

OFFICE OF FOSSIL ENERGY
NATURAL GAS DIVISION
DOCKET INDEX

FE DOCKET NO.: 96-60-NG
APPLICANT(S): PROGAS U.S.A., INC

ITEM	PREPARED OR FILED BY	FILING TYPE	DESCRIPTION OF DOCUMENT	DATED	DATE FILED OR ISSUED
1 ✓	PROGAS U.S.A., INC	APPLICATION	Application for Authority to Import Natural Gas from Canada \$50.00 Application Fee	96-08-15	96-08-15
2 ✓	DOE/FE	ORDER	Order-1197 Granting Long Term Authority to Import Natural Gas	96-09-16	96-09-16
3 ✓	PROGAS U.S.A., INC	AMENDMENT	Application Requesting Amendment to Import Natural Gas from Canada \$50.00 Application Fee	96-10-04	96-10-04
4 ✓	DOE/FE	ORDER	Order-1197A Amending Long-Term Authority to Import Natural Gas	96-10-16	96-10-16
5 ✓	DOE/FE	CORRESPONDENCE	Letter Denying Requesting for Confidential Treatment of Purchase Agreements, and Return of Confidential Material to Applicant	98-08-25	98-08-25
6 ✓	PROGAS U.S.A., INC	AMENDMENT	Amendment to Gas Sales Contract w/City of Perham, Minnesota	99-04-12	99-04-12
7 ✓	DOE/FE	ORDER	Order-1197-B Amending Long-Term Authority to Import Natural Gas	99-04-20	99-04-20

BRACEWELL & PATTERSON

2000 K STREET N.W.
WASHINGTON, D.C. 20006-1809
202 828 5800
FAX 202 223 1225
TELEX 89 2573

CHARLES H SHONEMAN
PARTNER

2900 SOUTH TOWER PENNZOIL PLACE
HOUSTON, TEXAS 77002-2781
713 223 2900

100 CONGRESS AVENUE
AUSTIN, TEXAS 78701-4042
512 472 7800

4000 LINCOLN PLAZA
500 N. AKARD
DALLAS, TEXAS 75201-3320
214 740 4000

43 BROOK STREET
LONDON W1Y 2BL
071 355 3330

August 15, 1996

96-60-NB

BY HAND

1996 AUG 15 P 3:38

REC'D DOE/FE

Mr. Clifford Tomaszewski, Clerk
Department of Energy, Office of Fossil Energy
1000 Independence Avenue, S.W.
Room 3F070
Washington, D.C. 20585

Dear Mr. Tomaszewski:

Enclosed for filing on behalf of ProGas U.S.A., Inc. are an original and 15 copies of two applications for long-term natural gas import authorizations. Also enclosed are two checks in the amount of \$50.00 each as payment of the required filing fees. Please contact me if you have any questions.

Very truly yours,

Bracewell & Patterson, L.L.P.



Charles H. Shoneman

CHS/djr
Enclosures
61941 01

ORIGINAL

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

PROGAS U.S.A., INC.

)
)
)

FE Docket No. 96-60 NG

REC'D. DOE/FE
1996 AUG 15 P 3:42

APPLICATION OF PROGAS U.S.A., INC. FOR LONG-TERM
AUTHORIZATION TO IMPORT NATURAL GAS

Communications with respect to this Application should
be addressed to:

Charles H. Shoneman, Esq.
Sarah G. Novosel, Esq.
Bracewell & Patterson, L.L.P.
A Registered Limited Liability Partnership
2000 K Street, N.W., Suite 500
Washington, D.C. 20006
(202) 828-5800

Paul W. Fox, Esq.
Bracewell & Patterson, L.L.P.
A Registered Limited Liability Partnership
100 Congress Avenue, Suite 1900
Austin, Texas 78701-4052
(512) 472-7800

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

PROGAS U.S.A., INC.

)
)
)

FE Docket No. _____-NG

APPLICATION OF PROGAS U.S.A., INC. FOR LONG-TERM
AUTHORIZATION TO IMPORT NATURAL GAS FROM CANADA

Pursuant to Section 3 of the Natural Gas Act ("NGA"), 15 U.S.C. Section 717b, as amended by section 201 of the Energy Policy Act of 1992 ("Energy Policy Act") (P.L. 102-486), ProGas U.S.A., Inc. ("ProGas U.S.A.") submits this application for long-term authorization to import natural gas from Canada. In support of this application, ProGas U.S.A. respectfully shows as follows:

I.
GENERAL

The exact legal name of ProGas U.S.A. is ProGas U.S.A., Inc. Correspondence and communications concerning this application should be directed to:

Charles H. Shoneman, Esq.
Sarah G. Novosel, Esq.
Bracewell & Patterson, L.L.P.
A Registered Limited Liability Partnership
2000 K Street, N.W.
Washington, D.C. 20006
(202) 828-5800

Paul W. Fox, Esq.
Bracewell & Patterson, L.L.P.
A Registered Limited Liability Partnership
100 Congress Avenue
Suite 1900
Austin, Texas 78701
(512) 472-7800

II.
BACKGROUND

ProGas U.S.A. is a corporation organized under the laws of the State of Delaware, with its principal place of business at 400 Third Avenue, S.W., Suite 3300, Calgary, Alberta, Canada. ProGas U.S.A. is beneficially owned by ProGas Limited, a private corporation organized under the laws of the Province of Alberta, Canada, with its principal place of business in Calgary, Alberta. ProGas U.S.A. is actively engaged in the business of purchasing and reselling natural gas throughout the United States. ProGas U.S.A. purchases natural gas supplies primarily from ProGas Limited and resells such supplies directly to end-users and others in "first sale" transactions. ProGas Limited is engaged in the business of buying and selling natural gas to purchasers located in Canada and at the United States border, including ProGas U.S.A.

III.
AUTHORIZATION REQUESTED

ProGas U.S.A. requests authorization to import up to 10,309 MMBtu per day of natural gas, plus fuel, on a long-term basis through October 31, 2002. As confirmed in the attached Exhibit "A", importation of natural gas from Canada is within ProGas U.S.A.'s corporate powers.

ProGas U.S.A. entered into a firm natural gas supply agreement dated November 1, 1992 with the City of Perham. This agreement scheduled to terminate October 31, 1997, but contained a right of renewal subject to the agreement of the parties. The parties subsequently extended this agreement for five years to October 31, 2002, under an amending agreement dated November 7, 1995. Copies of the November 1, 1992 and November 7, 1995 agreements, together with other intervening amendments, are attached as Exhibit "B" and collectively are referred to herein as the "Agreement".

ProGas U.S.A. will purchase the gas to be sold to the City of Perham from ProGas Limited at the U.S./Canadian international boundary at Noyes, Minnesota. ProGas Limited will ship the gas through Canada on the NOVA Gas Transmission Ltd. pipeline to its interconnection with TransCanada PipeLines Ltd. ("TransCanada") at Empress, Alberta. From Empress, ProGas Limited will ship the gas on TransCanada to Noyes at the international boundary. At Noyes, ProGas Limited will sell the gas to ProGas U.S.A. The City of Perham will ship the gas away from Noyes using its capacity on the Viking Gas Transmission Company ("Viking") pipeline system. At Noyes, ProGas U.S.A. will import the gas into the United States.

Under the terms of the Agreement, the price of the gas sold by ProGas U.S.A. to the City of Perham consists of a monthly demand charge, plus a monthly commodity charge for volumes of gas delivered. The Agreement provides for a fixed monthly demand charge which is the product of the number of days in a month times a multiplier. The monthly commodity charge for each MMBtu of gas delivered by ProGas U.S.A. to the City of Perham was initially agreed to by the parties, and subsequently determined by reference to spot prices.

Gas began flowing under the terms of the Agreement on November 1, 1992. ProGas U.S.A. began its imports, and is currently importing (and has consistently reported) the gas sold under the Agreement, through its short-term blanket import authorizations.

ProGas U.S.A. typically imports gas when it holds capacity on downstream U.S. interstate pipelines and delivers its imported gas to markets off those pipelines. ProGas U.S.A.'s sales to the City of Perham do not fall within this category of sales. It has only recently come to the attention of ProGas U.S.A. that, through an administrative oversight, it did not previously seek to place the

sales to the City of Perham under a long-term import authorization.¹ Accordingly, ProGas U.S.A. hereby requests such long-term import authorization, together with any related authorizations or waivers that may be necessary to bring it into compliance with applicable regulations of DOE/OFE.

IV. PUBLIC INTEREST

The Energy Policy Act provides that the importation of natural gas from 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 importation shall be granted without modification or delay.² Because ProGas U.S.A.'s application is for the importation of natural gas from Canada, a nation with which the United States has a free trade agreement, ProGas U.S.A. submits that its application is within the public interest.

V. REPORTING REQUIREMENTS

With respect to the imports made pursuant to the long-term authorization requested herein, within two weeks after deliveries begin under the long-term authorization, ProGas U.S.A. will notify the Office of Fuels Programs ("OFP") in writing of the date that the first import of natural gas occurred. Additionally, ProGas U.S.A. will file with the OFP within 30 days following each calendar quarter, a quarterly report showing by month the total volume imported and the average purchase price per MMBtu of gas paid at the international border. The price information for a

¹ ProGas U.S.A. has taken steps internally to see that this type of administrative oversight should not reoccur.

² Energy Policy Act of 1992, Title II - Natural Gas, Pub. L. No. 102-486 (1992).

particular month will include the gas commodity charge, the Canadian pipeline demand charges, and the pipeline fuel and commodity charges.

VI.
CONCLUSION

WHEREFORE, for the foregoing reasons ProGas U.S.A. respectfully requests that the OFP expeditiously consider the instant application and, pursuant to section 3 of the NGA, as amended by section 201 of the Energy Policy Act, grant the requested long-term import authorization. ProGas U.S.A. submits that a grant of such authorization would be consistent with the public interest.

Respectfully submitted,



Charles H. Shoneman, Esq.
Sarah G. Novosel, Esq.
Bracewell & Patterson, L.L.P.
A Registered Limited Liability Partnership
2000 K Street, N.W., Suite 500
Washington, D.C. 20006
(202) 828-5800

Paul W. Fox, Esq.
Bracewell & Patterson, L.L.P.
A Registered Limited Liability Partnership
100 Congress Avenue, Suite 1900
Austin, Texas 78701-4052
(512) 472-7800

ATTORNEYS FOR PROGAS U.S.A., INC.

August 15, 1996

61811.01

EXHIBIT "A"



ProGas U.S.A., Inc.

3300, 400 Third Avenue S.W.
Calgary, Alberta
Canada T2P 4H2
Telephone (403) 296-0600
Telecopier: (403) 266-0354

August 13, 1996

Mr. Clifford, Tomaszewski, Clerk
U.S. Department of Energy
Office of Fossil Fuels
1000 Independence Avenue S.W.
Room 3H087
Washington, DC 20001
U.S.A.

Dear Mr. Tomaszewski:

**Re: Application of ProGas U.S.A., Inc. for Long-term
Authorization to Import Natural Gas From Canada
FE Docket No. 96 - _____ - NG**

As counsel for ProGas U.S.A., Inc. (the "Company"), Application in the above-referenced proceeding, I have reviewed the Certificate of Incorporation and Bylaws of the Company, and such other documents as I have deemed necessary in order to advise you that:

1. The Company is a corporation duly incorporated and validly existing in good standing under the laws of the State of Delaware, and has all requisite corporate power and authority to own and operate its properties and to carry on its business; and
2. The Company has the requisite corporate authority to import natural gas from Canada.

Yours truly,

Magdalena A.K. Muir
Attorney for ProGas U.S.A., Inc.

F:\USERS\WPSHARED\HDZ\MAKM\USAAPP.LTR

EXHIBIT "B"

GAS SALES AGREEMENTIndex

		<u>Page</u>
ARTICLE I	INTERPRETATION	1
ARTICLE II	CONDITIONS PRECEDENT	5
ARTICLE III	TERM OF AGREEMENT, COMMENCEMENT	6
ARTICLE IV	CONTRACT QUANTITIES; DELIVERIES	7
ARTICLE V	PRICE	9
ARTICLE VI	BILLING AND PAYMENTS	11
ARTICLE VII	POINT OF DELIVERY	14
ARTICLE VIII	QUALITY AND MEASUREMENT	15
ARTICLE IX	NOMINATIONS AND BALANCING	16
ARTICLE X	FORCE MAJEURE	17
ARTICLE XI	RENEGOTIATION AND ARBITRATION	18
ARTICLE XII	ARBITRATION	19
ARTICLE XIII	LAWS AND REGULATORY BODIES	20
ARTICLE XIV	TRANSFER AND ASSIGNMENT	20
ARTICLE XV	NOTICES	21
ARTICLE XVI	MISCELLANEOUS PROVISIONS	22

BETWEEN:

PROGAS U.S.A., INC.,
a body corporate, having an office in the
City of Calgary, in the Province of Alberta
(herein referred to as "Seller")

- and -

THE CITY OF PERHAM,
a municipal corporation,
having an office in the City of Perham,
in the State of Minnesota
(herein referred to as "Buyer")

APPROVED BY
BOARD OF DIRECTORS

18 Nov 92

BACKGROUND:

Seller has presently committed to it a long term supply of natural gas produced in Western Canada and Seller wishes to sell a portion of this supply to Buyer; and

Buyer is a municipality and wishes to obtain a firm supply of natural gas from Seller for use by its residential, commercial and industrial users.

IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS
HEREIN the parties agree as follows:

ARTICLE I - INTERPRETATION

1.1 Definitions:

The following terms, when used in this Agreement, shall have the following meanings:

- (a) "British thermal unit" or "Btu" means the amount of heat required to raise the temperature of one (1) pound of distilled water one (1) degree Fahrenheit at

sixty (60) degrees Fahrenheit, at a constant pressure of 14.73 pounds per square inch absolute;

- (b) "Business Day" means any day except Saturdays, Sundays, statutory holidays and banking holidays, under the laws of Alberta, or the laws applicable to the jurisdiction of Buyer;
- (c) "Buyer's Market" means all customers from time to time purchasing natural gas supply from Buyer;
- (d) "Canadian Regulatory Authorities" means each governmental agency or other authority in Canada which has jurisdiction over any matter relevant to Seller's rights and obligations hereunder, including without limitation, the National Energy Board, the Public Utilities Board of Alberta, the Alberta Petroleum Marketing Commission, the Alberta Energy Resources Conservation Board and the Federal Governor-in-Council and Provincial Lieutenant Governors-in-Council;
- (e) "Capacity" means transportation capacity on the Upstream Pipelines sufficient to deliver the DCQ plus Fuel where the volumetric equivalent shall be determined by using a deemed Heating Value of 1.000 MMBtu/Mcf.
- (f) "Commencement Date" shall have the meaning set forth in Article III;
- (g) "Contract Year" means, with respect to the first "Contract Year" the period commencing on the Commencement Date and ending on the thirty first (31st) day of October following the Commencement Date, and with respect to any succeeding "Contract Year" the period of twelve (12) consecutive months beginning on November 1 and ending on October 31 of the following calendar year;

- (h) "cubic foot" means the volume of gas which occupies one (1) cubic foot when such gas is at a temperature of sixty degrees (60°) Fahrenheit and at a pressure of 14.73 pounds per square inch absolute;
- (i) "Daily Contract Quantity" or "DCQ" means the quantities set forth in Article IV;
- (j) "day" means a period of twenty-four (24) consecutive hours beginning and ending at 8:00 a.m. Mountain Standard Time;
- (k) "Downstream Pipeline(s)" means Viking or any other transporters designated to transport gas purchased by Buyer from the Point of Delivery to Buyer's Market;
- (l) "Fuel" means the volume of gas required to transport the gas from the Point of Delivery to the Perham meter station or other meter station on Viking designated by Buyer and agreed to by Seller, which Fuel requirement will be deemed to be 1.14% of the Summer DCQ and 1.60% of the Winter DCQ unless otherwise agreed to in writing by Buyer and Seller;
- (m) "gas" means natural gas of the quality specified in Article VIII;
- (n) "Heating Value" means the number of Btu's attributable to one (1) cubic foot of gas on a dry basis;
- (o) "MMBtu" means one (1) million Btu's;
- (p) "MMcf" means one (1) million cubic feet of gas;
- (q) "Month" means the period beginning on the first (1st) day of the calendar month and ending immediately before the first (1st) day of the next succeeding calendar month;
- (r) "Monthly Commodity Charge" means the commodity charge that is payable for gas delivered in a Month as set forth in Article V;

- (s) "Monthly Demand Charge" means the demand charge payable as set forth in Article V;
- (t) "NOVA" means NOVA Corporation of Alberta;
- (u) "Point of Delivery" has the meaning set forth in Article VII;
- (v) "Scheduled Daily Delivery" means the volume of gas, up to the Daily Contract Quantity, which Buyer requests Seller to cause to be delivered to the Point of Delivery for Buyer's account during any one (1) day;
- (w) "TCPL" means TransCanada PipeLines Limited;
- (x) "TransGas" means TransGas Limited;
- (y) "Upstream Pipeline(s)" means NOVA, TransGas and TCPL or any other transporters designated to transport Seller's gas to the Point of Delivery;
- (z) "U.S. Regulatory Authorities" means each governmental agency or other authority in the United States of America which has or may accept jurisdiction over any matter relevant to the rights and obligations of Buyer and Seller, including without limitation the United States Department of Energy (Fossil Energy) and the Federal Energy Regulatory Commission; and
- (aa) "Viking" means Viking Gas Transmission Company.

1.2 Other:

- (a) The division of this Agreement into articles, sections, subsections, paragraphs and sub-paragraphs and the provision of an index and headings is for convenience of reference only and shall not affect the interpretation of this Agreement.

- (b) All references to currency, unless otherwise specified, are to lawful money of the United States of America. Any necessary conversions from either U.S. or Canadian currency with respect to any charges for any Month shall be calculated at the rate of exchange for such month being the average of the noon spot exchange rates for the U.S. dollar in terms of Canadian dollars for such month as published by the Bank of Canada.
- (c) All references to legislation in this Agreement are intended to also apply to amendments thereto, any re-enactment thereof, and any successor legislation which substantially adopts or duplicates such legislation.

ARTICLE II - CONDITIONS PRECEDENT

2.1 With regard to the commencement of service under this Agreement or any agreed upon extension of service after expiry of the initial term, the obligations of Seller to sell and Buyer to purchase gas under this Agreement shall not arise prior to the satisfaction of each of the following conditions (the "Conditions") unless such conditions are waived by written agreement by both Buyer and Seller:

- (a) the receipt by Seller, from the appropriate Canadian Regulatory Authorities, of all necessary permits, licences, certificates or authorizations for the removal of gas from Alberta, the export and sale of gas to Buyer, and the transportation of such gas from the area of production to the Point of Delivery, on terms and conditions acceptable to Seller and Buyer;
- (b) the receipt by Seller of the necessary import authorization from the appropriate U.S. Regulatory Authorities;
- (c) the receipt by Buyer from the appropriate U.S. Regulatory Authorities, of all permits, licences, certificates, or authorizations for the purchase of Seller's gas, and the transportation and delivery of such gas from the Point of Delivery to Buyer's Market on terms acceptable to Buyer and Seller;

- (d) the completion by Seller of all necessary non-proratable firm transportation arrangements for Capacity to the Point of Delivery on the facilities of the Upstream Pipelines on terms acceptable to Seller and Buyer; and
- (e) the completion by Buyer of all necessary firm non-proratable transportation arrangements from the Point of Delivery on the facilities of the Downstream Pipelines for the DCQ on terms acceptable to Buyer and Seller.

2.2 Each of the parties shall proceed with due diligence to apply for and receive their respective authorizations and arrangements set forth above by or before November 1, 1992, or November 1, 1996 in the case of an agreed to extension pursuant to Section 3.1, and to keep the other party informed as to the status. Each of the parties shall use due diligence to maintain and extend, if necessary, any such authorization which may expire during the Term. The parties agree that the term of authorizations required from Canadian Regulatory Authorities and U.S. Regulatory Authorities may be for initial terms shorter than the term of this Agreement and Buyer and Seller shall rely on such short term authorizations to sell and purchase gas hereunder, until such time as the parties agree that long term authorizations covering the term of this Agreement are necessary.

2.3 Buyer shall reimburse Seller for any U.S. customs import merchandising fees or any other taxes or levies which may be payable by Seller upon the import of the gas into the United States.

ARTICLE III - TERM OF AGREEMENT, COMMENCEMENT

3.1 Term

This Agreement shall become effective from the date first above written and shall continue in full force and effect until October 31, 1997. On or before October 31, 1995 the parties shall review the terms and conditions of this Agreement to determine their appropriateness for a second term commencing November 1, 1997 and continuing through to October 31, 2002. If both parties confirm in writing, prior to October 31, 1995, that they are satisfied that the terms and conditions of this Agreement are appropriate for such second

term, subject to Article II, then deliveries shall continue for an additional five (5) contract years until October 31, 2002.

3.2 Commencement Date

Subject to the fulfillment or waiver of the Conditions set forth in Article II, the obligation of the parties to sell and purchase gas shall commence November 1, 1992 ("Commencement Date").

ARTICLE IV - CONTRACT QUANTITIES; DELIVERIES

4.1 Daily Contract Quantity

The Daily Contract Quantity ("DCQ") will be:

- (a) during the months of November through March inclusive of each Contract Year ("Winter DCQ"), a quantity equal to 1,309 MMBtu per day plus Fuel.
- (b) During the months of April through October inclusive of each Contract Year ("Summer DCQ"), a quantity equal to 650 MMBtu per day plus Fuel for the first Contract Year. The Summer DCQ will increase in subsequent Contract Years in the following manner:

2nd Contract Year: 720 MMBtu/day plus Fuel;
3rd Contract Year: 916 MMBtu/day plus Fuel;
4th Contract Year: 982 MMBtu/day plus Fuel;
5th Contract Year: 1309 MMBtu/day plus Fuel;
(and thereafter if applicable).

- (d) In the event that the Fuel requirements in Viking's tariff increase, any corresponding increase in the DCQ will be conditional on Seller obtaining additional firm transportation on the Upstream Pipelines.

4.2 Delivery Obligation

Subject to the fulfilment of the Conditions set forth in Article II and the remaining provisions of this Agreement, on each day commencing on and after the Commencement Date and continuing until the end of the term of this Agreement, Seller shall tender for delivery and sell, and Buyer shall purchase and cause to be received, the Scheduled Daily Delivery, at the Point of Delivery. Seller's obligation to deliver will in no event exceed the Capacity. In the event that the heating value of the gas delivered is less than the deemed heating value set forth in Section 1.1(e), such that additional capacity is required to deliver the MMBtu's requested by Buyer, Seller will use reasonable efforts to obtain such additional capacity.

4.3 Failure to Deliver

- (a) If, on any day, Seller does not tender for delivery sufficient gas at the Point of Delivery to meet the Scheduled Daily Delivery for reasons other than Force Majeure, then Seller shall have the right, but not the obligation, to deliver replacement volumes from other locations, provided however that Buyer has transportation service available and that Seller shall pay the cost of such alternate transportation service up to the replacement volume to the extent that such cost exceeds the amount otherwise payable by Buyer for transportation of gas delivered by Seller as contemplated herein.
- (b) In the event that Seller should elect not to or cannot deliver replacement volumes from other locations, Buyer shall have the right to purchase replacement natural gas volumes from alternate sources. Buyer shall use reasonable efforts to obtain the lowest cost alternative source of natural gas available, and to minimize any incremental transportation charges.

- (c) In the event Buyer purchases replacement volumes of natural gas as outlined in (b) above, and the failure of Seller to deliver the Scheduled Daily Delivery was not excused by an event of Force Majeure, then Seller hereby covenants and agrees to indemnify and hold Buyer harmless from the costs actually and reasonably incurred by Buyer, insofar as same are or relate to:
- (i) the direct costs, charges and expenses incurred by Buyer in purchasing the undelivered portion of the nominated quantities; and
 - (ii) the transportation costs, charges and expenses of transporting any volumes referred to in clause (i) to Buyer's point of resale paid by Buyer
- to the extent that such costs exceed the costs which Buyer would otherwise have incurred in respect of gas delivered by Seller hereunder.
- (d) The indemnification contained herein shall apply only if Seller's failure to deliver was not excused by a Force Majeure condition and only to the extent such costs, charges and expenses exceed the price of gas hereunder. The indemnification herein shall be Buyer's sole remedy in the event that Seller fails to deliver.
- (e) The remedies hereunder shall be the sole remedies of Buyer in the event Seller fails to deliver and such failure was not otherwise excused hereunder.

4.4 Purchase Obligation

All gas required for Buyer's Market up to the DCQ will be acquired by Buyer from Seller and Buyer shall not displace the supply available hereunder with gas supply from any other sources.

ARTICLE V - PRICE

5.1 Price

The price to be paid by Buyer for natural gas supply and service hereunder shall consist of the Monthly Demand Charge commencing November 1, 1992 and the Monthly Commodity Charge per MMBtu delivered.

5.2 Monthly Demand Charge

The Monthly Demand Charge shall be the product of the Capacity applicable to such month expressed in Mcf and the monthly demand rate ("MDR"), where the MDR for any month shall be equal to the sum of the following:

- (a) the monthly demand toll, for TCPL firm transportation service as determined by the National Energy Board and in effect during the month applicable to the transportation and delivery of gas, expressed in U.S. dollars per Mcf;
- (b) Buyer's pro rata share of the total actual monthly demand charges as billed to Seller directly or indirectly for NOVA Firm Service ("NOVA Toll") and TransGas Limited ("TransGas Toll") including monthly billing adjustments expressed in U.S. dollars per Mcf provided that the TransGas Toll may not be greater than the NOVA Toll on a per Mcf basis; and
- (c) Buyer's pro rata share of ProGas' cost of service for the applicable month as approved by the Alberta Petroleum Marketing Commission, or such other authority as may be approved pursuant to ProGas Limited's supply contracts with its producers, expressed in U.S. dollars per Mcf ("ProGas Toll").

Where Buyer's "pro rata share" will be calculated by dividing the DCQ by the sum of the daily contract quantity equivalent of Seller's firm sales commitments for such month.

5.3 Monthly Commodity Charge

The Monthly Commodity Charge for each MMBtu delivered by Seller in a Month shall be:

- (a) for the period commencing November 1, 1992 through October 31, 1994 the Monthly Commodity Charge shall be U.S.\$1.48/MMBtu (dry); and
- (b) for the Contract Year(s) commencing November 1, 1994 and for the remainder of the Term the Monthly Commodity Charge shall be as negotiated or arbitrated by the parties pursuant to Article XI, provided that if neither party has requested renegotiation or if any renegotiation or arbitration has not determined a new Monthly Commodity Charge as at November 1, 1994, then the Monthly Commodity Charge set forth in Section 5.3(a) shall remain in effect until changed pursuant to Article XI.

ARTICLE VI - BILLING AND PAYMENTS

6.1 Monthly Statements and Payments

- (a) Seller shall render to Buyer on or before the fifteenth (15th) day of each month ("Invoice Date") a statement for the preceding month (the "Sale Month") showing the daily and total quantity of gas delivered, the Heating Value and the total amount payable by Buyer stated in U.S. dollars ("the U.S. Dollar Sum"). Buyer agrees to deposit by wire transfer in Seller's account at the Bank of Montreal, Calgary, Alberta, Canada, or such other bank as may be designated by Seller, on or before the twenty fifth (25th) day of each month ("Payment Date"), the U.S. Dollar Sum for the Sale Month. In the event that Buyer has not received Seller's statement on or before the Invoice Date, the Payment Date shall be extended one (1) day for each day that Seller's statement is late. If the Payment Date is not a Business Day, then payment shall be due on the Business Day closest and prior to the Payment Date.

Notwithstanding the foregoing, Buyer agrees to use reasonable efforts to pay by the 20th of the Month.

- (b) If Seller is unable to render a statement based on actuals reported by pipelines, on or before the Invoice Date, Seller may at its option, render a statement containing Seller's best estimate of the daily and total quantity of gas delivered in the Sales Month, and the total amount payable by Buyer ("Estimate"). Buyer shall deposit in Seller's account the Estimate by the Payment Date. Seller shall render the final statement for such Sales Month with Seller's statement for the next succeeding Sales Month. Seller's statement for such next succeeding month shall reflect an adjustment for any difference between the Estimate and the final statement for the previous Sales Month.
- (c) In the event that the actual billing for the amounts set forth in Section 5.2 is not available to Seller by the Invoice Date, unless otherwise agreed to by the parties, Seller may charge to Buyer the most recent previous month's actual billings for such amounts.

6.2 Failure to Pay

- (a) If Buyer fails to deposit the U.S. Dollar Sum, or any portion thereof, in Seller's account by the Payment Date, interest thereon shall accrue as provided in Section 6.4. If Buyer's failure to pay continues for five (5) days beyond the Payment Date, Seller may, in addition to all other remedies, thereafter suspend the sale of gas provided that Seller must first have notified Buyer in writing ten (10) days prior to exercising such right of its intent to do so. If after Buyer receives such notice:
 - (i) Buyer pays the amount so due to Seller within such ten (10) day period;
or
 - (ii) Buyer in good faith disputes the amount of any such statement and pays to Seller such amounts as it concedes to be correct and within

such ten (10) day period either (1) furnishes a bond; or (2) deposits the disputed amount in escrow, in either case under terms reasonably satisfactory to Seller and sufficient to guarantee payment to Seller of the amount ultimately found due upon such bill after a final determination which may be reached either by agreement or judgement of the courts,

Seller shall not be entitled to suspend further sales of gas provided that Seller will be entitled to immediately suspend sales of gas upon default of the terms of any bond or escrow established.

- (b) If the default of payment continues after the expiration of the ten (10) day notice of suspension and without a bond or escrow as provided in Section 6.2, or such bond or escrow is in default Seller may thereafter in addition to any other rights Seller may have, terminate this Agreement.

6.3 Inspection

Each party shall have the right to inspect and examine, at reasonable times, the records and pipeline statements of the other party pertaining to the purchase and sale of gas hereunder. If any overcharge or undercharge is discovered, Seller shall refund the amount of the overcharge paid by Buyer or Buyer shall pay the amount of the undercharge, within thirty (30) days after the final determination. No retroactive adjustment is required for any discrepancy beyond a period of twelve (12) months from the date it occurred. Both parties agree to request any applicable transporter for records under their agreements with the transporting pipelines if required to settle a dispute.

6.4 Interest

If either party fails to pay any amount when due and claimed, and such amount is not successfully disputed by such party or if refunds are due, interest on any amount finally determined to be due shall accrue at the rate equal to the annual U.S. Base Lending Rate of interest plus two (2) percent announced from time to time by the bank used or designated by Seller.

ARTICLE VII - POINT OF DELIVERY

7.1 Point of Delivery

The Point of Delivery shall be the point of interconnection between the facilities of TCPL and Viking, at the international boundary between Emerson, Manitoba, Canada and Noyes, Minnesota, United States of America.

7.2 Title and Possession

Possession of and title to gas sold by Seller to Buyer hereunder shall pass from Seller to Buyer at the Point of Delivery. Until the gas reaches the Point of Delivery as between Seller and Buyer, Seller shall be deemed to be in control of, have possession of, and be responsible for such gas after which Buyer shall be deemed to be in control of, have possession of, and be responsible for such gas. Seller warrants that it will at the time of delivery have good title to all gas sold to Buyer hereunder, free and clear of all liens, encumbrances and claims whatsoever and that Seller will indemnify Buyer and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons to the title of said gas, which arise prior to title passing to Buyer.

7.3 Delivery Pressure

The gas shall be delivered to Viking at Viking's line pressure at the Point of Delivery.

7.4 Taxes

The price as determined by Article V shall be the price paid at the Point of Delivery from Canada to the United States. Any taxes imposed by any taxing authority upon the sale, use or transportation of gas under the Agreement following the Point of Delivery, including but not limited to United States sales, use, utility city license and transportation taxes or import taxes shall be the responsibility of Buyer. Seller shall be responsible for all

taxes due or levies on the production, treating, gathering, processing, handling or transmission prior to the Point of Delivery including, but not limited to, Canadian sales or export taxes.

7.5 Transportation

Seller shall be responsible for payment of all transportation charges on the Upstream Pipelines and Buyer shall be responsible for payment of all transportation charges on the Downstream Pipelines.

ARTICLE VIII - QUALITY & MEASUREMENT

8.1 Quality

Seller agrees that the gas delivered hereunder at the Point of Delivery will meet the then effective quality specifications of the Upstream and Downstream Pipelines. If the gas which Seller causes to deliver hereunder fails at any time to conform to the quality requirements of the transporter receiving the gas at the Point of Delivery, then upon Buyer's notice to Seller, Buyer shall at its option, be relieved of its obligation to purchase and Seller shall be relieved of its obligation to sell until the problem has been rectified.

8.2 Measurement

For billing purposes the quantity and Heating Value of gas delivered hereunder shall be calculated from the measurements taken at the meter or instruments installed, operated and maintained by the measuring pipeline at the Point of Delivery. Measurement shall be made based on the tariff specifications of such pipeline as such specifications may be changed from time to time by such pipeline; provided, however, that notwithstanding any provision in such tariff to the contrary, payment for gas delivered hereunder shall be based on the total Heating Value of the gas received on a dry basis.

8.3 Conversions

Where required, standards of measurement shall be converted to metric measures or to imperial measures. The conversion of any quantity or value referred to below shall be done using the following equivalent factors:

MMBtu X 1.054615	=	GJ
MMcf X 28.32784	=	10 ³ m ³
psi X 6.894757	=	kPa
(°F - 32) X 5/9	=	°C

ARTICLE IX - NOMINATIONS AND BALANCING

9.1 Nominations

By at least two (2) days prior to the commencement of each Month, Buyer shall provide Seller with an estimate of the anticipated Scheduled Daily Delivery(s) for the following month. Buyer may advise Seller of any changes to the Scheduled Daily Delivery by providing sufficient advance notice to Seller to allow Seller to meet the nomination deadlines set by the Upstream Pipelines. Seller will advise Buyer of Seller's nomination deadlines or changes to same. The parties agree to use best efforts to arrange nominations on non Business Days. If no nomination or change to the Scheduled Daily Delivery is received by Seller for any day, the last nomination, or Scheduled Daily Delivery will remain in effect.

9.2 Imbalances

Buyer and Seller agree to use best efforts to minimize imbalances and circumstances that may give rise to pipeline penalties or charges in a given month. If penalties or charges are imposed on either party by third party pipelines transporting gas hereunder, as a result of the delivery, non-delivery, receipt or non-receipt of gas, Buyer and Seller will use best efforts and cooperate to expeditiously ascertain the cause of, mitigate and resolve, such fees, penalties or charges. It is the intent of the parties that the party responsible for causing the penalty shall be responsible for paying same.

ARTICLE X - FORCE MAJEURE

10.1 Except for the obligation to pay Demand Charges and the payment of monies owed, and subject to 10.3 a party shall be relieved of those obligations which it is prevented from carrying out due to, and to the extent of, a Force Majeure condition.

10.2 Force Majeure conditions shall be those events or conditions not caused by, and beyond the reasonable control of, the affected party which prevent such party from carrying out all or a portion of its obligations under this Agreement. Force Majeure shall not include financial impracticability or financial inability but shall include, but not be limited to: interruption or prorating of firm transportation service on a pipeline transporting gas hereunder; failure of field production facilities of, or supply from producers contracted to Seller, but only to the extent that such failure of production can be demonstrated to affect Seller's ability to obtain supply from its contracted supply sources in western Canada below the level of its then existing firm sales obligations; explosions, breakages or accidents to machinery, lines of pipe or field and delivery facilities, line freeze ups, or temporary failure of gas supply due to similar causes; loss of import or export licenses or other necessary regulatory authority or where continued performance would be in violation of an order, legislation, regulation or similar direction of a government, board, agency or court having jurisdiction which has been resisted in good faith.

10.3 An event of Force Majeure affecting either party's performance under this Agreement shall not relieve the non performing party of liability:

- (a) to the extent that the negligence of the non-performing party or its affiliates was the proximate cause of the event;
- (b) to the extent the non-performing party fails to remedy the situation and remove or overcome the cause of the event with due diligence and all reasonable dispatch;
- (c) from the obligation to make any payments due hereunder for actions taken prior to the event of Force Majeure; and

- (d) unless the non performing party shall give notice and full particulars of the same as soon as possible after the occurrence of the event for which excuse is claimed.

ARTICLE XI - RENEGOTIATION AND ARBITRATION

11.1 Renegotiation

Either party may, by written notice to the other party prior to May 1 of the second Contract Year, or May 1 of any subsequent Contract Years, request renegotiation of the Monthly Commodity Charge to be effective no earlier than the November 1 of the following Contract Year unless otherwise mutually agreed. The purpose of such renegotiation will be to reach agreement on a Monthly Commodity Charge which will result in a price for gas supplies purchased hereunder which is reasonably equivalent to prices for alternate firm gas supplies delivered into Viking at Emerson for a term of at least five (5) years with comparable reliability and flexibility of service as provided pursuant to this Agreement.

11.2 Referral to Arbitration

If the parties fail to reach agreement on a Monthly Commodity Charge by June 1 following the notice for renegotiation, unless otherwise mutually agreed, the matter shall be submitted to Arbitration pursuant to Article XII. The Arbitrator(s) shall be entitled to determine a Monthly Commodity Charge which will result in a price for gas under this Agreement which is reasonably equivalent to prices for alternate firm gas supplies delivered into Buyer's Market area, for a term of at least five (5) years with comparable reliability and flexibility of service as provided pursuant to this Agreement. In reaching such determination, the Arbitrators shall have regard to the following:

- (a) the security of supply and indemnity obligations backing Seller's obligation to deliver, compared to alternate firm gas supply options available;
- (b) the period of time for which a firm commitment to supply is made; and

- (c) the flexibility of the Buyer to adjust levels of take.

11.3 Unless otherwise agreed to by Buyer and Seller, the Monthly Demand Charge shall not be subject to amendment or modification through renegotiation or arbitration.

ARTICLE XII - ARBITRATION

12.1 Upon written notice from either party requiring arbitration under this Agreement as required herein or as agreed to by the parties, unless otherwise agreed to by the parties the following shall apply:

- (a) the arbitration will be referred to the British Columbia International Commercial Arbitration Centre ("BCICAC") and finally resolved by arbitration under the rules of the BCICAC ("BCICAC Rules");
- (b) the place of arbitration shall be Vancouver, British Columbia, Canada;
- (c) the case shall be administered by the BCICAC in accordance with the "Procedures for cases under the BCICAC Rules";
- (d) each notice demanding arbitration shall include a suggested arbitrator. Within fifteen (15) days following receipt of such notice, the party receiving notice shall accept the arbitrator or propose an alternative arbitrator. If the parties are unable to select a single arbitrator within thirty (30) days from the date of notice, the arbitrators selected by each party shall promptly select a third and the arbitration hearing shall be held within sixty (60) days from the date of notice of arbitration. Unless otherwise mutually agreed, the Hearing shall not exceed thirty (30) days. Each party shall pay all costs for presenting its position and the costs of the arbitrator, elected by such party in the case of a three (3) arbitrator panel. All costs for the hearing facilities and for the single arbitrator or the third arbitrator, if applicable, shall be divided equally between Buyer and Seller; and

- (e) the decision of the arbitrator(s) shall be delivered within thirty (30) days from the date of the conclusion of the Hearing. The decision of the arbitrator (a majority vote if an arbitration panel is used) shall be final and binding, subject only to such appeal as may be permitted for binding arbitration decisions under the International Commercial Arbitration Act of British Columbia, and any regulatory approvals which may be required. The parties agree to use due diligence in obtaining such regulatory approvals.

12.2 Pending the outcome of any such arbitration, the terms in effect immediately prior to such arbitration shall remain in effect. Any modification approved by the arbitrator(s) shall be effective prospectively only, and such modification shall become effective on the first day of the first month following the decision of the arbitrators, but in no event earlier than the first day of the Contract Year following the date on which notice of the renegotiation that resulted in such arbitration was given.

ARTICLE XIII - LAWS AND REGULATORY BODIES

13.1 This Agreement and the rights and obligations of the parties hereunder are subject to all applicable present and future laws, regulations and orders of any regulatory, executive, or legislative body or other duly constituted authority having jurisdiction over Seller or Buyer.

13.2 This Agreement is governed and construed in accordance with the State of Minnesota, without recourse to the rule of conflict of laws, and shall be subject to the rules and regulations of any governmental authority having jurisdiction hereof. The parties submit to the courts of Alberta for the interpretation and enforcement hereof.

ARTICLE XIV - TRANSFER AND ASSIGNMENT

14.1 Any entity which shall succeed by purchase, merger, or consolidation to the properties and contracts, substantially as an entirety, of Buyer or of 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. Seller may, without relieving itself of its obligations under this

Agreement, assign any of its rights and obligations hereunder to an entity with which it is affiliated at the time of such assignment. Otherwise no assignment hereunder shall be made by Seller without the written consent of Buyer first obtained which consent shall not be withheld unreasonably. Buyer may, without relieving itself of its obligations under this Agreement, assign any of its rights and obligations hereunder to an entity with which it is affiliated at the time of such assignment. Otherwise no assignment of this Agreement or any of its rights or obligations hereunder shall be made by Buyer without the written consent of Seller first obtained which consent shall not be withheld unreasonably.

ARTICLE XV - NOTICES

15.1 Every notice, statement or bill provided for in this Agreement shall be in writing directed to the party to whom given, made or delivered personally, by courier, first class mail, or facsimile to such party's address as follows:

Seller: ProGas U.S.A., Inc.
4100, 400 Third Avenue S.W.
Calgary, Alberta
T2P 4H2

Attention: Manager, Operations

Telephone: (403) 266-0300
Telecopier: (403) 266-0354

Buyer: **Notices, Statements and Billings**

City of Perham
138 West Main
Perham, Minnesota 56573
U.S.A.

Attention: City Manager

Telephone: (218) 346-4455
Telecopier: (218) 346-9364

15.2 Either party may change its address from time to time by giving written notice of such change to the other party. Any notice, statement or bill or other document made,

given or delivered hereunder by mail shall be deemed to have been effectively delivered to the addressee thereof at the end of the fifth (5th) business day after the date of mailing by prepaid registered mail and return receipt requested in the United States mail or Canadian mail. Any such notice, statement, bill or other document delivered by hand or courier shall be deemed effective when delivered to the addressee in accordance with the instructions set forth in Section 15.1 and confirmed by record of the party making the delivery. In the case of a transmission by telecopy or other similar means delivery shall be when receipt has been verified.

15.3 It is expressly understood and agreed, however, that the statements and notices referred to in Article VI and Section 9.1 shall first be delivered by telecopier, or other similar means, in accordance with the dates and times provided therein, and shall be mailed as soon as practicable thereafter, unless otherwise agreed to by the parties.

ARTICLE XVI - MISCELLANEOUS PROVISIONS

16.1 This Agreement constitutes the entire agreement between the parties relating to the subject matter hereof and supersedes any other prior agreements, written or oral, between the parties concerning such subject matter unless specifically stated herein. No amendment shall be effective unless reduced to writing and signed by both parties.

16.2 The parties agree to maintain the confidentiality of this Agreement and the actions hereunder, and agree to disclose such to parties only to the extent of the need to know. This Agreement may be filed as necessary to support regulatory approvals.

16.3 In no event shall any party to this Agreement be liable to any party for indirect, consequential or special damages, including without limitation, loss of profits or income, loss of business expectations, business interruptions, loss of contract or any damage to third parties arising out of this Agreement or breach thereof.

16.4 No waiver by either party of any one or more defaults in performance of any of the provisions of this Agreement shall operate or be construed as a waiver of any future default, whether of a like or difference character.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed in duplicate and, if necessary, their corporate seals to be hereunto affixed and attested by the hands of their proper officers duly authorized in that behalf this 11 day of February, 1993.

PROGAS U.S.A., INC.

Per: *L.H. Larson*

Per: *R.H. Hansen*

THE CITY OF PERHAM

Per: *Marvin R. Johnson*

Title: *Mayor*



THIS AMENDING AGREEMENT made as of the 24th day of October, 1994

BETWEEN:

PROGAS U.S.A., INC.,
a body corporate, having an office in the
City of Calgary, in the Province of Alberta
(hereinafter referred to as "Seller")

AND:

THE CITY OF PERHAM,
a municipal corporation,
having an office in the City of Perham,
in the State of Minnesota
(hereinafter referred to as "Buyer")

BACKGROUND

Seller and Buyer are parties to a Gas Sales Agreement made as of the 1st day of November, 1992 (the "Gas Sales Agreement") and in consideration of the mutual covenants agreed to, the parties have agreed to amend the Gas Sales Agreement as follows:

1. Section 1.1(l) will be deleted and replaced with the following:

"(l) "Fuel" means the volume of gas required to transport the gas from the Point of Delivery to the Perham meter station or other meter station on Viking designated by Buyer and agreed to by Seller, which Fuel requirement will be deemed to be 1.35% of the DCQ unless otherwise agreed to in writing by Buyer and Seller;"

2. Section 4.1 of the Gas Sales Agreement will be deleted and replaced with the following:

"4.1 Daily Contract Quantity

The Daily Contract Quantity or DCQ will be:

- (a) 1,309 MMBtu/d plus Fuel. = 1,327 MMBtu/d. or MCF/d.

(b) In the event that the Fuel requirements in Viking's tariff increase, any corresponding increase in the DCQ will be conditional on Seller obtaining additional firm transportation on the Upstream Pipelines."

3. Section 5.3 of the Gas Sales Agreement will be deleted and replaced with the following:

"5.3 Monthly Commodity Charge

The Monthly Commodity Price for each MMBtu delivered by Seller in a Month will be equal to the spot price for gas delivered into Northern Natural Gas Company from Texas, Oklahoma and Kansas on the first day of the Month as reported in the first issue of the Month of Inside F.E.R.C.'s Gas Market Report ("TOK Index") less sixteen (16) cents U.S./MMBtu."

4. The terms of this Amending Agreement will be effective as of November 1, 1994 and will remain in effect for the remaining term of the Gas Sales Agreement unless modified or amended by mutual consent of the parties.

Except as expressly modified herein, the Gas Sales Agreement is hereby ratified and affirmed, and continues in full force and effect.

IN WITNESS WHEREOF the parties have hereby executed this Amending Agreement.

THE CITY OF PERHAM

PROGAS U.S.A., INC.

Per: Marlin R. Zitow
Mayor

Per: [Signature]

Per: Rafa Kucinski
City Manager

Per: [Signature]

Date: 10/25/94

Date: OCTOBER 25, 1994



THIS AMENDING AGREEMENT made as of the 27th day of October, 1994

BETWEEN:

PROGAS U.S.A., INC.,
a body corporate, having an office in the
City of Calgary, in the Province of Alberta
(hereinafter referred to as "Seller")

PROGAS COPY

AND:

GREAT PLAINS NATURAL GAS COMPANY,
having an office in the City of Fergus Falls,
in the State of Minnesota
(hereinafter referred to as "Buyer")

BACKGROUND

Seller and Buyer are parties to a Gas Sales Agreement made as of the 1st day of November, 1992 (the "Gas Sales Agreement") and in consideration of the mutual covenants agreed to, the parties have agreed to amend the Gas Sales Agreement as follows:

1. Section 1.1(l) will be deleted and replaced with the following:

"(l) "Fuel" means the volume of gas required to transport the gas from the Point of Delivery to the Fergus Falls meter station or other meter station on Viking designated by Buyer, which Fuel requirements will be deemed to be 1.35% unless otherwise agreed to in writing by Buyer and Seller;"

2. Section 4.1 of the Gas Sales Agreement will be deleted and replaced with the following:

"4.1 Daily Contract Quantity

The Daily Contract Quantity or DCQ will be:

- (a) 7,841 MMBtu/d plus Fuel. = 7,947 MMBtu/d or MMBtu/d
- (b) In the event that the Fuel requirements in Viking's tariff increase, any corresponding increase in the DCQ will be conditional on Seller obtaining additional firm transportation on the Upstream Pipelines."

3. Section 5.3 of the Gas Sales Agreement will be deleted and replaced with the following:

"5.3 Monthly Commodity Charge

The Monthly Commodity Price for each MMBtu delivered by Seller in a Month will be equal to the spot price for gas delivered into Northern Natural Gas Company from Texas, Oklahoma and Kansas on the first day of the Month as reported in the first issue of the Month of Inside F.E.R.C.'s Gas Market Report ("TOK Index") less sixteen (16) cents U.S./MMBtu."

4. Section 11.3 will be deleted and replaced with the following:

"11.3 If Seller initiates a renegotiation of the Monthly Commodity Charge, Buyer may request that, in addition, the Daily Contract Quantity and the Monthly Demand Charge payable be subject to such renegotiation and arbitration under Article XII if applicable. Otherwise, unless specifically agreed to by Seller and Buyer, the Monthly Demand Charge shall not be subject to amendment or modification through renegotiation or arbitration.

5. The terms of this Amending Agreement will be effective as of November 1, 1994 and will remain in effect for the remaining term of the Gas Sales Agreement unless modified or amended by mutual consent of the parties, or negotiation or arbitration under the terms of the Gas Sales Agreement.

6. Except as expressly modified herein, the Gas Sales Agreement is hereby ratified and affirmed, and continues in full force and effect.

IN WITNESS WHEREOF the parties have hereby executed this Amending Agreement.

GREAT PLAINS NATURAL GAS COMPANY

Per:  _____

Per:  _____

Date: 10/27/94

vidzigratplan agr

PROGAS U.S.A., INC.

Per:  _____

Per:  _____

Date: OCTOBER 27, 1994



THIS AMENDING AGREEMENT made as of the 7th day of November, 1995

BETWEEN:

PROGAS U.S.A., INC.,
a body corporate, having an office in the
City of Calgary, in the Province of Alberta
(Hereinafter referred to as "Seller")

AND:

THE CITY OF PERHAM,
having an office in the City of Perham,
in the State of Minnesota,
(hereinafter referred to as "Buyer")

Seller and Buyer are parties to a Gas Sales Agreement made as of the 1st day of November, 1992 (the "Gas Sales Agreement") and in consideration of the mutual covenants agreed to, the parties have agreed to amend the Gas Sales Agreement as follows:

1. Section on 3.1 of the Gas Sales Agreement will be deleted and replaced with the following:

"3.1 Term

This Agreement shall become effective from the date first above written and shall continue in full force and effect until October 31, 2002 ("the Termination Date"). On or before October 31, two contract years prior to the Termination Date, the parties shall review the terms and conditions of the Agreement to determine their appropriateness for an additional five (5) year term. If both parties confirm in writing prior to the Termination Date that they are satisfied that the terms and conditions of the Agreement are appropriate for such additional term, then, subject to Article II, the term of the Gas Sales Agreement shall be extended for an additional five (5) years".

2. The Amending Agreement shall not be effective until Seller has received a Finding of Producer Support from the Alberta Petroleum Marketing Commission indicating that Seller's producers approve the amendments contained herein.
3. Except as expressly modified herein, the Gas Sales Agreement is hereby ratified and affirmed, and continues in full force and effect.

IN WITNESS WHEREOF the parties have hereby executed the Amending Agreement.

THE CITY OF PERHAM

Per: *Robert L. Lussier*
CITY MANAGER

Date: November 7, 1995

PROGAS U.S.A., INC.

Per: *[Signature]*
Per: *W. J. MacDonald*

Date: NOVEMBER 6, 1995

EXHIBIT "C"

VERIFICATION

Magdalena A.K. Muir, being first duly sworn, deposes and says that she is a duly authorized representative of the Applicant; that she has read the foregoing document; that she is familiar with the contents thereof; that the statements contained therein are true and correct to the best of her knowledge, information and belief, that she is authorized to file the same with the Office of Fossil energy; and that, to the best of her knowledge, information and belief, the same or a related matter is not being considered by any other part of the Department of Energy, including the Federal Energy Regulatory Commission, or any federal agency or department.



Magdalena A.K. Muir

Subscribed and sworn to before
me this 13th day of August, 1996.



A Notary Public in and for the
Province of Alberta

JANICE R.M. KOWCH
A Commissioner for Oaths, Notary Public
in and for the Province of Alberta
My Commission Expires at the pleasure of
the Alberta Attorney General

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

1996 SEP 16 P 2:37

REC'D DOE/FE

PROGAS U.S.A., INC.)
_____)

FE DOCKET NO. 96-60-NG

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

DOE/FE ORDER NO. 1197

SEPTEMBER 16, 1996

I. DESCRIPTION OF REQUEST

On August 15, 1996, ProGas U.S.A., Inc. (ProGas) filed an application with the Office of Fossil Energy (FE) of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA) ^{1/} and DOE Delegation Order Nos. 0204-111 and 0204-127, requesting long-term authorization to import from Canada up to 10,309 MMBtu^{2/} per day of natural gas, plus gas required for transportation. ProGas is a corporation under the laws of the State of Delaware with its principal place of business in Calgary, Alberta, Canada, and is beneficially owned by ProGas Limited.

ProGas will purchase the natural gas to be imported from ProGas Limited under a netback arrangement, and resell the supplies to the City of Perham, a municipal corporation with offices in Perham, Minnesota, under the terms of a November 1, 1992, natural gas sales agreement, and a November 7, 1995, amending agreement. The November 1, 1992, agreement provides for the firm sale of 10,309 MMBtu per day of natural gas for a five-year term beginning on November 1, 1992, through October 31, 1997.^{3/} The amending agreement of November 7, 1995, extended that term until October 31, 2002. Under the terms of the agreement, the price of gas sold by ProGas to the City of Perham

^{1/} 15 U.S.C. § 717b.

^{2/} This volume is equivalent to 10,309 Mcf of natural gas.

^{3/} ProGas is currently importing this gas under blanket authority in FE Docket No. 95-22-NG, dated April 17, 1995 (1 FE ¶ 71,104).

consists of a fixed monthly demand charge subject to revision by ProGas, plus a monthly commodity charge.

ProGas states that the imported natural gas will enter the United States at the interconnection of TransCanada PipeLines Ltd. and Viking Gas Transmission Company pipeline systems at Noyes, Minnesota, for delivery to the City of Perham.

II. FINDING

The application filed by ProGas has been evaluated to determine if the proposed import arrangement meets the public interest requirement of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486). Under section 3(c), the import 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 ProGas 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:

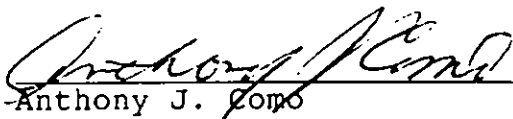
A. ProGas U.S.A., Inc. (ProGas) is authorized to import from Canada up to 10,309 Mcf per day of natural gas, plus gas required for transportation, effective the date of this Order through October 31, 2002, under the terms and conditions of the gas sales agreement dated November 1, 1992, and the November 7,

1995, amendment to the gas sales agreement between ProGas and the City of Perham. This natural gas may be imported at the interconnect of TransCanada PipeLines Ltd. and Viking Gas Transmission Company at the international border at Noyes, Minnesota.

B. With respect to the natural gas imports authorized by this Order, ProGas shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, a quarterly report indicating by month the volumes and prices of natural gas imported pursuant to this Order. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, ProGas must report total monthly volumes in Mcf and the average purchase price of gas per MMBtu delivered at the international border. The monthly price information shall itemize separately the monthly demand and commodity charges, fuel charges, and, if applicable, reservation fees.

C. The first quarterly report required by Ordering Paragraph B of this Order is due not later than October 30, 1996, and should cover the period from the date of this Order through the end of the third calendar quarter, September 30, 1996.

Issued in Washington, D.C., on September 16, 1996.



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

ORIGINAL

UNITED STATES OF AMERICA 1996 OCT -14 P 1: 52
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

REC'D DOE/EE

PROGAS U.S.A., INC.

)
)
)

FE Docket No. 96-60-NG

APPLICATION OF PROGAS U.S.A., INC. TO AMEND LONG-TERM
AUTHORIZATION TO IMPORT NATURAL GAS

Communications with respect to this Application should
be addressed to:

Charles H. Shoneman, Esq.
Sarah G. Novosel, Esq.
Bracewell & Patterson, L.L.P.
A Registered Limited Liability Partnership
2000 K Street, N.W., Suite 500
Washington, D.C. 20006
(202) 828-5800

Paul W. Fox, Esq.
Bracewell & Patterson, L.L.P.
A Registered Limited Liability Partnership
100 Congress Avenue, Suite 1900
Austin, Texas 78701-4052
(512) 472-7800

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

PROGAS U.S.A., INC.

)
)
)

FE Docket No.96-60-NG

APPLICATION OF PROGAS U.S.A., INC. TO AMEND LONG-TERM
AUTHORIZATION TO IMPORT NATURAL GAS FROM CANADA

Pursuant to Section 3 of the Natural Gas Act ("NGA"), 15 U.S.C. Section 717b, as amended by section 201 of the Energy Policy Act of 1992 ("Energy Policy Act") (P.L. 102-486), ProGas U.S.A., Inc. ("ProGas U.S.A.") submits this application to amend a long-term authorization to import natural gas from Canada. The authorization was granted to ProGas U.S.A. in DOE/FE Order No. 1197, FE Docket No. 96-60-NG, and issued on September 16, 1996. In support of this application, ProGas U.S.A. respectfully shows as follows:

I.
GENERAL

The exact legal name of ProGas U.S.A. is ProGas U.S.A., Inc. Correspondence and communications concerning this application should be directed to:

Charles H. Shoneman, Esq.
Sarah G. Novosel, Esq.
Bracewell & Patterson, L.L.P.
A Registered Limited Liability Partnership
2000 K Street, N.W.
Washington, D.C. 20006
(202) 828-5800

Paul W. Fox, Esq.
Bracewell & Patterson, L.L.P.
A Registered Limited Liability Partnership
100 Congress Avenue
Suite 1900
Austin, Texas 78701
(512) 472-7800

II.
BACKGROUND

ProGas U.S.A. is a corporation organized under the laws of the State of Delaware, with its principal place of business at 400 Third Avenue, S.W., Suite 3300, Calgary, Alberta, Canada. ProGas U.S.A. is beneficially owned by ProGas Limited, a private corporation organized under the laws of the Province of Alberta, Canada, with its principal place of business in Calgary, Alberta. ProGas U.S.A. is actively engaged in the business of purchasing and reselling natural gas throughout the United States. ProGas U.S.A. purchases natural gas supplies primarily from ProGas Limited and resells such supplies directly to end-users and others in "first sale" transactions. ProGas Limited is engaged in the business of buying and selling natural gas to purchasers located in Canada and at the United States border, including ProGas U.S.A.

III.
AUTHORIZATION REQUESTED

In Order No. 1197 and FE Docket No. 96-60-NG, the United States Department of Energy ("DOE") authorized ProGas U.S.A. to import up to 10,309 MMBtu (plus fuel) per day of natural gas on a long-term basis through 2002. As confirmed in the attached Exhibit "A", importation of natural gas from Canada is within ProGas U.S.A.'s corporate powers. ProGas U.S.A. imports this gas for resale to the City of Perham ("Perham") under an agreement dated November 1, 1992, as amended (the "Agreement"). ProGas requests amendment to its long-term authorization for two reasons. First, ProGas U.S.A. would request the authorized volume under the existing authorization be reduced from 10,309 MMBtu (plus fuel) per day to 1,309 MMBtu per day. ProGas U.S.A. inadvertently requested authorization to import 10,309 MMBtu (plus fuel) per day instead of 1,309

MMBtu (plus fuel) per day as a result of a typographical error.¹ ProGas U.S.A. did not intend to request authorization for the import of the greater amount and regrets any confusion or inconvenience its error may have caused. Second, ProGas U.S.A. would request that the authorization be amended to reflect subsequent changes to the underlying gas sales arrangement. Under the Agreement, ProGas U.S.A. agreed to sell up to 1,309 MMBtu (plus fuel) per day to Perham for the period November 1, 1992 through October 31, 2002. The Agreement has been amended by a term sheet dated September 6, 1996. A copy of that term sheet is attached as Exhibit "B" and referred to as the "Amending Agreement."

The Amending Agreement modifies the Agreement, effective November 1, 1996, by extending the termination date of the existing sale from October 31, 2002 to October 31, 2012 (the "Extended Sale"), and by providing for a sale of an incremental volume of up to 1000 MMBtu (plus fuel) per day (the "Incremental Sale"). The Extended Sale will take place on the same terms and conditions of the Agreement. The Incremental Sale will take place in accordance with the terms and conditions described below.

The gas in the Incremental Sale will be transported in the same manner described in the application approved by the DOE in Order No. 1197. Under the terms of the Amending Agreement, the price of the gas sold in the Incremental Sale by ProGas U.S.A. to Perham will consist of a commodity charge equal to the total price calculated under the Agreement for each unit of gas delivered. The Incremental Sale is scheduled to begin flowing, under the terms of the Agreement and the Amending Agreement, on November 1, 1996.

¹ The underlying gas sales agreement actually showed the maximum daily volume to be 1,309 MMBtu (plus fuel) per day.

IV.
PUBLIC INTEREST

The Energy Policy Act provides that the importation of natural gas from 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 importation shall be granted without modification or delay.² Because ProGas U.S.A.'s application is for an amendment to a prior authorization for the importation of natural gas from Canada, a nation with which the United States has a free trade agreement, ProGas U.S.A. submits that its application is within the public interest.

V.
REPORTING REQUIREMENTS

ProGas U.S.A. is currently reporting in accordance with the existing long-term authorization, and will report the incremental volumes delivered as a result of this amendment as they are imported into the U.S., effective November 1, 1996, and following.

VI.
CONCLUSION

WHEREFORE, for the foregoing reasons ProGas U.S.A. respectfully requests that the DOE expeditiously consider the instant application and, pursuant to section 3 of the NGA, as amended by section 201 of the Energy Policy Act, grant the requested amendment to the long-term import

² Energy Policy Act of 1992, Title II - Natural Gas, Pub. L. No. 102-486 (1992).

authorization. ProGas U.S.A. submits that a grant of such amendment would be consistent with the public interest.

Respectfully submitted,



Charles H. Shoneman, Esq.
Sarah G. Novosel, Esq.
Bracewell & Patterson, L.L.P.
A Registered Limited Liability Partnership
2000 K Street, N.W., Suite 500
Washington, D.C. 20006
(202) 828-5800

Paul W. Fox, Esq.
Bracewell & Patterson, L.L.P.
A Registered Limited Liability Partnership
100 Congress Avenue, Suite 1900
Austin, Texas 78701-4052
(512) 472-7800

ATTORNEYS FOR PROGAS U.S.A., INC.

October 4, 1996

63941 01

EXHIBIT "A"



ProGas Limited

3300, 400 Third Avenue S.W.
Calgary, Alberta
Canada T2P 4H2
Telephone: (403) 296-0600
Telexcopier (403) 266-0354

September 26, 1996

Mr. Clifford Tomaszewski, Clerk
U.S. Department of Energy
Office of Fossil Fuels
1000 Independence Avenue S.W.
Room 3H087
Washington, DC 20001
U.S.A.

Dear Mr. Tomaszewski:

**Re: Application of ProGas U.S.A., Inc. for Long-term
Authorization to Import Natural Gas From Canada
FE Docket No. 96 - _____ - NG**

As counsel for ProGas U.S.A., Inc. (the "Company") in connection with the Application in the above-referenced proceeding, I have reviewed the Certificate of Incorporation and Bylaws of the Company, and such other documents as I have deemed necessary in order to advise you that:

1. The Company is a corporation duly incorporated and validly existing in good standing under the laws of the State of Delaware, and has all requisite corporate power and authority to own and operate its properties and to carry on its business; and
2. The Company has the requisite corporate authority to import natural gas from Canada.

Yours truly,

Magdalena A.K. Muir
Attorney for ProGas U.S.A., Inc.

F:\USERS\WPSHARED\HDZMAKM\USAAPP.LTR

EXHIBIT "B"

Term Sheet

**For an Incremental Sale of 1,000 MMBtu/day
From ProGas USA Inc. to City of Perham
September 6, 1996**

Incremental

DCQ: ProGas proposes to deliver, and Perham agrees to accept as described more fully below, an Incremental Daily Contract Quantity ("IDCQ") of 1000 MMBtu's/day.

Delivery

Point: The Delivery Point for the IDCQ will be Noyes, Minnesota, being the interconnect between TransCanada Pipelines Limited ("TCPL") and the Viking Gas Transmission Company ("VGT") on the US side of the International Border.

Transport: ProGas and Perham have applied for the following firm expansion capacity on VGT to Marshfield, Wisconsin:

Shipper	Capacity	Start date
ProGas	243	November 1, 1996
Perham	250	November 1, 1996
Perham	500	November 1, 1997(see note)
Total	993 (say 1,000)	

Note: Perham will utilize temporary firm VGT capacity for the 1996-97 contract year.

Both parties agree to utilize the VGT capacity for this sale and this proposal is subject to ProGas and Perham receiving the VGT expansion capacity as applied for. ProGas will request that VGT increase its capacity from 243 to 250 Dth.

ProGas agrees to permanently assign its VGT capacity to Perham and Perham agrees to take assignment of the capacity, provided that ProGas has full use of all of Perham's VGT capacity when not utilized by Perham. If this Incremental Sale is terminated at any time Perham agrees to reassign 250 Dth/day of VGT capacity to ProGas at ProGas' request.

ProGas will apply to TCPL for additional capacity to Emerson to supply the Incremental Sale. ProGas can make available sufficient existing TCPL capacity if additional capacity is not made available by TCPL.

Term: The term of the Existing Contract will be extended to October 31, 2012. Buyer will have the right to reduce the Total DCQ (the sum of the current contract DCQ and the IDCQ) to 1,000 MMBtu/day effective November 1, 200~~7~~ by serving notice prior to November 1, 200~~7~~.

3 R.L.
KQM

5 R.L.
KQM

Term Sheet

**For an Incremental Sale of 1,000 MMBtu/day
From ProGas USA Inc. to City of Perham
September 6, 1996**

Take

Obligation: Perham will to be obligated to purchase all of it's requirements up to the Total DCQ of all contracts with ProGas before purchasing from any other supplier.

Pricing:

The pricing for the IDCQ is a Commodity Charge only. The price for each MMBtu of the IDCQ delivered each month under this option will be equal to the total price calculated in the Existing Contract at a 100% load factor rate calculated in \$US/MMBtu. The 100% load factor rate for the month of July, 1996 for example is equal to the TOK index plus thirty two (32) cents US/MMBtu.


Upon Perham's request, ProGas agrees to negotiate fixed prices for any volume above the Existing Contract DCQ up to the IDCQ for any period up to 18 months. If Perham exercises a fixed price option, then Perham must provide specific customer information, including name, anticipated monthly requirement and actual monthly consumption.

Other:

This proposal is subject to ProGas acquiring TCPL and VGT capacity as it has been applied for.

This proposal and the Incremental Contract is subject to approval by the ProGas producer pool and regulatory authorities.

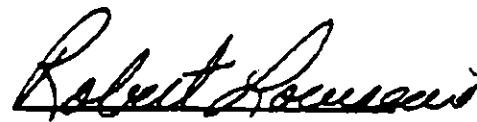
Agreed to this 23 day of Sept., 1996



K. M. Donald

PROGAS U.S.A. INC.

P:\USERS\WFS\HARD\WQ\PROGAS\PERHAM3.WPD



Robert Lousanis

CITY OF PERHAM

EXHIBIT "C"

VERIFICATION

Magdalena A.K. Muir, being first duly sworn, deposes and says that she is a duly authorized representative of the Applicant; that she has read the foregoing document; that she is familiar with the contents thereof; that the statements contained therein are true and correct to the best of her knowledge, information and belief, that she is authorized to file the same with the Office of Fossil energy; and that, to the best of her knowledge, information and belief, the same or a related matter is not being considered by any other part of the Department of Energy, including the Federal Energy Regulatory Commission, or any federal agency or department.

Magdalena A.K. Muir
Magdalena A.K. Muir

Subscribed and sworn to before
me this 26th day of September, 1996.

Janice Kowch
A Notary Public in and for the
Province of Alberta

JANICE R.M. KOWCH
A Commissioner for Oaths, Notary Public
in and for the Province of Alberta
My Commission Expires at the pleasure of
the Alberta Attorney General

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

1996 OCT 16 P 5:03

REC'D DOE/FE

PROGAS U.S.A., INC.)
_____)

FE DOCKET NO. 96-60-NG

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

DOE/FE ORDER NO. 1197-A

On September 16, 1996, the Office of Fossil Energy (FE) of the Department of Energy (DOE) granted long-term authorization to ProGas U.S.A., Inc. (ProGas) in DOE/FE Order No. 1197 (Order 1197) to import from Canada up to 10,309 Mcf per day of natural gas, plus gas required for transportation, for resale to the City of Perham. This authorization is effective from September 16, 1996, through October 31, 2002.

On October 4, 1996, ProGas notified FE that it had amended its gas sales agreement with the City of Perham by a term sheet dated September 6, 1996. The amending agreement, effective November 1, 1997, extends the termination date to October 31, 2012, and provides for an incremental volume of 1,000 MMBtu's per day of natural gas, plus gas for transportation. The extended sale and the transportation of the volumes will remain under the same terms and conditions contained in Order 1197. The price of

the incremental volumes to be sold to the City of Perham will consist of a monthly demand and commodity charge. The commodity charge is equal to the total price calculated under the gas sales agreement of November 1, 1992.

ProGas states that it inadvertently requested authority to import up to 10,309 MMBtu per day of natural gas, plus gas for transportation, and requests that the volumes be reduced to 1,309 MMBtu per day of natural gas, plus gas for transportation.

Under section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486), 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 related applications must be granted without modification or delay. Approving ProGas' application to amend its current authority covering imports of natural gas produced in Canada 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. DOE/FE Order No. 1197, issued to ProGas U.S.A., Inc. (ProGas) on September 16, 1996, is amended to authorize ProGas to import up to an additional 1,000 MMBtu per day of natural gas, plus gas required for transportation, under the terms and

conditions of an Amending Agreement dated September 6, 1996, between ProGas and the City of Perham, and extending the term until October 31, 2012. This additional volume of natural gas may be imported at the interconnect of TransCanada PipeLines Ltd. and Viking Gas Transmission Company at the international border at, Noyes, Minnesota.

B. With respect to the natural gas imports authorized by this Order, ProGas shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, a quarterly report indicating by month the volumes and prices of natural gas imported pursuant to this Order. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, ProGas must report total monthly volumes in Mcf and the average purchase price of gas per MMBtu delivered at the international border. The monthly price information shall itemize separately the monthly demand and commodity charges, fuel charges, winter surcharge, and, if applicable, reservation fees.

C. The natural gas import authorization previously granted in Order 1197 is hereby amended to reduce the daily volumes that ProGas may import to 1,309 MMBtu per day of natural gas, plus gas for transportation.

D. The first quarterly report required by Ordering Paragraph B of this Order is due not later than January 30, 1997, and should cover the period from the date of this Order through the end of the fourth calendar quarter, December 31, 1996.

E. All terms and conditions in Order 1197 remain in full force and effect.

Issued in Washington, D.C., on October 16, 1996.



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



Department of Energy

Washington, DC 20585

AUG 25 1998

Mr. Michael Waller
LeBoef, Lamb et al.
1000 Louisiana, Suite 1400
Houston, Texas 77002

RE: FE Docket Nos. 89-21-NG, 89-22-NG, 95-112-NG, 96-89-NG,
96-60-NG, 98-61-NG

Dear Mr. Waller

This is in response to your applications filed August 24, 1998, on behalf of Indeck-Yerkes Limited Partnership (Indeck-Yerkes) and Indeck-Oswego Limited Partnership (Indeck-Oswego). You requested the Office of Fossil Energy (FE) of the Department of Energy (DOE) to vacate certain existing long-term and short-term blanket authorizations. In addition, you requested FE to issue new blanket import authorizations to Indeck-Yerkes and Indeck-Oswego.

Included with your applications as Exhibit B are Power Purchase Agreements between Niagara Mohawk Power Corporation and the two Applicants. The Power Purchase Agreements, for which you have requested confidential treatment, are not relevant to FE's public interest determination and FE is returning them to you.

Sincerely,

A handwritten signature in cursive script that reads "John W. Glynn".

John W. Glynn
Manager, Natural Gas Regulation
Office of Natural Gas & Petroleum
Import and Export Activities
Office of Fossil Energy



ORIGINAL

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

PROGAS U.S.A., INC.

)
)
)

FE Docket No. 9660-NG

APPLICATION OF PROGAS U.S.A., INC.
TO AMEND DOE/FE ORDER NO. 1197 PROVIDING LONG-TERM
AUTHORIZATION TO IMPORT NATURAL GAS FROM CANADA

REC'D DOE/FE
1999 APR 12 P 1 07

Pursuant to Section 3 of the Natural Gas Act ("NGA"), 15 U.S.C. Section 717b, as amended by section 201 of the Energy Policy Act of 1992 ("Energy Policy Act") (P.L. 102-486), ProGas U.S.A., Inc. ("ProGas U.S.A.") submits this application for approval to import up to 254 MMBtu per day of natural gas, plus gas required for transportation for the period June 1, 1999 through October 31, 2012 and to request that DOE/FE Order No. 1197, as amended by Order No. 1197-A granted in FE Docket No. 96-60-NG ("DOE/FE Order No. 1197"), be amended to include these incremental volumes. In support of this application, ProGas U.S.A. respectfully shows as follows:

I.
GENERAL

The exact legal name of ProGas U.S.A. is ProGas U.S.A., Inc. Correspondence and communications concerning this application should be directed to:

Charles H. Shoneman
Bracewell & Patterson, L.L.P.
Attorneys at Law
2000 K Street NW Ste 500
Washington, DC 20006-1872
Phone: (202) 828-5800

Michelle Voinorosky
ProGas U.S.A., Inc.
3300, 400 Third Avenue S.W.
Calgary, Alberta
T2P 4H2
Phone: (403) 296-0606

II.
BACKGROUND

ProGas U.S.A. is a corporation incorporated under the laws of the State of Delaware, with its principal place of business at 400, Third Avenue S.W., Suite 3300, Calgary, Alberta, Canada. ProGas U.S.A. is beneficially owned by ProGas Limited, a private corporation organized under the laws of the Province of Alberta, Canada, with its principal place of business in Calgary, Alberta, Canada. ProGas U.S.A. is actively engaged in the business of purchasing and reselling natural gas throughout the United States. ProGas U.S.A. purchases natural gas primarily from ProGas Limited and resells such supplies directly to end-users and others. ProGas Limited is engaged in the business of buying and selling natural gas in Canada, and buying, selling and exporting natural gas produced in Canada to purchasers located in the United States, including ProGas U.S.A..

ProGas U.S.A. has applied for and received authorization in DOE/FE Order No. 1197 to import up to 2,309 MMBtu per day of natural gas, plus gas required for transportation, for the period November 1, 1997 through October 31, 2012 at Noyes, Minnesota for sale to the City of Perham pursuant to a gas sales contract dated September 6, 1996. ProGas U.S.A. and Perham have since amended the gas sales contract to increase the volumes that may be sold pursuant to the contract by 254 MMBtu/d for the period November 1, 1998 through October 31, 2012.

III.
AUTHORIZATION/AMENDMENT REQUESTED

ProGas U.S.A. requests authorization to import up to 254 MMBtu per day of natural gas, plus gas required for transportation for the period June 1, 1999 through October 31, 2012 and requests that DOE/FE Order No. 1197 be amended so as to include these volumes for this period. As a

result, DOE/FE Order No. 1197 would authorize the importation of 2,563 MMBtu per day of natural gas, plus gas required for transportation, for the period June 1, 1999 through October 31, 2012.

As with the natural gas currently being imported pursuant to DOE/FE Order No. 1197, the incremental natural gas requested to be imported will serve Perham's market. The sales to Perham will continue to be made at market based prices.

As with the natural gas currently being imported pursuant to DOE/FE Order No. 1197, Perham will purchase the incremental gas from ProGas U.S.A. at the U.S./Canada international boundary at Noyes, Minnesota. These sales, as with the sales being made pursuant to the existing DOE/FE Order NO. 1197, will be made pursuant to the natural gas agreement dated September 6, 1996, as amended, between ProGas U.S.A. and Perham. This agreement, and amendments to it, are attached hereto as Exhibit "A".

ProGas Limited will ship the incremental volumes through Canada on the NOVA Gas Transmission Ltd. pipeline system to its interconnection with TransCanada PipeLines Ltd. ("TransCanada") at Empress, Alberta. From Empress, Alberta, ProGas Limited will ship the incremental gas using firm capacity, on TransCanada, to the international boundary at Noyes, Minnesota. At Noyes, Minnesota, ProGas Limited will sell the incremental gas to ProGas U.S.A. and ProGas U.S.A. will import the incremental gas into the United States. Perham will ship the incremental volumes from Noyes, Minnesota using its capacity on the Viking Gas Transmission Company ("Viking") system.

As confirmed in the attached Exhibit "B," the importation of natural gas from Canada is within ProGas U.S.A.'s corporate powers.

IV.
PUBLIC INTEREST

The Energy Policy Act provides that the importation of natural gas from 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 importation shall be granted without modification or delay.¹ Because ProGas U.S.A.'s application is for the importation of natural gas from Canada, a nation with which the United States has a free trade agreement, ProGas U.S.A. submits that its application is within the public interest.

V.
REPORTING REQUIREMENTS

With respect to the imports made pursuant to the long-term authorization requested herein, within two weeks after deliveries begin under the amended long-term authorization, ProGas U.S.A. will notify the Office of Fuels Programs ("OFP") in writing of the date that the first import of natural gas occurred. Additionally, ProGas U.S.A. will continue to file with the OFP within thirty (30) days following each calendar quarter, a quarterly report showing by month the total volume imported and the average purchase price per MMBtu of gas paid at the international border. The price information for a particular month will include such information as OFE may require to be filed.

¹*Energy Policy Act of 1992, Title II - Natural Gas, Pub. L. No. 102-486 (1992).*

VI.
CONCLUSION

WHEREFORE, for the foregoing reasons, ProGas U.S.A. respectfully requests that the OFE expeditiously consider the instant application and pursuant to section 3 of the NGA, as amended by section 201 of the Energy Policy Act, amend ProGas U.S.A.'s existing import authorization DOE/FE Order No. 1197 and grant the requested long-term import authorization for the incremental volumes of natural gas. ProGas U.S.A. submits that a grant of such authorization would be consistent with the public interest.

Respectfully submitted:



Charles H. Shoneman, Esq.
Bracewell & Patterson, L.L.P.
Attorneys at Law
2000 K Street NW Ste 500
Washington, DC 20006-1872
Phone: (202) 828-5800

ATTORNEY FOR PROGAS U.S.A., INC.

April 9, 1999

106444.01

EXHIBIT "A"

THIS AMENDING AGREEMENT made as of the 1st day of July, 1998 between:

PROGAS U.S.A., INC.
("ProGas")

PROGAS COPY

- and -

THE CITY OF PERHAM
("Perham")

BACKGROUND

- A. ProGas and Perham are parties to a Gas Sales Agreement, as amended, dated the 6th day of September, 1996 ("Gas Sales Agreement").
- B. ProGas and Perham have negotiated an increase to the Incremental Daily Contract Quantity and changes to certain pricing provisions in the Gas Sales Agreement and have agreed to amend the Gas Sales Agreement accordingly.

Therefore in consideration of the mutual benefits ProGas and Perham agree as follows:

- 1. For the period commencing July 1, 1998 and ending October 31, 1998, notwithstanding Section 5.1(a) and Section 5.2, for the first 333 MMBtu/day of the DCQ purchased by Buyer, the Monthly Commodity Charge will be \$1.66 US/MMBtu. All other provisions of the Agreement will continue to apply in respect of the balance of the DCQ and the IDCQ.
- 2. Effective as of November 1, 1998, the following provisions of the Gas Sales Agreement are amended as follows:
 - a. Section 1.1(q) is deleted and replaced with the following:

"(q) *"IDCQ" means the incremental daily quantity of 1,268 MMBtu (dry) per day, inclusive of Fuel, as more particularly set forth in Article IV;"*
 - b. Section 4.2 is deleted and replaced with the following:

"4.2 Incremental Daily Contract Quantity
The Incremental Daily Contract Quantity ("IDCQ") will be 1,268 MMBtu/day inclusive of Fuel."
 - c. Section 5.1(b) will be deleted and replaced with the following:

"5.1 Price
The price to be paid by Buyer shall be:

 - (a) *the Monthly Demand Charge in respect of the DCQ set forth in Section 5.4;*
 - (b) *for each MMBtu delivered up to the DCQ, the Monthly Commodity Charge minus the Per Unit Demand Charge; and*
 - (c) *subject to Section 5.5, for each MMBtu delivered above the DCQ up to the IDCQ, the Monthly Commodity Charge;"*

d. Section 5.2 is deleted and replaced with the following:

*5.2 Monthly Commodity Charge

The Monthly Commodity Charge for each MMBtu delivered by Seller will be equal to NYMEX (expressed in \$US/MMBtu) less fifteen (15¢) cents US/MMBtu where:

"NYMEX" means the arithmetic average of the last three trading days' official settlement price of the New York Mercantile Exchange Natural Gas Futures Contract for the relevant Month.

3. Except as expressly modified here, the Gas Sales Agreement, as amended, is hereby ratified and affirmed and continues in full force and effect.

This Amending Agreement is executed by the parties effective as of the date first above written.

PROGAS U.S.A., INC.

DJK

Per

Per

Date: Jan 25, 1999

THE CITY OF PERHAM

Per

Date:

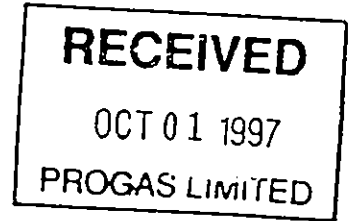
[Signature]
City MANASOK
1/19/99

THIS AMENDING AGREEMENT made as of the 1st day of September, 1997 between:

PROGAS U.S.A., INC.
("ProGas")

- and -

THE CITY OF PERHAM
("Perham")



BACKGROUND

- A. ProGas and Perham are parties to a Gas Sales Agreement, as amended, dated the 1st day of November, 1992 ("Gas Sales Agreement").
- B. ProGas and Perham signed an Amending Agreement dated April 30, 1996 amending that part of the Monthly Demand Charge relating to the ProGas cost of service. At that time, the ProGas cost of service was amended to Cdn \$0.913/Mcf (\$Cdn/0.030/Mcf x 30.4167) adjusted annually.
- C. ProGas and Perham wish to further amend the ProGas cost of service effective November 1, 1997 to reflect a lower cost of service.

Accordingly, ProGas and Perham agree as follows:

- 1. Effective November 1, 1997, Sub-section 5.2(c) of the Gas Sales Agreement will be deleted and replaced with the following:

*5.2(c) Seller's cost of service shall be a monthly unit charge equal to Cdn \$0.760/Mcf (\$Cdn/0.025/Mcf x 30.4167) as adjusted annually ("ProGas Toll"). The ProGas Toll will be subject to change on each November 1 commencing November 1, 1998, by multiplying the then effective ProGas Toll by one (1) plus the percentage change in the Consumer Price Index for the twelve (12) month period ending on the previous June 30, as published in Statistics Canada Catalogue No. 62-001-XPB. The ProGas Toll will be expressed in U.S. Dollars per Mcf in accordance with Section 1.2(b). Any conversions or changes to the ProGas Toll will be rounded to three (3) decimal places."
- 2. Except as expressly modified here, the Gas Sales Agreement, as amended, is hereby ratified and affirmed and continues in full force and effect.

This Amending Agreement is executed by the parties effective as of the date first above written.

PROGAS U.S.A., INC.

Per: KPM Donald

Per: [Signature]

Date: Sept 8, 1997

THE CITY OF PERHAM

Per: [Signature]

Date: 9/25/97

REPLACEMENT CONTRACT

GAS SALES AGREEMENT

between

PROGAS U.S.A., INC.

and

THE CITY OF PERHAM

dated

September 6, 1996

GAS SALES AGREEMENT

Index

ARTICLE I - INTERPRETATION	1
1.1 Definitions	1
1.2 Other	4
ARTICLE II - CONDITIONS	5
ARTICLE III - TERM OF AGREEMENT, COMMENCEMENT	5
3.1 Term	6
3.2 Commencement Date	7
ARTICLE IV - CONTRACT QUANTITIES; DELIVERIES	7
4.1 Daily Contract Quantity	7
4.2 Incremental Daily Contract Quantity	7
4.3 Delivery Obligation	7
4.4 Failure to Deliver	7
4.5 Purchase Obligation	8
ARTICLE V - PRICE	9
5.1 Price	9
5.2 Monthly Commodity Charge	9
5.3 Per Unit Demand Charge	9
5.4 Monthly Demand Charge	9
5.5 Alternate Price	10
ARTICLE VI - BILLING AND PAYMENTS	10
6.1 Monthly Statements and Payments	10
6.2 Failure to Pay	11
6.3 Inspection	12
6.4 Interest	12
ARTICLE VII - POINT OF DELIVERY	12
7.1 Point of Delivery	12
7.2 Title and Possession	12
7.3 Delivery Pressure	13
7.4 Taxes	13
7.5 Transportation	13
ARTICLE VIII - QUALITY & MEASUREMENT	13
8.1 Quality	13
8.2 Measurement	13
8.3 Conversions	14
ARTICLE IX - NOMINATIONS AND BALANCING	14
9.1 Nominations	14
9.2 Imbalances	14
ARTICLE X - FORCE MAJEURE	15
10.4 Pro Rata Obligation	15
ARTICLE XI - RENEGOTIATION AND ARBITRATION	16
11.1 Renegotiation	16
11.2 Referral to Arbitration	16

ARTICLE XII - ARBITRATION	17
ARTICLE XIII - LAWS AND REGULATORY BODIES	18
ARTICLE XIV - TRANSFER AND ASSIGNMENT	18
ARTICLE XV - NOTICES	19
ARTICLE XVI - MISCELLANEOUS PROVISIONS	20

THIS GAS SALES AGREEMENT made as of the 6th day of September, 1996 between:

PROGAS U.S.A., INC.,
a body corporate, having an office in the
City of Calgary, in the Province of Alberta
(herein referred to as "Seller")

- and -

THE CITY OF PERHAM,
a municipal corporation,
having an office in the City of Perham,
in the State of Minnesota
(herein referred to as "Buyer")

BACKGROUND:

Seller has presently committed to it a long term supply of natural gas produced in Western Canada and Seller wishes to sell a portion of this supply to Buyer; and

Buyer is a municipality and wishes to obtain a firm supply of natural gas from Seller for use by its residential, commercial and industrial users.

This Agreement consolidates, incorporates and supersedes the original Gas Sales Agreement dated November 1, 1992, Amending Agreements dated October 24, 1994, November 7, 1995, and April 30, 1996 ("Existing Contract") and the terms and conditions of an incremental sale of 1,014 MMBtu/day set forth in a term sheet dated September 6, 1996.

IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS HEREIN the parties agree as follows:

ARTICLE I - INTERPRETATION

1.1 Definitions:

The following terms, when used in this Agreement, shall have the following meanings:

- (a) "British thermal unit" or "Btu" means the amount of heat required to raise the temperature of one (1) pound of distilled water one (1) degree Fahrenheit at sixty (60) degrees Fahrenheit, at a constant pressure of 14.73 pounds per square inch absolute;

- (b) "Business Day" means any day except Saturdays, Sundays, statutory holidays and banking holidays, under the laws of Alberta, or the laws applicable to the jurisdiction of Buyer;
- (c) "Buyer's Market" means all customers from time to time purchasing natural gas supply from Buyer;
- (d) "Canadian Regulatory Authorities" means each governmental agency or other authority in Canada which has jurisdiction over any matter relevant to Seller's rights and obligations hereunder, including without limitation, the National Energy Board, the Public Utilities Board of Alberta, the Alberta Petroleum Marketing Commission, the Alberta Energy Resources Conservation Board and the Federal Governor-in-Council and Provincial Lieutenant Governors-in-Council;
- (e) "Capacity" means transportation capacity on the Upstream Pipelines sufficient to deliver the DCQ and the IDCQ where the volumetric equivalent shall be determined by using a deemed Heating Value of 1,000 MMBtu/Mcf.
- (f) "Commencement Date" shall have the meaning set forth in Article III;
- (g) "Contract Year" means, with respect to the first "Contract Year" the period commencing on the Commencement Date and ending on the thirty first (31st) day of October following the Commencement Date, and with respect to any succeeding "Contract Year" the period of twelve (12) consecutive months beginning on November 1 and ending on October 31 of the following calendar year;
- (h) "cubic foot" means the volume of gas which occupies one (1) cubic foot when such gas is at a temperature of sixty degrees (60°) Fahrenheit and at a pressure of 14.73 pounds per square inch absolute;
- (i) "Daily Contract Quantity" or "DCQ" means 1,327 MMBtu (dry) per day, inclusive of Fuel, as more particularly set forth in Article IV;
- (j) "day" means a period of twenty-four (24) consecutive hours beginning and ending at 9:00 a.m. Central Clock Time, or such other day standard set by Upstream Pipeline(s);
- (k) "Dekatherm" means one (1) MMBtu;

- (l) "Downstream Pipeline(s)" means Viking or any other transporters designated to transport gas purchased by Buyer from the Point of Delivery to Buyer's Market;
- (m) "Existing Contract" means the Gas Sales Agreement dated November 1, 1992, as amended, between Buyer and Seller;
- (n) "Fuel" means the volume of gas required to transport the gas from the Point of Delivery to the Perham meter station or other meter station on Viking designated by Buyer and agreed to by Seller, which Fuel requirement will be deemed to be 1.35% of the DCQ unless otherwise agreed to in writing by Buyer and Seller;
- (o) "gas" means natural gas of the quality specified in Article VIII;
- (p) "Heating Value" means the number of Btu's attributable to one (1) cubic foot of gas on a dry basis;
- (q) "IDCQ" means the incremental daily quantity of 1,014 MMBtu (dry) per day, inclusive of Fuel, as more particularly set forth in Article IV;
- (r) "MMBtu" means one (1) million Btu's;
- (s) "MMcf" means one (1) million cubic feet of gas;
- (t) "Month" means the period beginning on the first (1st) day of the calendar month and ending immediately before the first (1st) day of the next succeeding calendar month;
- (u) "Monthly Commodity Charge" means the commodity charge that is payable for gas delivered in a Month as set forth in Article V;
- (v) "Monthly Demand Charge" means the demand charge payable as set forth in Article V;
- (w) "NOVA" means NOVA Corporation of Alberta;
- (x) "Per Unit Demand Charge" has the meaning set forth in Section 5.3;
- (y) "Point of Delivery" has the meaning set forth in Article VII;

- (z) "Scheduled Daily Delivery" means the volume of gas, up to the Daily Contract Quantity plus the IDCQ, which Buyer requests Seller to cause to be delivered to the Point of Delivery for Buyer's account during any one (1) day;
- (aa) "TCPL" means TransCanada PipeLines Limited;
- (bb) "TransGas" means TransGas Limited;
- (cc) "Upstream Pipeline(s)" means NOVA, TransGas and TCPL or any other transporters designated to transport Seller's gas to the Point of Delivery;
- (dd) "U.S. Regulatory Authorities" means each governmental agency or other authority in the United States of America which has or may accept jurisdiction over any matter relevant to the rights and obligations of Buyer and Seller, including without limitation the United States Department of Energy (Fossil Energy) and the Federal Energy Regulatory Commission; and
- (ee) "Viking" means Viking Gas Transmission Company.

1.2 Other:

- (a) The division of this Agreement into articles, sections, subsections, paragraphs and subparagraphs and the provision of an index and headings is for convenience of reference only and shall not affect the interpretation of this Agreement.
- (b) All references to currency, unless otherwise specified, are to lawful money of the United States of America. Any necessary conversions from either U.S. or Canadian currency with respect to any charges for any Month shall be calculated at the rate of exchange for such month being the average of the noon spot exchange rates for the U.S. dollar in terms of Canadian dollars for such month as published by the Bank of Canada.
- (c) All references to legislation in this Agreement are intended to also apply to amendments thereto, any re-enactment thereof, and any successor legislation which substantially adopts or duplicates such legislation.

ARTICLE II - CONDITIONS

2.1 The delivery and purchase of the IDCQ under this Agreement, and the agreed upon extension of service for the DCQ to October 31, 2012, is subject to:

- (a) the receipt by Seller, or ProGas Limited, from the appropriate Canadian Regulatory Authorities, of all necessary authorizations for the removal of gas from Alberta, the export and sale of gas to Buyer; and the transportation of such gas from the area of production to the Point of Delivery, on terms and conditions acceptable to Seller;
- (b) the receipt by Seller of the necessary import authorization from the appropriate U.S. Regulatory Authorities;
- (c) the completion by Seller of all necessary firm transportation arrangements for Capacity to the Point of Delivery on the facilities of the Upstream Pipelines on terms acceptable to Seller and Buyer, and the continuation of these arrangements for the Term of this Agreement.
- (d) the completion by Buyer and Seller of all necessary transportation arrangements from the Point of Delivery on the facilities of the Downstream Pipelines for the IDCQ on terms acceptable to Buyer and Seller.

2.2 Each of the parties shall proceed with due diligence to apply for and receive their respective authorizations and arrangements set forth above. Each of the parties shall use due diligence to maintain and extend, if necessary, any such authorization which may expire during the Term. The parties agree that the term of authorizations required from Canadian Regulatory Authorities and U.S. Regulatory Authorities may be for initial terms shorter than the term of this Agreement and Buyer and Seller shall rely on such short term authorizations to sell and purchase gas hereunder, until such time as the parties agree that long term authorizations covering the term of this Agreement are necessary.

2.3 Buyer shall reimburse Seller for any U.S. customs import merchandising fees or any other taxes or levies which may be payable by Seller upon the import of the gas into the United States.

2.4 a. With respect to the Viking transportation arrangements referred to in Section 2.1(d):

	<u>MMBtu/d</u>
i. Seller has arranged firm capacity (with secondary delivery to Perham) effective November 1, 1996 for: ("ProGas Viking Capacity")	250
ii. Buyer has arranged firm capacity effective November 1, 1996 for:	250
iii. Buyer will utilize existing temporary firm capacity (with secondary receipt at Emerson) until new applied for firm capacity is available (expected to be November 1, 1997) for:	<u>500</u>
	<u>1000</u>

For the purposes of this Agreement, the above-described Viking capacity will be referred to as "Incremental Capacity" and the Viking capacity held by Buyer for the Existing Contract in respect of the DCQ will be referred to as the "Existing Capacity".

- b. It is the intention of the parties that Buyer will have access to the ProGas Viking Capacity in a manner that will ensure that Seller will be able to use the capacity to the extent that Buyer is requesting a quantity less than the combined DCQ plus IDCQ. It is further intended that Buyer will be responsible for all transportation charges, costs or taxes regarding the Existing Capacity and the Incremental Capacity, except to the extent it is utilized by Seller, and will indemnify and save Seller harmless from those costs and charges. In the event that Seller wishes to utilize any unutilized capacity, Buyer and Seller will agree, in advance, to the amount Seller will pay Buyer for this use. Buyer and Seller will cooperate to accomplish the above intended objectives with respect to the ProGas Viking Capacity.
- c. In the event that this Agreement is terminated for any reason, at Buyer's initiation, at Seller's request, Buyer will reassign the ProGas Viking Capacity to Seller.

ARTICLE III - TERM OF AGREEMENT, COMMENCEMENT

3.1 Term

This Agreement shall become effective from the date first above written and subject to Section 3.2, shall continue in full force and effect until October 31, 2012.

3.2 Commencement Date

Subject to Article II, the obligation of the parties to sell and purchase the DCQ and the IDCQ shall commence November 1, 1996 ("Commencement Date"). Upon commencement of delivery of the DCQ under this Agreement on November 1, 1996, the Existing Contract will terminate as at October 31, 1996. If this Agreement is terminated for any reason, unless otherwise mutually agreed, the termination of the Existing Contract will be reversed and the Existing Contract will govern the rights and obligations of the parties from and after the termination of this Agreement.

ARTICLE IV - CONTRACT QUANTITIES; DELIVERIES

4.1 Daily Contract Quantity

The Daily Contract Quantity ("DCQ") will be 1,327 MMBtu/day inclusive of Fuel. Buyer will have the right to reduce the DCQ by up to 1,327 MMBtu/day effective November 1, 2005 by serving Seller written notice of the amount of the reduction prior to November 1, 2003.

4.2 Incremental Daily Contract Quantity

The Incremental Daily Contract Quantity will be 1,014 MMBtu/day inclusive of Fuel.

4.3 Delivery Obligation

Subject to the fulfilment of the Conditions set forth in Article II and the remaining provisions of this Agreement, on each day commencing on and after the Commencement Date and continuing until the end of the term of this Agreement, Seller shall tender for delivery and sell, and Buyer shall purchase and cause to be received, the Scheduled Daily Delivery, at the Point of Delivery. Seller's obligation to deliver will in no event exceed the Capacity. In the event that the Fuel requirements in Viking's tariff increase, any corresponding increase in the DCQ or IDCQ will be conditional on Seller obtaining additional firm transportation on the Upstream Pipelines. Seller will use commercially reasonable efforts to obtain this additional transportation.

4.4 Failure to Deliver

- (a) If, on any day, Seller does not tender for delivery sufficient gas at the Point of Delivery to meet the Scheduled Daily Delivery for reasons other than Force Majeure, then Seller shall have the right, but not the obligation, to deliver replacement volumes from other locations, provided however that Buyer has transportation service available and that Seller shall pay the cost of such alternate transportation service up to the replacement volume to the extent that such cost exceeds the amount otherwise payable by Buyer for transportation of gas delivered by Seller as contemplated herein.

- (b) In the event that Seller should elect not to or cannot deliver replacement volumes from other locations, Buyer shall have the right to purchase replacement natural gas volumes from alternate sources. Buyer shall use reasonable efforts to obtain the lowest cost alternative source of natural gas available, and to minimize any incremental transportation charges.
- (c) In the event Buyer purchases replacement volumes of natural gas as outlined in (b) above, and the failure of Seller to deliver the Scheduled Daily Delivery was not excused by an event of Force Majeure, then Seller hereby covenants and agrees to indemnify and hold Buyer harmless from the costs actually and reasonably incurred by Buyer, insofar as same are or relate to:
- (i) the direct costs, charges and expenses incurred by Buyer in purchasing the undelivered portion of the nominated quantities; and
 - (ii) the transportation costs, charges and expenses of transporting any volumes referred to in clause (i) to Buyer's point of resale paid by Buyer to the extent that such costs exceed the costs which Buyer would otherwise have incurred in respect of gas delivered by Seller hereunder.
- (d) The indemnification contained herein shall apply only if Seller's failure to deliver was not excused by a Force Majeure condition and only to the extent such costs, charges and expenses exceed the price of gas hereunder. The indemnification herein shall be Buyer's sole remedy in the event that Seller fails to deliver.
- (e) The remedies hereunder shall be the sole remedies of Buyer in the event Seller fails to deliver and such failure was not otherwise excused hereunder.

4.5 Purchase Obligation

All gas required for Buyer's Market up to the sum of the DCQ plus the IDCQ under this Agreement and the DCQ under any other contract between Buyer and Seller, will be acquired by Buyer from Seller in priority to any other gas supply, and Buyer shall not displace the supply available hereunder with gas supply from any other sources.

ARTICLE V - PRICE

5.1 Price

The price to be paid by Buyer:

- (a) shall be the Monthly Demand Charge as set forth in Section 5.4, and the Monthly Commodity Charge per MMBtu delivered up to the DCQ; and
- (b) subject to Section 5.5, for the quantities purchased above the DCQ up to the IDCQ, shall be the Per Unit Demand Charge per MMBtu delivered plus the Monthly Commodity Charge per MMBtu delivered.

5.2 Monthly Commodity Charge

The Monthly Commodity Price for each MMBtu delivered by Seller in a Month will be equal to the spot price for gas delivered into Northern Natural Gas Company from Texas, Oklahoma and Kansas on the first day of the Month as reported in the first issue of the Month on Inside F. E. R. C.'s Gas Market Report ("TOK Index") less sixteen (16) cents U.S./MMBtu.

5.3 Per Unit Demand Charge

The Per Unit Demand Charge means the Monthly Demand Charge defined in Section 5.4 divided by 30.4167 and divided by the DCQ. (expressed in U.S. dollars per MMBtu/day) (Monthly Demand Charge ÷ DCQ ÷ 30.4167 = Per Unit Demand Charge)

5.4 Monthly Demand Charge

The Monthly Demand Charge shall be the product of the DCQ expressed in Mcf and the monthly demand rate ("MDR"), where the MDR for any month shall be equal to the sum of the following:

- (a) the monthly demand toll, for TCPL firm transportation service from Empress, Alberta to Emerson, Manitoba as determined by the National Energy Board and in effect during the month applicable to the transportation and delivery of gas, expressed in U.S. dollars per Mcf;
- (b) Buyer's pro rata share of the total actual monthly demand charges as billed to Seller directly or indirectly for NOVA Firm Service ("NOVA Toll") and TransGas Limited

("TransGas Toll") including monthly billing adjustments expressed in U.S. dollars per Mcf provided that the TransGas Toll may not be greater than the NOVA Toll on a per Mcf basis; and

- (c) Seller's cost of service, which shall be a monthly unit charge equal to Cdn \$0.913 ($\$Cdn 0.030/Mcf \times 30.4167$) ("ProGas Toll"). The ProGas Toll will be subject to change on each subsequent November 1 commencing November 1, 1997, by multiplying the then effective ProGas Toll by one (1) plus the percentage change in the Consumer Price Index for the 12 month period ending on the previous October 31, as published in Statistics Canada Catalogue No. 62-001-XP3. The ProGas Toll will be expressed in U.S. Dollars per Mcf in accordance with Section 2.2. Any conversions or changes to the ProGas Toll will be rounded to three (3) decimal places.

5.5 Alternate Price

In the event that a customer of Buyer requests Buyer to negotiate a fixed price, upon written notice from Buyer, Seller and Buyer will attempt to negotiate a fixed price for any portion of the IDCQ for any period up to eighteen (18) months. Buyer's written notice to Seller shall include an identification of the customer requesting a fixed price, including name, anticipated monthly requirement and actual monthly consumption. There will be absolutely no liability or consequence to either party in the event that Seller and Buyer are unable to agree to a fixed price for any reason.

ARTICLE VI - BILLING AND PAYMENTS

6.1 Monthly Statements and Payments

- (a) Seller shall render to Buyer on or before the tenth (10th) day of each month ("Invoice Date") a statement for the preceding month (the "Sale Month") showing the daily and total quantity of gas delivered, the Heating Value and the total amount payable by Buyer stated in U.S. dollars ("the U.S. Dollar Sum"). Buyer agrees to deposit by wire transfer in Seller's account at the Bank of Montreal, Calgary, Alberta, Canada, or such other bank as may be designated by Seller, on or before the twentieth (20th) day of each month ("Payment Date"), the U.S. Dollar Sum for the Sale Month. In the event that Buyer has not received Seller's statement on or before the Invoice Date, the Payment Date shall be extended one (1) day for each day that Seller's statement is late. If the Payment Date is not a Business Day, then payment shall be due on the Business Day closest and after the Payment Date.

- (b) If Seller is unable to render a statement based on actuals reported by pipelines on or before the Invoice Date, Seller may, at its option, render a statement containing Seller's best estimate of the daily and total quantity of gas delivered in the Sales Month, and the total amount payable by Buyer ("Estimate"). Buyer shall deposit in Seller's account the Estimate by the Payment Date. Seller shall render the final statement for such Sales Month with Seller's statement for the next succeeding Sales Month. Seller's statement for such next succeeding month shall reflect an adjustment for any difference between the Estimate and the final statement for the previous Sales Month.
- (c) In the event that the actual billing for the amounts set forth in Section 5.2 is not available to Seller by the Invoice Date, unless otherwise agreed to by the parties, Seller may charge to Buyer the most recent previous month's actual billings for such amounts.

6.2 Failure to Pay

- (a) If Buyer fails to deposit the U.S. Dollar Sum, or any portion thereof, in Seller's account by the Payment Date, interest thereon shall accrue as provided in Section 6.4. If Buyer's failure to pay continues for five (5) days beyond the Payment Date, Seller may, in addition to all other remedies, thereafter suspend the sale of gas provided that Seller must first have notified Buyer in writing ten (10) days prior to exercising such right of its intent to do so. If after Buyer receives such notice:
- (i) Buyer pays the amount so due to Seller within such ten (10) day period; or
 - (ii) Buyer in good faith disputes the amount of any such statement and pays to Seller such amounts as it concedes to be correct and within such ten (10) day period either (1) furnishes a bond; or (2) deposits the disputed amount in escrow, in either case under terms reasonably satisfactory to Seller and sufficient to guarantee payment to Seller of the amount ultimately found due upon such bill after a final determination which may be reached either by agreement or judgement of the courts, Seller shall not be entitled to suspend further sales of gas provided that Seller will be entitled to immediately suspend sales of gas upon default of the terms of any bond or escrow established.
- (b) If the default of payment continues after the expiration of the ten (10) day notice of suspension and without a bond or escrow as provided in Section 6.2, or such bond or

escrow is in default Seller may thereafter in addition to any other rights Seller may have, terminate this Agreement.

6.3 Inspection

Each party shall have the right to inspect and examine, at reasonable times, the records and pipeline statements of the other party pertaining to the purchase and sale of gas hereunder. If any overcharge or undercharge is discovered, Seller shall refund the amount of the overcharge paid by Buyer or Buyer shall pay the amount of the undercharge, within thirty (30) days after the final determination. No retroactive adjustment is required for any discrepancy beyond a period of twelve (12) months from the date it occurred. Both parties agree to request any applicable transporter for records under their agreements with the transporting pipelines if required to settle a dispute.

6.4 Interest

If either party fails to pay any amount when due and claimed, and such amount is not successfully disputed by such party or if refunds are due, interest on any amount finally determined to be due shall accrue at the rate equal to the annual U.S. Base Lending Rate of interest plus two (2) percent announced from time to time by the bank used or designated by Seller.

ARTICLE VII - POINT OF DELIVERY

7.1 Point of Delivery

The Point of Delivery shall be the point of interconnection between the facilities of TCPL and Viking, on the U.S. side of the international boundary between Emerson, Manitoba, Canada and Noyes, Minnesota, United States of America.

7.2 Title and Possession

Possession of and title to gas sold by Seller to Buyer hereunder shall pass from Seller to Buyer at the Point of Delivery. Until the gas reaches the Point of Delivery as between Seller and Buyer, Seller shall be deemed to be in control of, have possession of, and be responsible for such gas after which Buyer shall be deemed to be in control of, have possession of, and be responsible for such gas. Seller warrants that it will at the time of delivery have good title to all gas sold to Buyer hereunder, free and clear of all liens, encumbrances and claims whatsoever and that Seller will indemnify Buyer and save it harmless

from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons to the title of said gas, which arise prior to title passing to Buyer.

7.3 Delivery Pressure

The gas shall be delivered to Viking at Viking's line pressure at the Point of Delivery.

7.4 Taxes

The price as determined by Article V shall be the price paid at the Point of Delivery from Canada to the United States. Any taxes imposed by any taxing authority upon the sale, use or transportation of gas under the Agreement following the Point of Delivery, including but not limited to United States sales, use, utility city license and transportation taxes or import taxes shall be the responsibility of Buyer. Seller shall be responsible for all taxes due or levies on the production, treating, gathering, processing, handling or transmission prior to the Point of Delivery including, but not limited to, Canadian sales or export taxes.

7.5 Transportation

Seller shall be responsible for payment of all transportation charges, costs or taxes on the Upstream Pipelines and Buyer shall be responsible for payment of all transportation charges on the Downstream Pipelines.

ARTICLE VIII - QUALITY & MEASUREMENT

8.1 Quality

Seller agrees that the gas delivered hereunder at the Point of Delivery will meet the then effective quality specifications of the Upstream and Downstream Pipelines. If the gas which Seller causes to deliver hereunder fails at any time to conform to the quality requirements of the transporter receiving the gas at the Point of Delivery, then upon Buyer's notice to Seller, Buyer shall at its option, be relieved of its obligation to purchase and Seller shall be relieved of its obligation to sell until the problem has been rectified. Seller and Buyer will use all commercially reasonable efforts within their power and control to rectify the problem with the Upstream and Downstream Pipelines, as applicable.

8.2 Measurement

For billing purposes the quantity and Heating Value of gas delivered hereunder shall be calculated from the measurements taken at the meter or instruments installed, operated and maintained by the measuring pipeline at the Point of Delivery. Measurement shall be made based on the tariff specifications

of such pipeline as such specifications may be changed from time to time by such pipeline; provided, however, that notwithstanding any provision in such tariff to the contrary, payment for gas delivered hereunder shall be based on the total Heating Value of the gas received on a dry basis.

8.3 Conversions

Where required, standards of measurement shall be converted to metric measures or to imperial measures. The conversion of any quantity or value referred to below shall be done using the following equivalent factors:

MMBtu X 1.054615	=	GJ
MMcf X 28.32784	=	10 ³ m ³
psi X 6.894757	=	kPa
(°F - 32) X 5/9	=	°C

ARTICLE IX - NOMINATIONS AND BALANCING

9.1 Nominations

By at least two (2) days prior to the commencement of each Month, Buyer shall provide Seller with an estimate of the anticipated Scheduled Daily Delivery(s) for the following month. Buyer may advise Seller of any changes to the Scheduled Daily Delivery by providing sufficient advance notice to Seller to allow Seller to meet the nomination deadlines set by the Upstream Pipelines. Seller will advise Buyer of Seller's nomination deadlines or changes to same. The parties agree to use best efforts to arrange nominations on non Business Days. If no nomination or change to the Scheduled Daily Delivery is received by Seller for any day, the last nomination, or Scheduled Daily Delivery will remain in effect.

9.2 Imbalances

Buyer and Seller agree to use best efforts to minimize imbalances and circumstances that may give rise to pipeline penalties or charges in a given month. If penalties or charges are imposed on either party by third party pipelines transporting gas hereunder, as a result of the delivery, non-delivery, receipt or non-receipt of gas, Buyer and Seller will use best efforts and cooperate to expeditiously ascertain the cause of, mitigate and resolve, such fees, penalties or charges. It is the intent of the parties that the party responsible for causing the penalty shall be responsible for paying same.

ARTICLE X - FORCE MAJEURE

10.1 Except for the obligation to pay the Monthly Demand Charge and the payment of monies owed, and subject to Section 10.3 a party shall be relieved of those obligations which it is prevented from carrying out due to, and to the extent of, a Force Majeure condition.

10.2 Force Majeure conditions shall be those events or conditions not caused by, and beyond the reasonable control of, the affected party which prevent such party from carrying out all or a portion of its obligations under this Agreement. Force Majeure shall not include financial impracticability or financial inability but shall include, but not be limited to: interruption or prorationing of firm transportation service on a pipeline transporting gas hereunder; failure of field production facilities of, or supply from producers contracted to Seller, but only to the extent that such failure of production can be demonstrated to affect Seller's ability to obtain supply from its contracted supply sources in western Canada below the level of its then existing firm sales obligations; explosions, breakages or accidents to machinery, lines of pipe or field and delivery facilities, line freeze ups, or temporary failure of gas supply due to similar causes; loss of import or export licenses or other necessary regulatory authority or where continued performance would be in violation of an order, legislation, regulation or similar direction of a government, board, agency or court having jurisdiction which has been resisted in good faith.

10.3 An event of Force Majeure affecting either party's performance under this Agreement shall not relieve the non performing party of liability:

- (a) to the extent that the negligence of the non-performing party or its affiliates was the proximate cause of the event;
- (b) to the extent the non-performing party fails to remedy the situation and remove or overcome the cause of the event with due diligence and all reasonable dispatch;
- (c) from the obligation to make any payments due hereunder for actions taken prior to the event of Force Majeure; and
- (d) unless the non performing party shall give notice and full particulars of the same as soon as possible after the occurrence of the event for which excuse is claimed.

10.4 Pro Rata Obligation

- (a) Notwithstanding the foregoing, in the event that a force majeure condition affects only a portion of the pool supply available for delivery by Seller at the Point of Delivery, Seller shall deliver to Buyer, Buyer's pro rata share of the available supply at the Point of Delivery. Buyer's pro rata share will be the percentage resulting from the DCQ divided by the total quantity of Seller's firm sales obligations at the Point of Delivery on each day during the period of the force majeure.
- (b) During the period when deliveries of gas from the ProGas Supply Pool are affected by a force majeure event, provided Seller has met its obligations under Section 12.4(a), Seller will not be obligated to seek out any gas supplies which may be available outside the ProGas Supply Pool. For the purposes of this paragraph, the "ProGas Supply Pool" means the aggregate of the daily deliverability dedicated to ProGas Limited on the relevant day.

ARTICLE XI - RENEGOTIATION AND ARBITRATION

11.1 Renegotiation

Either party may, by written notice to the other party prior to May 1 of the second Contract Year, or May 1 of any subsequent Contract Years, request renegotiation of the Monthly Commodity Charge to be effective no earlier than the November 1 of the following Contract Year unless otherwise mutually agreed. The purpose of such renegotiation will be to reach agreement on a Monthly Commodity Charge which will result in a price for gas supplies purchased hereunder which is reasonably equivalent to prices for alternate firm gas supplies delivered into Viking at Emerson for a term of at least five (5) years with comparable reliability and flexibility of service as provided pursuant to this Agreement.

11.2 Referral to Arbitration

If the parties fail to reach agreement on a Monthly Commodity Charge by June 1 following the notice for renegotiation, unless otherwise mutually agreed, the matter shall be submitted to Arbitration pursuant to Article XII. The Arbitrator(s) shall be entitled to determine a Monthly Commodity Charge which will result in a price for gas under this Agreement which is reasonably equivalent to prices for alternate firm gas supplies delivered into Buyer's Market area, for a term of at least five (5) years with comparable reliability and flexibility of service as provided pursuant to this Agreement. In reaching such determination, the Arbitrators shall have regard to the following:

- (a) the security of supply and indemnity obligations backing Seller's obligation to deliver, compared to alternate firm gas supply options available;
- (b) the period of time for which a firm commitment to supply is made; and
- (c) the flexibility of the Buyer to adjust levels of take.

11:3 - - Unless otherwise agreed to by Buyer and Seller, the Monthly Demand Charge shall not be subject to amendment or modification through renegotiation or arbitration.

ARTICLE XII - ARBITRATION

12.1 Upon written notice from either party requiring arbitration under this Agreement as required herein or as agreed to by the parties, unless otherwise agreed to by the parties the following shall apply:

- (a) the arbitration will be referred to the British Columbia International Commercial Arbitration Centre ("BCICAC") and finally resolved by arbitration under the rules of the BCICAC ("BCICAC Rules");
- (b) the place of arbitration shall be Vancouver, British Columbia, Canada;
- (c) the case shall be administered by the BCICAC in accordance with the "Procedures for cases under the BCICAC Rules";
- (d) each notice demanding arbitration shall include a suggested arbitrator. Within fifteen (15) days following receipt of such notice, the party receiving notice shall accept the arbitrator or propose an alternative arbitrator. If the parties are unable to select a single arbitrator within thirty (30) days from the date of notice, the arbitrators selected by each party shall promptly select a third and the arbitration hearing shall be held within sixty (60) days from the date of notice of arbitration. Unless otherwise mutually agreed, the Hearing shall not exceed thirty (30) days. Each party shall pay all costs for presenting its position and the costs of the arbitrator, elected by such party in the case of a three (3) arbitrator panel. All costs for the hearing facilities and for the single arbitrator or the third arbitrator, if applicable, shall be divided equally between Buyer and Seller; and
- (e) the decision of the arbitrator(s) shall be delivered within thirty (30) days from the date of the conclusion of the Hearing. The decision of the arbitrator (a majority vote if an

arbitration panel is used) shall be final and binding, subject only to such appeal as may be permitted for binding arbitration decisions under the International Commercial Arbitration Act of British Columbia, and any regulatory approvals which may be required. The parties agree to use due diligence in obtaining such regulatory approvals.

12.2 Pending the outcome of any such arbitration, the terms in effect immediately prior to such arbitration shall remain in effect. Any modification approved by the arbitrator(s) shall be effective prospectively only, and such modification shall become effective on the first day of the first month following the decision of the arbitrators, but in no event earlier than the first day of the Contract Year following the date on which notice of the renegotiation that resulted in such arbitration was given.

ARTICLE XIII - LAWS AND REGULATORY BODIES

13.1 This Agreement and the rights and obligations of the parties hereunder are subject to all applicable present and future laws, regulations and orders of any regulatory, executive, or legislative body or other duly constituted authority having jurisdiction over Seller or Buyer.

13.2 This Agreement is governed and construed in accordance with the State of Minnesota, without recourse to the rule of conflict of laws, and shall be subject to the rules and regulations of any governmental authority having jurisdiction hereof. The parties submit to the courts of Alberta for the interpretation and enforcement hereof.

ARTICLE XIV - TRANSFER AND ASSIGNMENT

14.1 Any entity which shall succeed by purchase, merger, or consolidation to the properties and contracts, substantially as an entirety, of Buyer or of 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. Seller may, without relieving itself of its obligations under this Agreement, assign any of its rights and obligations hereunder to an entity with which it is affiliated at the time of such assignment. Otherwise no assignment hereunder shall be made by Seller without the written consent of Buyer first obtained which consent shall not be withheld unreasonably. Buyer may, without relieving itself of its obligations under this Agreement, assign any of its rights and obligations hereunder to an entity with which it is affiliated at the time of such assignment. Otherwise no assignment of this Agreement or any of its rights or obligations hereunder shall be made by Buyer without the written consent of Seller first obtained which consent shall not be withheld unreasonably.

ARTICLE XV - NOTICES

15.1 Every notice, statement or bill provided for in this Agreement shall be in writing directed to the party to whom given, made or delivered personally, by courier, first class mail, or facsimile to such party's address as follows:

Seller: ProGas U.S.A., Inc.
3300, 400 Third Avenue S.W.
Calgary, Alberta T2P 4H2

Attention: Manager, Operations

Telephone: (403) 266-0300
Telecopier: (403) 266-0354

Buyer: Notices, Statements and Billings

The City of Perham
125 2nd Avenue N.E.
Perham, Minnesota 56573-0130
U.S.A.

Attention: City Manager

Telephone: (218) 346-4455
Telecopier: (218) 346-9364

15.2 Either party may change its address from time to time by giving written notice of such change to the other party. Any notice, statement or bill or other document made, given or delivered hereunder by mail shall be deemed to have been effectively delivered to the addressee thereof at the end of the fifth (5th) business day after the date of mailing by prepaid registered mail and return receipt requested in the United States mail or Canadian mail. Any such notice, statement, bill or other document delivered by hand or courier shall be deemed effective when delivered to the addressee in accordance with the instructions set forth in Section 15.1 and confirmed by record of the party making the delivery. In the case of a transmission by telecopy or other similar means delivery shall be when receipt has been verified.

15.3 It is expressly understood and agreed, however, that the statements and notices referred to in Article VI and Section 9.1 shall first be delivered by telecopier, or other similar means, in accordance with the dates and times provided therein, and shall be mailed as soon as practicable thereafter, unless otherwise agreed to by the parties.

ARTICLE XVI - MISCELLANEOUS PROVISIONS

16.1 This Agreement constitutes the entire agreement between the parties relating to the subject matter hereof and supersedes any other prior agreements, written or oral, between the parties concerning such subject matter unless specifically stated herein. No amendment shall be effective unless reduced to writing and signed by both parties.

16.2 The parties agree to maintain the confidentiality of this Agreement and the actions hereunder, and agree to disclose such to parties only to the extent of the need to know. This Agreement may be filed as necessary to support regulatory approvals.

16.3 In no event shall any party to this Agreement be liable to any party for indirect, consequential or special damages, including without limitation, loss of profits or income, loss of business expectations, business interruptions, loss of contract or any damage to third parties arising out of this Agreement or breach thereof.

16.4 No waiver by either party of any one or more defaults in performance of any of the provisions of this Agreement shall operate or be construed as a waiver of any future default, whether of a like or difference character.

IN WITNESS WHEREOF the parties have signed this agreement this 24th day of April, 1998.

PROGAS U.S.A., INC.

Per: [Signature]
Per: [Signature]
Date: Apr. 13, 1998

THE CITY OF PERHAM

Per: [Signature], C.M.
Per: Marlin R. Titon Mayor
Date: 4-24-98

EXHIBIT "B"

April 7, 1999

Mr. John Glynn
U.S. Department of Energy
Office of Natural Gas and Petroleum Importing
1000 Independence Avenue S.W.
Room 3F056
Washington, DC 20001
U.S.A.

Dear Mr. Glynn:

Re: Application of ProGas U.S.A., Inc. to amend D.O.E. Order No. 1197,
as amended by 1197-A, providing Long-term Authorization to
Import Natural Gas from Canada
FE Docket No. 99 - _____ - NG

As counsel for ProGas U.S.A. Inc., (the "Company"), in the above-referenced proceeding, I have reviewed the Certificate of Incorporation and Bylaws of the Company, and such other documents as I have deemed necessary in order to advise you that:

1. The Company is a corporation duly incorporated and validly existing in good standing under the laws of the State of Delaware, and has all requisite corporate power and authority to own and operate its properties and to carry on its business; and
2. The Company has the requisite corporate authority to import natural gas from Canada.

Yours truly,

ProGas U.S.A., Inc.



Michelle L. Voinorosky
Legal Counsel

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

DOE/FE
FEB 20 1999 P 1:13

PROGAS U.S.A., INC.

)
)
)
FE DOCKET NO. 96-60-NG

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

DOE/FE ORDER NO. 1197-B

I. DESCRIPTION OF REQUEST

On April 4, 1999, ProGas U.S.A., Inc. (ProGas U.S.A.) filed an application with the Office of Fossil Energy (FE) 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, to amend its long-term import authorization granted in DOE/FE Order No. 1197 (Order 1197), as amended by DOE/FE Order No. 1197-A (Order 1197-A).^{2/} On July 1, 1998, ProGas U.S.A. amended a natural gas sales contract with the City of Perham, Minnesota (Perham)^{3/} dated November 1, 1992, as amended, to increase the maximum daily volume of Canadian imports sold pursuant to the contract by 254 MMBtu,^{4/} plus gas required for transportation. ProGas U.S.A. requests from

^{1/} 15 U.S.C. § 717b.

^{2/} 1 FE ¶ 71,299 and 1 FE ¶ 71,309 dated September 16, 1996 and October 16, 1996, respectively.

^{3/} Perham is a municipal corporation with offices in Perham, Minnesota.

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

DOE an equivalent increase to the maximum daily quantities of natural gas it is authorized to import under Order 1197, as amended.

ProGas U.S.A., a Delaware corporation with its principal place of business in Calgary, Alberta, Canada, is beneficially owned by ProGas Limited, a private Canadian corporation. ProGas U.S.A. purchases natural gas primarily from ProGas Limited and resells the supplies directly to end-users and others throughout the United States.

Order 1197, as amended, authorizes ProGas U.S.A. to import up to 2,309 Mcf per day of natural gas purchased from ProGas Limited, plus gas required for transportation, through October 31, 2012, for sale to Perham.^{5/} TransCanada Pipelines Ltd., transports the gas in Canada to its interconnection with Viking Gas Transmission Company (Viking) at the international border near Emerson, Manitoba/Noyes, Minnesota, where the gas is immediately sold by ProGas U.S.A. to Perham after entering the United States. The gas is then transported by Viking using Perham's capacity. ProGas U.S.A. would like to increase the import ceiling under Order 1197, as amended, by 254 MMBtu per day, plus gas for transportation, for the period June 1, 1999 through October 31, 2012.

II. FINDING

The application filed by ProGas U.S.A. has been evaluated to determine if the proposed import arrangement meets the public interest requirement of section 3 of the NGA, as amended

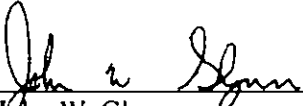
^{5/} Order 1197 authorized ProGas U.S.A. to import up to 10,309 Mcf per day of natural gas through October 31, 2002, for Perham under the terms of the November 1, 1992, natural gas sales agreement between ProGas U.S.A. and Perham, as amended November 7, 1995. Order 1197-A extended the term of the imports by 10 years through October 31, 2012, reducing the level of imports from 10,309 Mcf per day (requested inadvertently) to 1,309 Mcf per day, and adding 1,000 Mcf per day (plus gas for transportation) as proposed by ProGas U.S.A. under the terms of the amending agreement between ProGas U.S.A. and Perham, dated September 6, 1996. Both the sale and transportation remained the same.

by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486). Under section 3(c), the import 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 proposal by ProGas U.S.A. to amend its long-term authorization 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 DOE/FE Order No. 1197 (Order 1197), as amended, is again amended to increase the volumes of Canadian natural gas ProGas U.S.A., Inc. is authorized to import from 2,309 mcf per day to up to 2,563 Mcf per day, plus gas required for transportation, for the period June 1, 1999, through October 31, 2012. All terms and conditions in Order 1197, as amended, remain in full force and effect.

Issued in Washington, D.C., on April 20, 1999.



John W. Glynn
Manager, Natural Gas Regulation
Office of Natural Gas & Petroleum
Import & Export Activities
Office of Fossil Energy