UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

COASTAL GAS MARKETING COMPANY	)	FE DOCKET NO. 96-50-NG

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

DOE/FE ORDER NO. 1201

SEPTEMBER 18, 1996

I. DESCRIPTION OF REQUEST

On July 15, 1996, Coastal Gas Marketing Company (CGM) filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA)1/

and DOE Delegation Order Nos. 0204-111 and 0204-127, requesting authorization to import up to 18,100 Mcf per day of natural gas from Canada. The term of the proposed authorization would be for a period of 11 years beginning November 1, 1996, and extending through October 31, 2007. CGM, a Delaware Corporation located in Houston, Texas, and a wholly-owned subsidiary of the Coastal Corporation, is in the business of buying and selling natural gas. CGM states that the imported gas would be used to supply two U.S. markets in the Midwest. Specifically, CGM s new customers are American Crystal Sugar (ACS) which owns sugar refineries in Minnesota, and ProGold LLC (ProGold) which owns a wet corn milling plant in North Dakota.

Petro-Canada would supply CGM with 11,100 Mcf (or approximately 11,178 MMBtu) per day of Canadian gas and Morrison Petroleums Ltd. (Morrison) would supply 7,000 Mcf (or approximately 7,100 MMBtu) per day from reserves produced in the Province of Alberta. This 18,100 Mcf per day of gas would be supplemented by Petro-Canada and Morrison with additional volumes of fuel gas for line loss and shrinkage during transportation. The gas would be received into the pipeline system of NOVA Gas Transmission Ltd. (NOVA) and transported by the respective

producers to Empress, Alberta, where NOVA s system interconnects with the pipeline system of TransCanada PipeLines Limited (TCPL).

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

TCPL would transport the gas to the border of the United States and Canada near Emerson, Manitoba/Noyes, Minnesota, where the gas would be further transported on a proposed pipeline expansion of Viking Gas Transmission Company (Viking). CGM holds capacity in its name on TCPL from Empress to the U.S. border. The pipeline capacity on Viking is being contracted for by ACS and ProGold. ACS and ProGold would take title to the gas immediately after it is imported into the United States.

While Emerson, Manitoba/Noyes, Minnesota, will be the primary import point on TCPL for the Petro-Canada and Morrison gas, CGM wishes to retain the flexibility to import at other international border points should this become desirable from time to time. The primary U.S. delivery point for ProGold on Viking will be located at Wahpeton, Minnesota. East Grand Forks, Crookston, and Moorehead, Minnesota, would be ACS primary deliver points on Viking. Additional transportation would be provided by local distribution companies to the ACS plants and ProGold plant.

CGM filed copies of both its Gas Purchase Agreements with Petro-Canada and Morrison, dated March 5, 1996, and March 15, 1996, respectively. The price CGM would pay to Petro-Canada and Morrison to import the gas at the international border would be a netback price. For the most part, the netback price to be paid by CGM to Petro-Canada during each month succeeding any month when gas is delivered to ACS and ProGold would equal the weighted average resale price received by CGM for the gas it

imports during the preceding month and sells to these two

customers, less certain expenses CGM would owe TCPL for transportation from Empress, Alberta, to Emerson, Manitoba. Until November 1, 2001, this netback price shall be the monthly Ventura Index Price expressed in U.S. dollars per MMBtu for gas delivered at the pipeline interconnect between Northern Border Pipeline Company and Northern Natural Gas Company at Ventura, Iowa, as published by the McGraw-Hill Companies Inc. in Inside F.E.R.C. s Gas Market Report, minus a marketing fee per MMBtu. The marketing fee shall be increased on a compound basis at the beginning of each contract year commencing November 1, 1997, by the annual Canadian Consumer Price Index (for the previous calendar year), but subject to a predetermined cap. After November 1, 2001, the price shall be renegotiated.

For the most part, the netback price paid to Morrison would be the Average Emerson Price , expressed in U.S. dollars per MMBtu, for Canadian gas in the row Emerson (Viking, GL) under the column Index for the delivery month, as reported in the table entitled Monthly Contract Index published in Gas Daily by Pasha Publications Inc, minus a marketing fee per MMBtu. Similar to the Petro-Canada Gas Purchase Agreement, CGM would be allowed to subtract certain expenses that CGM is required to pay TCPL for transportation from Empress, Alberta, to Emerson, Manitoba.

II. FINDING

The application filed by CGM 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 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 CGM to import natural gas from Canada, a nation with which a free trade agreement is in effect, meets the section 3(c) criterion and, therefore, is consistent with the public interest

. ORDER

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

A. Coastal gas Marketing Company (CGM) is authorized to import from Canada up to 18,100 Mcf per day of natural gas. The term of the authorization shall begin November 1, 1996, and continue through October 31, 2007.

B. This gas shall be imported primarily near Emerson, Manitoba/Noyes, Minnesota, (or at other points on the border of the United States and Canada should CGM deem it desirable from time to time) under the provisions of the Gas Purchase Agreements between CGM and Petro-Canada and between CGM and Morrison Petroleums Ltd. (Morrison) filed in this docket.

C. Within two weeks after deliveries begin, CGM shall provide written notification to the Office of Fuels Programs (OFP), Fossil Energy, Room 3F-056, Forrestal Building, 1000

Independence Avenue, S.W., Washington, D.C. 20585, of the date

that the first imports of natural gas authorized in Ordering Paragraph A above occurred.

D. With respect to the natural gas imports authorized by this Order, CGM shall file with OFP, within 30 days following each calendar quarter, quarterly reports showing by month the total volume (in Mcf) imported and the average purchase price per MMBtu paid at the international border. The information for a particular month shall list separately the volumes imported under the Petro-Canada and Morrison Gas Purchase Agreements. The reports also shall identify by month the volumes sold to the two customers, American Crystal Sugar and ProGold LLC. If any volumes are transported to a delivery point other than Emerson, Manitoba/Noyes, Minnesota, CGM must identify the volumes, the point(s) of delivery, and the final disposition of the supply, by state.

E. The first quarterly report required by Ordering Paragraph D of this Order is due not later than January 30, 1997, and shall cover the period from November 1, 1996, to the end of the fourth calendar quarter, December 31, 1996.

Issued in Washington, D.C., on September 18, 1996.

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