.4.3 Pending the decision of the arbitrators, the Parties agree to diligently proceed with the performance of all obligations, including the payment of all sums, required by any Sales Agreement. Interest under the provisions of Section 13.4 shall be applied to all overpayments and underpayments which occur pending resolution any claim or dispute.

17.4.4 Each Party shall pay one-half (1/2) of the mediator's and/or arbitrators' fees, costs and expenses, including those of the AAA, incurred in connection with any arbitration of any matter hereunder. However, if the arbitrators find that a Party has unreasonable brought, or has unreasonable forced the other Party to commence an arbitration such party shall pay one hundred (100) percent of such fees, costs and expenses. In all cases each Party shall pay its own employees' costs, expert witness, consultants and attorney fees, as well as its costs of exhibits and other incidental costs associated with any arbitration of any matter hereunder.

17.4.5 This Article XVII shall survive the termination of this Agreement as necessary to resolve any claims or disputes arising under this Agreement.

ARTICLE XVIII MISCELLANEOUS

18.1 Upon the termination of this Agreement for any reason, any moneys or penalties due and owing to the other Party shall be paid pursuant to the terms hereof. The terms of this Agreement shall remain in effect until such payment has been made.

18.2 This Agreement sets forth all understandings between the Parties respecting the terms and conditions of this transaction. All prior agreements, understandings and representations, whether consistent or inconsistent, oral or written, concerning this transaction are merged into and superseded by this written Agreement. No modification or amendment of this Agreement shall be binding on either Party unless in writing and signed by the Parties. This Agreement was prepared by both Parties hereto and not by any Party to the exclusion of the other Party.

18.3 (a) Except as otherwise provided for in this Agreement, any notice provided for in this Agreement or any notice which Buyer or Seller may give to the other Party shall be in writing. Any notice desired to be given under this Agreement may be given as follows:

- (i) personally handing such notice to an officer of the other Party or to some other responsible employee of the receiving Party; or
- (ii) sent by prepaid certified mail or overnight courier to the address or addresses hereinafter set forth; or
- (iii) by facsimile transmission and receipt to the facsimile telephone number hereinafter set forth.

(b) The applicable addresses of Buyer and Seller for purposes of receiving notices shall be as provided in Exhibit G. Either Party may amend the designated parties on Exhibit G by written notice to the other Party.

(c) A notice delivered by hand shall be deemed to be received at the time it is delivered to an officer or to a responsible employee of the receiving Party. A notice sent by facsimile shall be deemed to be received one (1) business day after such

notice was transmitted and receipt of transmission is confirmed. A notice sent overnight courier shall be deemed to be received two (2) business days after the date on which it was received by the courier.

(d) All routine communications between the Parties, other than notices as aforesaid, may be sent by ordinary mail, registered mail, or facsimile with follow-up by ordinary mail.

18.4 This Agreement shall be governed and construed in accordance with the laws of the State of Minnesota. Except as provided in Article XVII, the Federal District Court for State of Minnesota, located in Minneapolis, Minnesota, shall be the venue for any legal proceeding under this Agreement.

18.5 The Parties may by mutual written agreement waive any provision herein; however, a waiver shall not be construed to constitute a continuing waiver hereunder and furthermore, a waiver by either Party of one or more defaults by the other Party in performance of any provision of this Agreement shall not operate or be construed as a waiver of any future default or defaults, whether of a like or different character.

18.6 Each Party agrees that it will maintain this Agreement, and all parts and contents of the Agreement, in strict confidence, and that it will not cause or permit disclosure to any third party, except parent corporations of the Parties, if any, of the Agreement or of the contents thereof, without the express written consent of the other Party. Disclosure is permitted to the extent necessary to implement transportation. Disclosure also is permitted in the event and to the extent that such Party is required by a court or agency exercising jurisdiction over the subject matter hereof, by order or by regulation. In the event either Party becomes aware of a judicial or administrative proceeding that has resulted or may result in such an order requiring disclosure, it shall so notify the other Party immediately.

18.7 The provisions of this Agreement shall not impart rights enforceable by any person, firm or organization not a Party or a successor or assignee of a Party to this Agreement.

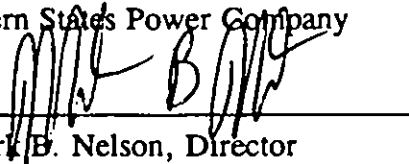
18.8 Exhibits A, B, C, D, E, F, G, H, and I attached hereto are incorporated into this Agreement by reference.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement on the day and year first above written.

BUYER:

Northern States Power Company

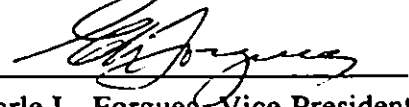
By




Mark B. Nelson, Director
Gas Supply, Plants & Engineering

SELLER:

Crestar Energy Marketing Corp.

By


Earle L. Forgues, Vice President
Marketing & Resource Development

**EXHIBIT A
TO
GAS SALES AGREEMENT
DATED
OCTOBER 14, 1994
BETWEEN
CRESTAR ENERGY MARKETING CORPORATION
AND
NORTHERN STATES POWER COMPANY**

Seller shall arrange for and cause the delivery of natural gas to Buyer to the facilities of NBPL at the following Delivery Points:

<u>Point</u>	<u>Facility #</u>	<u>Warranty Volume</u>
NBPL natural gas custody transfer metering equipment on the International Border between Canada and the U.S. near Port of Morgan, Montana. Other Points as mutually agreed to by the Parties.		6,347 Mcf

**EXHIBIT B
TO
GAS SALES AGREEMENT
DATED
OCTOBER 14, 1994
BETWEEN
CRESTAR ENERGY MARKETING CORPORATION
AND
NORTHERN STATES POWER COMPANY**

Gas Price Comparison

Example calculation for demonstration purposes only (all figures in U.S. \$/MMBtu):

<u>Cost Per MMBtu</u>	Seller's Gas From Delivery Point (a)	Substitute Gas(1) (b)	Seller's Reimbursement To Buyer = b - a
Gas Cost	\$1.80	\$2.30	
Transportation TOP, TCR, GRI & ACA	\$0.7200	\$0.3429	
Fuel	<u>\$0.08</u>	<u>\$0.049</u>	
Price at Buyer's Town Border Station	\$2.6776	\$2.7695	<u>\$0.0919</u>
		Total Reimbursement	\$0.0919

(1) Fixed and variable transportation costs, or the per MMBtu cost of Peak Shaving as calculated on Buyer's books of account plus variable operating and maintenance expense on a per MMBtu basis.

**EXHIBIT C
TO
GAS SALES AGREEMENT
DATED
OCTOBER 14, 1994
BETWEEN
CRESTAR ENERGY MARKETING CORPORATION
AND
NORTHERN STATES POWER COMPANY**

Example Calculation Only: Damages payable by Buyer to Seller for failure to nominate and receive the Minimum Annual Quantity (Min AQ).

Contract Maximum Daily Quantity (Max DQ)	6,347 MCF/day
Contract Annual Load Factor	80 %
Contract Min AQ (80% of Max DQ x 365 days)*	1,853,324 MCF
Actual Annual Volume Received by Buyer (AAVRB)	1,775,000 MCF
Deficiency Volume	78,324 MCF
MMBtu/MCF	1.04 (1,040 Btu/CF)

If the Weighted Average Annual Commodity Charge (WAACC) for gas taken is US \$2.00/MMBtu, then damages payable by Buyer to Seller are calculated as:

$$\begin{aligned} &(\text{Min AQ} - \text{AAVRB}) \times \text{MMBtu/CF} \times \text{WAACC} \times 0.20 = \\ &(78,324 \text{ MCF}) \times 1.04 \times \$2.00 \times 0.20 = \\ &\text{US\$ } 32,582.78 \end{aligned}$$

* In a leap year, the Min AQ shall be determined using 366 days.

**EXHIBIT D
TO
GAS SALES AGREEMENT
DATED
OCTOBER 14, 1994
BETWEEN
CRESTAR ENERGY MARKETING CORPORATION
AND
NORTHERN STATES POWER COMPANY**

This Management/Agency Agreement ("Agreement") is made and entered into this 14th day of October, 1994 by and between Crestar Energy Marketing Corporation ("Crestar") a Delaware corporation and Northern States Power Company, a Minnesota corporation ("NSP").

Crestar and NSP have entered into a Gas Sales Agreement dated October 14, 1994 ("Sales Agreement") wherein Crestar undertakes to manage certain transportation on behalf of NSP.

1. NSP hereby appoints Crestar as NSP's agent to manage on its behalf the Pipeline Transportation Agreement (Transportation Agreement) on Northern Border Pipeline Company (NBPL) effective November 1, 1994 pursuant to the aforementioned Gas Sales Agreement and to the extent permitted under the Transportation Agreement, as if Crestar were NSP under the terms of the Transportation Agreement.

2. NSP hereby authorizes Crestar to:

a) verify and pay any costs, service charges or tariffs to NBPL under the Transportation Agreement;

b) operate and maintain the capacity held by NSP in accordance with the terms and conditions of the Transportation Agreement;

c) receive for the account of NSP any reimbursements from NBPL under the Transportation Agreement;

d) enter into any contracts or agreements with NBPL as are necessary to operate and maintain the Transportation Agreement; provided, however, Crestar shall have no authority to terminate, materially modify or extend the term of such Transportation Agreement; and

e) generally do all acts as necessary to effectuate transportation of natural gas on NBPL pursuant to the Transportation Agreement.

3. Crestar's authority to act as NSP's agent hereunder shall terminate upon termination of the gas Sales Agreement and may be terminated upon ninety (90) days written notice by NSP to Crestar.

4. The Parties shall keep each other informed on matters relating to the Transportation Agreement and provide, if requested, copies of any correspondence or documents related thereto.

5. a. Crestar shall indemnify, defend and hold harmless NSP, its assigns, officers and employees from and against any costs, losses, liabilities, penalties, actions, claims or proceedings arising from Crestar's failure to comply with its duties as agent hereunder.

b. NSP shall indemnify, defend and hold harmless Crestar, its assigns, officers and employees from and against any costs, losses, liabilities, penalties, actions, claims or proceedings to the extent such are caused by Crestar carrying out the instructions of NSP.

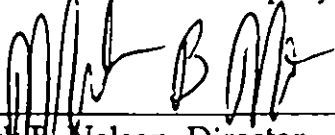
c. Notwithstanding the foregoing, the Parties liability shall be limited to the amounts set forth in the Sales Agreement and neither Party shall be liable to the other for any indirect, incidental or consequential damages, including but not limited to, loss of profits, loss of revenues, business interruption or claims of third parties.

6. All notices and other communication hereunder shall be given as provided under Article XVIII of the Sales Agreement.

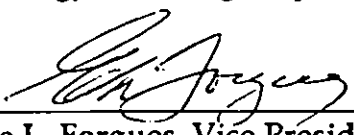
7. This Agreement shall be interpreted, construed and governed by the laws of Minnesota. Any dispute shall be resolved as provided in Article 18.4 of the Sales Agreement.

This Agreement is signed by the Parties' respective duly authorized representatives and shall remain in effect until terminated pursuant to Section 3 above.

Northern States Power Company

By: 
Mark B. Nelson, Director
Gas Supply, Plants & Engineering

Crestar Energy Marketing Corporation

By: 
Earle L. Forgues, Vice President
Marketing & Resource Development

**EXHIBIT F
TO
GAS SALES AGREEMENT
DATED
OCTOBER 14, 1994
BETWEEN
CRESTAR ENERGY MARKETING CORPORATION
AND
NORTHERN STATES POWER COMPANY**

Please Wire Transfer U.S. Funds within ten (10) Days of Receipt to:

Crestar Energy Marketing Corporation
at the Bank of Nova Scotia
ABA # 026002532
For: Calgary Commercial Banking Centre
Transit Number 10009
Bank Code 002
Credit To: Crestar Energy ~~U.S. Funds~~ Marketing Corp. *[Signature]*
Account #~~85688-12-10009~~ 04443-16 *MBV*

**EXHIBIT G
TO
GAS SALES AGREEMENT
DATED
OCTOBER 14, 1994
BETWEEN
CRESTAR ENERGY MARKETING CORPORATION
AND
NORTHERN STATES POWER COMPANY**

The addresses of Buyer and Seller for purposes of receiving notices shall be as follows:

SELLER:

Notices:

Crestar Energy Marketing Corporation
P.O. Box 888
700 - 2nd Street S.W.
Calgary, Alberta T2P 4M8
Attn: Vice President, Marketing & Resource Development
Phone: 403-231-6754
Fax: 403-231-3833

Nominations and Scheduling:

Attn: Gas Control
Phone: 403-231-6825
Fax: 403-231-3878

BUYER:

Notices:

Northern States Power Company
825 Rice Street
St. Paul, Minnesota 55117
Attn: Manager, Gas Supply
Phone: 612-229-2386
Fax: 612-220-2370

Invoices, Statements and Billings:

Northern States Power Company
825 Rice Street
St. Paul, Minnesota 55117
Attn: Manager, Gas Control

Nominations and Scheduling:

Attn: Gas Control
Phone: 612-229-2257
Fax: 612-229-2370

**EXHIBIT H
TO
GAS SALES AGREEMENT
DATED
OCTOBER 14, 1994
BETWEEN
CRESTAR ENERGY MARKETING CORPORATION
AND
NORTHERN STATES POWER COMPANY**

EXAMPLE ONLY: Alberta/TOK Market Differential Based on 1 Year Forward Strip

Bank	Alberta NYMEX Basis Differential (A)	TOK NYMEX Basis Differential (B)	Alberta/TOK Market Differential (C)
Banque Paribas	-U.S.\$(0.6660)	-U.S.\$(0.2823)	-U.S.\$(0.3837)
BT Bank of Canada	-U.S.\$(0.6585)	-U.S.\$(0.2933)	-U.S.\$(0.3652)
Morgan Stanley	-U.S.\$(0.6423)	-U.S.\$(0.2779)	-U.S.\$(0.3644)
Alberta/TOK Market Differential Equals the Average of Column C = <u>-U.S.\$(0.3711)</u>			

**EXHIBIT I
TO
GAS SALES AGREEMENT
DATED
OCTOBER 14, 1994
BETWEEN
CRESTAR ENERGY MARKETING CORPORATION
AND
NORTHERN STATES POWER COMPANY**

	<u>Example 1</u>	<u>Example 2</u>
Average of the One Yr. Forward Strip Alberta Border (NYMEX Diff.) on the offer side as quoted by: Banque Paribas BT Bank of Canada Morgan Stanley	(65)	(55)
Crestar markets premium to One Yr. price set as US \$0.05/MMBtu	_5	_5
Difference	(60)	(50)
Transportation Demand, Commodity & Fuel on NBPL and Foothills P/L at full published tariffs	45	45
Other costs associated with Transportation or exports of gas (e.g. Export brokers fees)	_0	_0
Delivered to Ventura (A)	(15)	(5)
Average of the One Yr. Forward Strip prices for TOK (NYMEX Diff.) on the offer side as quoted by: Banque Paribas BT Bank of Canada Morgan Stanley	(30)	(30)
NNG TFF Total Cost (NNG Field Rate)	<u>23.5</u>	<u>23.5</u>
Delivered to Ventura (B)	(6.5)	(6.5)
Difference (B - A)	+8.5	(1.5)
Discount to NSP (50% of positive difference)	4.25	0.0

NATURAL GAS

MARKETING AND FINANCIAL SERVICES AND GAS SUPPLY AGREEMENT
FOR CANADA/UNITED STATES CROSS BORDER SALES TRANSACTIONS

THIS AGREEMENT made as of the 1st day of September, 1992.

AMONG:

CRESTAR ENERGY, a partnership formed under the laws of Alberta
(hereinafter called "Crestar Energy")

OF THE FIRST PART

- and -

CRESTAR ENERGY MARKETING CORP., a body corporate
incorporated under the laws of Delaware
(hereinafter called "CEMC")

OF THE SECOND PART

- and -

CRESTAR ENERGY INC., a body corporate incorporated under the laws
of Canada
(hereinafter called "Crestar")

OF THE THIRD PART

WHEREAS:

A. CEMC carries on the business of marketing natural gas in the United States ("U.S.");

B. Crestar has agreed to provide marketing and administrative services to CEMC in respect of the marketing of natural gas;

C. CEMC has entered into agreements for the sale or exchange of natural gas in the U.S. and expects to enter other such agreements (the "U.S. Sales Agreements"); and

D. Crestar Energy has a supply of natural gas in Canada and has agreed to supply natural gas to CEMC to enable CEMC to meet its obligations under the U.S. Sales Agreements;

NOW THEREFORE, the parties hereby agree as follows:

ARTICLE I - MARKETING SERVICES AND FINANCIAL SERVICES

- 1.01 Crestar agrees to assist CEMC in marketing natural gas by providing qualified marketing and administrative personnel to act on behalf of CEMC in connection with sales of natural gas in the U.S. CEMC agrees to pay the Marketing Services Charges and Financial Services Charges set forth in Sections 2 and 3 of Schedule "A" hereto.
- 1.02 Within 30 days following each calendar quarter Crestar shall deliver to CEMC a statement setting forth the amount of Marketing Services Charges and Financial Services Charges in respect of the preceding quarter.
- 1.03 CEMC agrees to pay the Marketing Services Charges and Financial Services Charges within thirty (30) days of receipt of such statement.

ARTICLE II - SALE OF NATURAL GAS

- 2.01 Crestar Energy agrees to sell to CEMC and CEMC agrees to purchase from Crestar Energy the volumes of natural gas required from time to time to meet the obligations of CEMC to sell and deliver natural gas in the U.S. pursuant to U.S. Sales Agreements.
- 2.02 The point of delivery and sale of all natural gas sold by Crestar Energy to CEMC hereunder shall be at the point in Canada immediately before the point where it crosses the international border between Canada and the U.S. (the "U.S. Border Transfer Point").
- 2.03 Possession of and title to all natural gas sold by Crestar Energy to CEMC hereunder shall pass from Crestar Energy to CEMC at the U.S. Border Transfer Point.
- 2.04 The volume of deliveries from Crestar Energy to CEMC will be determined by the measurement of the natural gas at the point of delivery and sale from CEMC to

CEMC's customers in the U.S. All measurements will be corrected to standard conditions of pressure and temperature, as applicable.

- 2.05 CEMC agrees to pay for the natural gas purchased from Crestar Energy within three days after CEMC receives payment for the natural gas from the third party purchaser of the natural gas, provided, however, that such date shall not be later than 90 days following delivery of the natural gas by Crestar Energy to CEMC. The price for the natural gas sold to CEMC hereunder shall be determined in accordance with Section 1 of Schedule "A" hereto.
- 2.06 The obligations of Crestar Energy under this Article shall be subject to Crestar Energy obtaining all licenses or permits required from time to time to export the natural gas from Canada, each of which shall be in a form satisfactory to Crestar Energy and subject only to conditions acceptable to it.

ARTICLE III - EXISTING AGREEMENT

- 3.01 The Gas Purchase Agreement between Crestar Energy and CEMC dated August 4, 1992 is hereby terminated as of the date first above written.

ARTICLE IV - GENERAL

- 4.01 Any notices or instructions required to be given under this Agreement may be given either orally or in writing.
- 4.02 This Agreement and the rights and obligations of the parties hereunder shall be governed by and construed in accordance with the laws of the Province of Alberta.
- 4.03 This Agreement shall enure to the benefit of the parties hereto, their respective successors and permitted assigns.
- 4.04 No party to this Agreement shall be permitted to assign this Agreement, in whole or in part, without the consent of the other parties hereto.
- 4.05 Any party hereto may terminate this Agreement upon sixty (60) days notice to the other party, provided, however, that any such termination shall not affect obligations which have arisen at or prior to the date of termination, and provided further, that any purported termination by Crestar or Crestar Energy shall not affect Crestar Energy's obligation to supply gas with respect to then existing U.S. Sales Agreement, where either Crestar or Crestar Energy have notice of CEMC's gas requirements thereunder.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

**CRESTAR ENERGY,
by its managing partner,
CRESTAR ENERGY INC.**

Per: *J. Smith*

**CRESTAR ENERGY MARKETING
CORP.**

Per: *J. [Signature]*

CRESTAR ENERGY INC.

Per: *J. Smith*

SCHEDULE "A"
TO THE NATURAL GAS
MARKETING AND FINANCIAL SERVICES AND GAS SUPPLY AGREEMENT
FOR CANADA/UNITED STATES CROSS BORDER SALES TRANSACTIONS
MADE AS OF THE 1ST DAY OF SEPTEMBER, 1992 AMONG
CRESTAR ENERGY, CRESTAR ENERGY MARKETING CORP.
AND CRESTAR ENERGY INC.

1. Pricing of Natural Gas

Natural Gas destined for the U.S. will be sold at the U.S. Border Transfer Point at a discount of two cents (U.S.) per MMBtu from the net selling price to CEMC's purchaser, it being the intention of Crestar Energy that CEMC will earn a modest profit equivalent to the profit that would be earned by an independent broker. The proposed discount with respect to natural gas has been developed by Crestar's marketing group based on their knowledge of similar marketing arrangements. This discount represents an average of amounts charged by arm's length brokers where little or no risk is assumed by the marketing agent. This discount will be subject to adjustment in the event of a determination by Revenue Canada or the Internal Revenue Service that the fair market value differed from the specified price.

2. Marketing Services Charges

A portion of the general and administrative expenses incurred by or allocated to the Crestar marketing personnel assigned to provide marketing services to CEMC will be charged to CEMC on the basis of the volume of natural gas delivered in the U.S. relative to the total volumes of natural gas delivered in Canada and the U.S. as a result of the efforts of such personnel. Any third party costs incurred by Crestar that are directly traceable to the U.S. activities will be charged to CEMC. Although this may from time to time differ from the amount that would be charged if the costs were allocated on a time-spent basis, it is acknowledged this is a reasonable basis of allocation; an actual cost allocation based on detailed time records is considered impractical. Where the marketing activities do not result in any U.S. deliveries, these costs will not be charged to CEMC.

It is not intended that the charge to CEMC reflect any assumed profit element associated with the marketing activity. This reflects the view of Crestar and **Crestar Energy** that the marketing activities are essentially a cost of realizing the value of the production which is reflected in the inventory transfer price and the profit associated with the marketing risks which is reflected in the discount.

3. Financial Services Charges

Crestar will charge CEMC a quarterly fee of \$1500 for accounting, financial, credit, tax and legal services.

NATURAL GAS

MARKETING AND FINANCIAL SERVICES AND GAS SUPPLY AGREEMENT

FOR CANADA/UNITED STATES CROSS BORDER SALES TRANSACTIONS

FIRST AMENDING AGREEMENT

THIS AMENDING AGREEMENT made as of the 1st day of November, 1994.

AMONG:

CRESTAR ENERGY, a partnership formed under the laws of Alberta
(hereinafter called "Crestar Energy")

OF THE FIRST PART

- and -

CRESTAR ENERGY MARKETING CORP., a body corporate
incorporated under the laws of Delaware
(hereinafter called "CEMC")

OF THE SECOND PART

- and -

CRESTAR ENERGY INC., a body corporate incorporated under the laws
of Canada
(hereinafter called "Crestar")

OF THE THIRD PART

WHEREAS:

A. Crestar Energy, CEMC and Crestar are all of the parties to a Natural Gas Marketing and Financial Services and Gas Supply Agreement for Canada/United States Cross Border Sales Transactions made as of September 1, 1992 (the "Cross Border Agreement");

B. Crestar Energy, CEMC and Crestar wish to amend the Cross Border Agreement;

NOW THEREFORE, the parties hereby agree as follows:

ARTICLE I - AMENDMENT

1.01 Item 1 of Schedule "A" to the Cross Border Agreement is amended by replacing "two cents (U.S.)" with "one cent (U.S.)".

ARTICLE II - EXISTING AGREEMENT

2.01 In all other respects the Cross Border Agreement shall continue in full force and effect.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

**CRESTAR ENERGY,
by its managing partner,
CRESTAR ENERGY INC.**

Per: *J. Smith*

**CRESTAR ENERGY MARKETING
CORP.**

Per: *E. Jorgensen*

CRESTAR ENERGY INC.

Per: *J. Smith*



CRESTAR ENERGY INC.

May 21, 1996

Office of Fuels Programs, Fossil Energy
U.S. Department of Energy
Docket Room 3F-056, FE-50
Forrestal Building
1000 Independence Ave. S.W.
Washington, D.C. 20585
U.S.A.

Gentlemen:

**RE: APPLICATION OF CRESTAR ENERGY MARKETING CORP.
FOR AN ORDER AUTHORIZING THE IMPORT
OF NATURAL GAS FROM CANADA (THE "APPLICATION")**

I have acted as counsel to Crestar Energy Marketing Corp., a Delaware corporation (the "Corporation") in the above-referenced matter. In order to render this opinion, I have examined the following:

- (a) the Certificate of Incorporation and the By-laws of the Corporation, copies of which are attached hereto as Exhibits "A" and "B" respectively; and
- (b) such other documents as I have deemed necessary in order to render this opinion.

Based on the foregoing, I am of the opinion that the proposed import and export of natural gas to and from Canada, which is the subject of the Application, is within the corporate powers of the Corporation.

This opinion is furnished for the sole use of the addressee and is not intended to be relied upon by any other person for any purpose whatsoever.

Yours truly,

MICHAEL P. KLEINER
Legal Counsel
Crestar Energy Marketing Corp.

EXHIBIT "A"

CERTIFICATE OF INCORPORATION

OF

Crestar Energy Marketing Corp.

A CLOSE CORPORATION

* * * * *

1. The name of the corporation is
Crestar Energy Marketing Corp.
2. The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.
3. The nature of the business or purpose to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.
4. The total number of shares of stock which the corporation shall have authority to issue is one thousand (1,000); all of such shares shall be without par value.

The designations and the powers, preferences and rights, and the qualifications; limitations or restrictions thereof are as follows:

Shares of stock of this corporation are to be issued and held by each and every stockholder of this corporation upon and subject to the following terms and conditions:

All of the issued and outstanding stock of all classes shall be represented by certificates and shall be held of record by not more than thirty (30) persons, as defined in section 342 of the

General Corporation Law; and the corporation shall make no offering of any of its stock of any class which would constitute a "public offering" within the meaning of the United States Securities Act of 1933, as it may be amended from time to time; and the consent of the directors of the corporation shall be required to approve the issuance or transfer of any shares as being in compliance with the foregoing restrictions.

No holder of shares shall sell, assign or otherwise dispose of any share or shares of stock of this corporation to any person, firm, corporation or association, nor shall the executor, administrator, trustee, assignee or other legal representative of a deceased stockholder sell, assign, transfer or otherwise dispose of any share or shares of the stock of this corporation to any person, firm, corporation or association nor to any next of kin or legatee or legatees of a deceased stockholder, without first offering said share or shares of stock for sale to the corporation at a price representing the true book value thereof at the time of said offer and the corporation shall have the right to purchase the same by the payment of such purchase price at any time within thirty (30) days after receipt of written notice of said offer. In the event that the corporation does not accept the offer to sell such share or shares within thirty (30) days after receipt of the written notice of said offer, the share or shares shall next be offered for sale to the other stockholder or stockholders of said corporation at a price representing the true book value thereof at the time of said offer and such other stockholder or stockholders shall have the right to purchase the same by the payment of such

purchase price at any time within thirty (30) days after receipt of written notice of said offer..

Compliance with the foregoing terms and conditions in regard to the sale, assignment, transfer or other disposition of the shares of stock of this corporation shall be a condition precedent to the transfer of such shares of stock on the books of this corporation.

5a. The name and mailing address of each incorporator is as follows:

<u>NAME</u>	<u>ADDRESS</u>
S. Stout	520 Pike Street, Seattle, WA 98101
K.C. Garlepy	520 Pike Street, Seattle, WA 98101

5B. The business of the corporation shall be managed by the stockholders of the corporation rather than a board of directors.

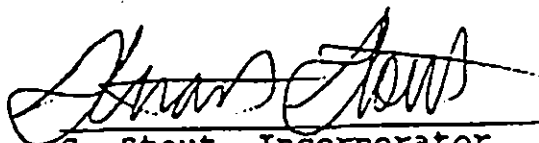
6. The corporation is to have perpetual existence.

7. Meetings of stockholders may be held within or without the State of Delaware, as the by-laws may provide. The books of the corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the stockholders or in the by-laws of the corporation.

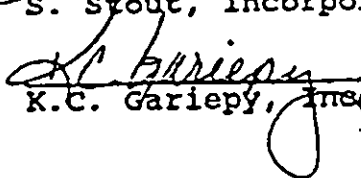
8. The corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

WE, THE UNDERSIGNED, being each of the incorporators

hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this certificate, hereby declaring and certifying that this is our act and deed and the facts herein stated are true, and accordingly have hereunto set our hands this 16th day of June, 1992.



S. Stout, Incorporator



K.C. Gariepy, Incorporator

EXHIBIT "B"

Crestar Energy Marketing Corp.

* * * * *

B Y - L A W S

* * * * *

ARTICLE I

OFFICES

Section 1. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. The corporation may also have offices at such other places both within and without the State of Delaware as the stockholders may from time to time determine or the business of the corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. All meetings of the stockholders shall be held in the City of Calgary, Province of Alberta, at such place as may be fixed from time to time by the stockholders, or at such other place either within or without the Province of Alberta or the State of Delaware as shall be designated from time to time by the stockholders and stated in the notice of the meeting. Meetings of stockholders for any purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual meetings of stockholders, shall commence with the year 1993, at such time as determined by the stockholders, or at such other date and time as shall be designated by the stockholders and stated in the notice of the meeting, at which they shall transact such business as may properly be brought before the meeting.

Section 3. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

Section 4. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 5. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the president and shall be called by the president or secretary at the request in writing of a majority of the stockholders, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given not less than ten nor more than sixty days before the date of the meeting, to each stockholder entitled to vote at such meeting.

Section 7. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat,

present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 9. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation, a different vote is required in which case such express provision shall govern and control the decision of such question.

Section 10. Unless otherwise provided in the certificate of incorporation each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted on after three years from its date, unless the proxy provides for a longer period.

Section 11. Unless otherwise provided in the certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE III

Section 1. The business of the corporation shall be managed by or under the direction of its stockholders who may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws prohibited.

Section 2. No minimum period of notice for special meetings of stockholders is specified to each stockholder, either personally or by mail or by telegram; special meetings shall be called by the president or

secretary in like manner and on like notice on the written request of two stockholders unless ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ the corporation has only one stockholder; in which case special meetings shall be called by the president or secretary in like manner and on like notice on the written request of the sole stockholder.

Section 3. At all meetings of the stockholders a majority shall constitute a quorum for the transaction of business and the act of a majority present at any meeting at which there is a quorum shall be the act of the corporation, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the stockholders the stockholders present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 4. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the stockholders ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ may be taken without a meeting, if all ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ stockholders thereto in writing, and the writing or writings are filed with the minutes of proceedings ~~XXXXXXXXXXXXXXXXXXXX~~.

Section 5. Unless otherwise restricted by the certificate of incorporation or these by-laws, ~~any~~ ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ stockholder, may participate in a meeting of the stockholders, ~~XXXXXXXXXXXXXXXXXXXX~~ by means of

conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

ARTICLE IV

NOTICES

Section 1. Whenever, under the provisions of the statutes or of the certificate of incorporation or of these by-laws, notice is required to be given to any stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such stockholder, at his/her address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the mail. Notice to stockholders may also be given by telegram.

Section 2. Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation or of these by-laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE V

OFFICERS

Section 1. The officers of the corporation shall

be chosen by the stockholders and shall be a president, a vice-president, a secretary, ~~XXXXXXXXXX~~ and a controller. The stockholders may also choose additional vice-presidents, and one or more assistant secretaries ~~XXXXXXXXXX~~ ~~XXXXXXXXXX~~. Any number of offices may be held by the same person, unless the certificate of incorporation or these by-laws otherwise provide.

Section 2. At the first meeting after each annual meeting of the stockholders shall choose a president, one or more vice-presidents, a secretary, ~~XXXXXXXXXX~~ and a controller.

Section 3. The stockholders may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the stockholder.

Section 4. The salaries of all officers and agents of the corporation shall be fixed by the stockholders.

Section 5. The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the stockholders may be removed at any time by the affirmative vote of a majority of the stockholders. Any vacancy occurring in any office of the corporation shall be filled by the stockholders.

THE PRESIDENT

Section 6. The president shall be the chief executive officer of the corporation, shall preside at all meetings of the stockholders and shall have general and active management of the business of the corporation and shall see that all orders and resolutions of the stockholders are carried into effect.

Section 7. He shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the stockholders to some other officer or agent of the corporation.

THE VICE-PRESIDENTS

Section 8. In the absence of the president or in the event of his inability or refusal to act, the vice-president (or in the event there be more than one vice-president, the vice-presidents in the order designated by the directors, or in the absence of any designation, then in the order of their election) shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. The vice-presidents shall perform such other duties and have

such other powers as the stockholders may from time to time prescribe.

THE SECRETARY AND ASSISTANT SECRETARY

Section 9. The secretary shall attend all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders including special meetings and shall perform such other duties as may be prescribed by the stockholders or president, under whose supervision he shall be. He shall have custody of the corporate seal of the corporation and he, or an assistant secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such assistant secretary. The stockholders may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

Section 10. The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the stockholders (or if there be no such determination, then in the order of their election) shall, in the absence of the secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other

duties and have such other powers as the stockholders may from time to time prescribe.

THE TREASURER AND ASSISTANT TREASURERS

Section 11. The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the stockholders.

Section 12. He shall disburse the funds of the corporation as may be ordered by the stockholders, taking proper vouchers for such disbursements, and shall render to the president and the stockholders, at its regular meetings, or when the stockholders so requires, an account of all his transactions as treasurer and of the financial condition of the corporation.

Section 13. If required by the stockholders, he shall give the corporation a bond (which shall be renewed every six years) in such sum and with such surety or sureties as shall be satisfactory to the stockholders for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of

whatever kind in his possession or under his control belonging to the corporation.

Section 14. The assistant treasurer, or if there shall be more than one, the assistant treasurers in the order determined by the stockholders (or if there be no such determination, then in the order of their election) shall, in the absence of the treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the treasurer and shall perform such other duties and have such other powers as the stockholders may from time to time prescribe.

THE CONTROLLER

Section 15. The controller shall exercise proper audit control over the operations of the corporation and shall maintain adequate accounting, statistical, and other records showing the financial condition and operating results of the corporation. He shall also perform such other duties as shall be required by the president or the stockholders.

ARTICLE VI

CERTIFICATES FOR SHARES

Section 1. The shares of the corporation shall be represented by a certificate or shall be uncertificated. Certificates shall be signed by, or in the name of the corporation by, the president or a vice-president, and by

theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates or uncertificated shares, the stockholders may, in their discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

TRANSFER OF STOCK

Section 4. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Upon receipt of proper transfer instructions from the registered owner of uncertificated shares such uncertificated shares shall be cancelled and issuance of new equivalent uncertificated shares or certificated shares shall be made to the person

entitled thereto and the transaction shall be recorded upon the books of the corporation.

FIXING RECORD DATE

Section 5. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the stockholders may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting: provided, however, that the stockholders may fix a new record date for the adjourned meeting.

REGISTERED STOCKHOLDERS

Section 6. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of

shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VII
GENERAL PROVISIONS
DIVIDENDS

Section 1. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the stockholders at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the stockholders from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the stockholders shall think conducive to the interest of the corporation, and the stockholders may modify or abolish any such reserve in the manner in which it was created.

ANNUAL STATEMENT

Section 3. The stockholders shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

CHECKS

Section 4. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the stockholders may from time to time designate.

FISCAL YEAR

Section 5. The fiscal year of the corporation shall be fixed by the stockholders.

SEAL

Section 6. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

INDEMNIFICATION

Section 7. The corporation shall indemnify its

officers, employees and agents to the extent permitted by the General Corporation Law of Delaware.

ARTICLE VIII

AMENDMENTS

Section 1. These by-laws may be altered, amended or repealed or new by-laws may be adopted by the stockholders at any regular meeting of the stockholders or at any special meeting of the stockholders or if notice of such alteration, amendment, repeal or adoption of new by-laws be contained in the notice of such special meeting.


**VERIFICATION OF APPLICATION
OF CRESTAR ENERGY MARKETING CORP.
FOR AN ORDER
AUTHORIZING THE IMPORTATION OF NATURAL GAS FROM CANADA
("the Application")**

I, Earle L. Forgues, being first duly sworn, depose and say that:

- (a) I am Vice President, Marketing and Resource Development of Crestar Energy Marketing Corp. ("Crestar"); and
- (b) I have been duly authorized by Crestar to execute, verify and file the Application with the Office of Fuels Programs, Fossil Energy;
- (c) I have read the contents of the Application and the statements contained therein are true and correct to my best information, knowledge and belief.


Earle L. Forgues

Subscribed and sworn to
before me this ~~21st~~ day of
May, 1996. *22nd Mh*


Michael P. Kleiner, a
Notary Public in and for
Alberta, my appointment
expires at Her Majesty's
pleasure.

**CRESTAR ENERGY MARKETING CORP.
(the "Corporation")**

SECRETARIAL CERTIFICATE

I, John F. Scott, Secretary of Crestar Energy Marketing Corp. hereby certify that Earle L. Forgues:

1. is the duly appointed Vice President of Marketing and Resource Development of the Corporation; and
2. is authorized to make application on behalf of the Corporation to the Office of Fuels Programs, Fossil Energy concerning the import of natural gas.

IN WITNESS WHEREOF, I have signed and attached the seal of the Corporation this 21st day of May, 1996.



John F. Scott, Secretary
Crestar Energy Marketing Corp.



UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

1996 JUN 25 A 10:50

REC'D DOE/FE

CRESTAR ENERGY MARKETING CORP.)
_____)

FE DOCKET NO. 96-31-NG

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

DOE/FE ORDER NO. 1178

JUNE 25, 1996

I. DESCRIPTION OF REQUEST

On May 23, 1996, Crestar Energy Marketing Corp. (Crestar) 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 on a firm basis up to 6,347 Mcf per day of natural gas from Canada. The term of the proposed authorization would begin on the date of DOE approval of the import and extend through November 1, 2001. Crestar, a corporation organized under the laws of the State of Delaware, with its principal place of business in Calgary, Alberta, is a wholly-owned subsidiary of Crestar Energy Inc., a Canadian corporation.

Crestar requests authority to import Canadian gas from Crestar Energy^{2/} for sale under a Gas Sales Agreement between Crestar and Northern States Power Company (NSP) executed October 14, 1994, and effective November 1, 1994.^{3/} This gas purchase contract between Crestar and NSP (the NSP Contract) expires November 1, 2001. NSP, a Minnesota corporation located in St. Paul, distributes natural gas primarily in Minnesota, but

1/ 15 U.S.C. § 717b.

2/ Crestar Energy is a partnership comprised of Crestar Energy Inc. and certain of its subsidiaries.

3/ Prior to this application, imports pursuant to the NSP contract have been reported to DOE as deliveries under successive two-year blanket authorizations to import and export natural gas from and to Canada granted to Crestar. See DOE/FE Order Nos. 766, issued February 16, 1993 (1 FE ¶ 70,754) and 1059, issued June 13, 1995 (1 FE ¶ 71,128).

also in Wisconsin and North Dakota. Crestar, Crestar Energy, and Crestar Energy Inc., entered into an arrangement on September 1, 1992, as amended November 1, 1994, titled "Marketing and Financial Services and Gas Supply Agreement for Canada/United States Cross Border Sales Transactions." Under the arrangement, Crestar Energy agrees to supply the gas that Crestar is obligated to provide under contracts with U.S. buyers, including NSP, and Crestar agrees to remit the full proceeds, less one cent per MMBtu,^{4/} to Crestar Energy.

Under the NSP Contract, gas would be purchased and imported by Crestar from Crestar Energy at the border of the United States and Canada near Port of Morgan, Montana/Monchy, Saskatchewan, through the pipeline facilities of Northern Border Pipeline Company, or such other points agreeable to Crestar and NSP. Thereafter, Crestar would immediately sell the gas to NSP.

The price of the gas delivered under the NSP Contract is comprised of a demand and commodity charge. The demand charge would equal Northern Natural Gas Company's (NNG) tarriffed firm rate charged for gas transported by its pipeline to its market area, plus \$0.05 per MMBtu.^{5/} The commodity charge would be determined monthly from an index reflecting the cost of spot market gas delivered to NNG in Texas, Oklahoma, and Kansas as published in McGraw Hill's Inside FERC's Gas Market Report. The

^{4/} One MMBtu is equal to approximately one Mcf.

^{5/} NNG's pipeline system extends throughout the central and mid-western states from Minnesota to Texas.

NSP Contract obligates NSP to purchase 80 percent of the sum of the maximum daily contract quantities each year; i.e., approximately 1.85 Bcf (6,347 Mcf/d x 365 x .8). NSP also must pay a deficiency payment equal to 20 percent of the weighted average of the monthly commodity charges during that year, multiplied by the shortfall in Mcf. If NSP experiences verifiable market loss, it may elect to reduce, upon notice, the daily and annual contract volumes.

II. FINDING

The application filed by Crestar 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). 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 Crestar 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. Crestar Energy Marketing Corp. (Crestar) is authorized to import up to 6,347 Mcf per day of natural gas from Canada for sale to Northern States Power Company (NSP). Crestar shall

import these volumes at Port of Morgan, Montana/Monchy, Saskatchewan, or such other points agreeable to Crestar and NSP.

B. The term of the authorization shall begin on the date of this Order, and extend through November 1, 2001.

C. This gas shall be imported consistent with the terms and conditions of Crestar's gas sales agreements with Crestar Energy and NSP, dated, respectively, September 1, 1992, as amended, and October 14, 1994. Both agreements are on file in this docket.

D. Within two weeks after deliveries begin, Crestar shall provide written notification to the Office of Fuels Programs (OFP), Fossil Energy, Room 3F-056, FE-50, 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 occurred.

E. With respect to the natural gas imports authorized by this Order, Crestar 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 occur, Crestar must report the point(s) on the international border where the natural gas is delivered, the name of the U.S. transporter(s), the total monthly volumes delivered in Mcf, and the average purchase price per MMBtu paid to Crestar Energy.

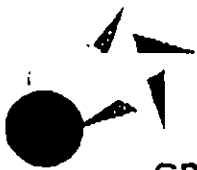
F. The first quarterly report required by Ordering Paragraph E of this Order is due not later than July 30, 1996,

and should cover the period from the date of this Order until the end of the current calendar quarter, June 30, 1996.

Issued in Washington, D.C., on June 25, 1996.



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



CRESTAR ENERGY

1996 JUL 29 A 7:33

July 26, 1996

REC'D DOE/FE

Office of Fuels Programs
Fossil Energy,
Room 3F - 056, FE - 50, Forrestal Building
1000 Independence Avenue, S.W.
Washington, D.C.
20585

Attention: Mr. John Glynn

Gentlemen:

RE: Order No. 1178 and FE Docket No. 96 - 31 - NG

This letter is to notify you that Crestar Energy Marketing Corp.
began delivering gas on the above noted Order and FE Docket on June 25, 1996.

Should you require any additional information, please contact me at
(403) 231 - 6728.

Yours truly,

Heather MacLennan

Heather MacLennan
Supervisor,
Marketing Accounting

ORIGINAL WILL
NOT BE MAILED
UNLESS REQUESTED

./ doe1178