UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

COASTAL GAS MARKETING COMPANY	)	FE DOCKET NO. 96-52-NG

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

DOE/FE ORDER NO. 1202

SEPTEMBER 24, 1996

I. DESCRIPTION OF REQUEST

On July 19, 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 48,300 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 its U.S. markets in the Northeast. CGM s customers are primarily local distribution companies, as well as electric generation companies, commercial and industrial end-users, and other marketers. The imported gas will be part of a pool of gas from which CGM supplies its East Coast markets.

The gas to be imported would be produced in the Province of Alberta and supplied by a pool of seven producers comprised of Canadian Natural Resources Limited (14,773 Mcf per day), Cimarron Petroleum Ltd. (4,907 Mcf per day), Jordan Petroleum Ltd. (3,954 Mcf per day), Orbit Oil & Gas Ltd. (9,884 Mcf per day), Rigel Energy Corporation (4,942 Mcf per day), Rio Alto Exploration Ltd. (4,907 Mcf per day), and Wainoco Oil Corporation (4,907 Mcf per day). This 48,300 Mcf per day of gas would be supplemented by these producers with additional volumes of fuel gas for line loss

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

and shrinkage in transportation by TransCanada PipeLines Limited (TCPL) to the international border from Empress, Manitoba. 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 TCPL. TCPL would transport the gas to the border of the United States and Canada near Chippewa, Ontario/Grand Island, New York, where the gas would be further transported on the pipeline system of Empire State Pipeline Corporation (Empire). CGM has a primary delivery point on Empire of Phoenix, New York, but may use secondary delivery points upstream of Phoenix. Most points off Empire deliver into local distribution systems. In addition, CGM has existing transportation arrangements with National Fuel Gas Distribution Corporation to transport the gas downstream of Empire to CGM s other U.S. Northeast markets. CGM would hold capacity in its name to the U.S. border on TCPL.

While Chippewa, Ontario/Grand Island, New York, will be the primary delivery point on TCPL for the imported gas, CGM wishes to retain the flexibility to import at other international border points should this become desirable from time to time.

CGM filed one copy of the uniform Gas Purchase Agreement between CGM and its seven Canadian suppliers, including a copy of the executed signature page from each particular agreement. The price CGM would pay to import the gas at the international border would be a netback price. For the most part, this netback price is the price paid by CGM to each supplier during each month succeeding any month when gas is delivered to CGM s customers. It would equal the weighted average resale price received by CGM for the gas it imports during the preceding month, minus transportation expenses, minus a marketing fee, and minus an incentive fee that CNG would receive from the producers whenever the weighted average resale price exceeds the published index price for all Canadian gas sold to U.S. importers at the interconnect between TCPL and Empire. This index price is contained in the table Canadian Border Prices under the subtitle Empire as reported each month by GAS DAILY.

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 48,300 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 Chippewa, Ontario/Grand Island, New York (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 separate Gas Purchase Agreements between CGM and Canadian Natural Resources Limited (14,773 Mcf per day), Cimarron Petroleum Ltd. (4,907 Mcf per day), Jordan Petroleum Ltd. (3,954 Mcf per day), Orbit Oil & Gas Ltd. (9,884 Mcf per day), Rigel Energy Corporation (4,942 Mcf per day), Rio Alto Exploration Ltd. (4,907 Mcf per day), and Wainoco Oil Corporation (4,907 Mcf per day) 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 each of the gas purchase agreements between CNG and its seven Canadian suppliers. If any volumes are transported to a delivery point other than Chippewa, Ontario/Grand Island, New York, 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 24, 1996.

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