

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

CRESTAR ENERGY MARKETING CORP.) FE DOCKET NO. 96-31-NG
_____)

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

DOE/FE ORDER NO. 1178

JUNE 25, 1996

I. DESCRIPTION OF REQUEST

On May 23, 1996, Crestar Energy Marketing Corp. (Crestar) filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA)^{1/} and DOE Delegation Order Nos. 0204-111 and 0204-127, for authorization to import on a firm basis up to 6,347 Mcf per day of natural gas from Canada. The term of the proposed authorization would begin on the date of DOE approval of the import and extend through November 1, 2001. Crestar, a corporation organized under the laws of the State of Delaware, with its principal place of business in Calgary, Alberta, is a wholly-owned subsidiary of Crestar Energy Inc., a Canadian corporation.

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

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

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

3/ Prior to this application, imports pursuant to the NSP contract have been reported to DOE as deliveries under successive

two-year blanket authorizations to import and export natural gas from and to Canada granted to Crestar. See DOE/FE Order Nos.

766, issued February 16, 1993 (1 FE 70,754) and 1059, issued June 13, 1995 (1 FE 71,128).

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

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

The price of the gas delivered under the NSP Contract is comprised of a demand and commodity charge. The demand charge would equal Northern Natural Gas Company's (NNG) tariffed firm rate charged for gas transported by its pipeline to its market area, plus \$0.05 per MMBtu.^{5/} The commodity charge would be —

determined monthly from an index reflecting the cost of spot market gas delivered to NNG in Texas, Oklahoma, and Kansas as published in McGraw Hill's Inside FERC's Gas Market Report. The

4/ One MMBtu is equal to approximately one Mcf. —

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

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

II. FINDING _____

The application filed by Crestar has been evaluated to determine if the proposed import arrangement meets the public interest requirements of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (P.L. 102-486). Under section 3(c), the importation of natural gas from a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas is deemed to be consistent with the public interest and must be granted without modification or delay. The authorization sought by Crestar to import natural gas from Canada, a nation with which a free trade agreement is in effect, meets the section 3(c) criterion and, therefore, is consistent with the public interest.

ORDER

Pursuant to section 3 of the Natural Gas Act, it is ordered that:

A. Crestar Energy Marketing Corp. (Crestar) is authorized to import up to 6,347 Mcf per day of natural gas from Canada for

sale to Northern States Power Company (NSP). Crestar shall

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

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

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

D. Within two weeks after deliveries begin, Crestar shall provide written notification to the Office of Fuels Programs (OFP), Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first import delivery of natural gas authorized in Ordering Paragraph A above occurred.

E. With respect to the natural gas imports authorized by this Order, Crestar shall file with OFP, within 30 days following each calendar quarter, quarterly reports indicating whether imports of natural gas have been made. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports occur, Crestar must report the point(s) on the international border where the natural gas is delivered, the name of the U.S. transporter(s), the total monthly volumes delivered in Mcf, and the average purchase price per MMBtu paid to Crestar Energy.

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

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

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

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