

FE DOCKET NO.: 97-41-NG

APPLICANT(S):

ITEM	PREPARED OR FILED BY	FILING TYPE	DESCRIPTION OF DOCUMENT	DATED	DATE FILED OR ISSUED
1	COENERGY TRADING COMPANY ✓	APPLICATION	Application for Long-Term Authority to Export Natural Gas to Canada for Subsequent Re-Import	97-05-13	97-05-13
2	DOE/FE ✓	ORDER	Order 1280—Granting Long-Term Authority to Export Natural Gas to Canada for Subsequent Re-Import	97-06-20	97-06-20



CoEnergy Trading Company

A subsidiary of MCN Corporation, Detroit, MI

150 West Jefferson • Suite 1800 • Detroit, MI 48226
(313) 256-6000 • (313) 256-5739 FAX

May 12, 1997

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

**Re: Application of CoEnergy Trading Company to Export Natural for
Subsequent Re-Import**

Gentlemen:

Enclosed herewith is an original and fifteen copies of the above-referenced application. Also enclosed is a check for \$50 in payment of the filing fee.

An additional copy of the application has been included with the filing. I would appreciate it if you would date stamp it and return it to me in the enclosed self-addressed envelope.

If there are any questions, please do not hesitate to contact me.

Very truly yours,

Harold M. Newland

Harold M. Newland
Senior Attorney

UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY, OFFICE OF FOSSIL ENERGY 1: 59

CoEnergy Trading Company)

FE Docket No. 97-41-97

APPLICATION OF COENERGY TRADING COMPANY
FOR AUTHORIZATION TO EXPORT
NATURAL GAS FOR SUBSEQUENT RE-IMPORT

CoEnergy Trading Company, pursuant to Section 3 of the Natural Gas Act ("NGA") and the regulations of the Department of Energy ("DOE") at 10 CFR Part 590, hereby requests authorization to export natural gas into Canada for subsequent re-import into the United States on a long-term basis, all as more fully described below.

1. The exact legal name of applicant is CoEnergy Trading Company ("CTC"), a Michigan corporation having its principal place of business at 150 W. Jefferson Street, Suite 1800, Detroit, Michigan 48226. CTC is a wholly-owned subsidiary of MCN Investment Corporation located in Detroit, Michigan, which is in turn a wholly owned subsidiary of MCN Energy Group Inc., also located in Detroit, Michigan. CTC is engaged in the business of buying and selling natural gas.

2. All correspondence concerning this application should be addressed to:

D. Guy Jarvis
Director, Market Development
CoEnergy Trading Company
185 Asylum Street, Suite 3200
Hartford, Ct. 06103
(860) 275-6462

Harold M. Newland
Senior Attorney
CoEnergy Trading Company
500 Griswold Street 10th Floor
Detroit, Michigan 48226
(313) 256-5189

3. CTC requests authorization to export for subsequent re-import up to 80,000 Mcf per day (29.2 Bcf annually) of natural gas (the "Authorized Quantity") for a 10-year period commencing on the actual in-service date under CTC's long-term transportation contract with TransCanada Pipelines Limited ("TCPL") (the "Authorized Term"). The Authorized Quantity will be exported from the United States at the existing interconnection of TCPL and Great Lakes Gas Transmission Limited Partnership ("GLGT") located near St. Clair, Michigan (the "Point of Export"), and re-imported into the United States at the proposed interconnection of the Trans Quebec and Maritimes Pipeline ("TQ&M") and the Portland Natural Gas Transmission System ("PNGTS") located near Pittsburg, N.H. (the "Point of Re-Import").

4. The gas to be exported for subsequent re-import will be supplied from CTC's portfolio of firm supplies, interstate pipeline capacity and storage located in Michigan. These supplies are purchased by CTC under numerous gas purchase agreements with varying price terms and durations of up to ten years. The gas is delivered to CTC by Panhandle Eastern Pipe Line Company (155 Mmcf/day), ANR Pipeline Company (20 Mmcf/day), and TCPL and GLGT (80 Mmcf/day). CTC also obtains gas from Michigan production (120

Mmcf/day) and Michigan storage (400 Mmcf/day). The pipeline deliveries are pursuant to agreements for firm transportation for up to 20 years.

5. Once exported, the Authorized Quantity will be transported from the Point of Export to the Point of Re-Import by TCPL. In this regard, CTC has executed a precedent agreement with TCPL which provides that the parties shall enter into a transportation contract under which TCPL will transport the Authorized Quantity over the Authorized Term on a primary firm basis. Receipt of gas at the Point of Export on a firm basis under the contract will be facilitated using TCPL's Enhanced Capacity Release program. A copy of the precedent agreement and a summary of TCPL's Enhanced Capacity Release program is attached hereto as Exhibit A.

6. With respect to the numerous gas purchase agreements under which CTC obtains the gas to be exported for subsequent re-import, CTC generally buys this gas on a 100% load factor basis with no take-or-pay or makeup provisions. Generally, however, there are financial penalties for non-performance by either the buyer or the seller. Quantities are predominantly priced using formulas and monthly indices to ensure the ongoing market sensitivity and competitiveness of the supplies.

7. The Authorized Quantity will be used to serve two distinct segments of CTC's market portfolio:

(a) First, CTC will use a portion of the Authorized Quantity to fulfill its redelivery obligation under 10-year exchange agreements with Bay State Gas Company and its affiliate, Northern Utilities, Inc. Beginning in April, 1998, Bay State and Northern

Utilities will deliver up to 7.5 Bcf of gas to CTC during the period from April through October of each year, and CTC will be obligated to redeliver equivalent quantities during the following November through March, at a rate of up to 50,000 MMBtu per day. Redeliveries will be made at the Point of Re-Import. Both Bay State and Northern Utilities will then transport the gas utilizing firm transportation held by each on PNGTS. The gas redelivered by CTC will be used to serve existing and new growth demand in Bay State's and Northern Utilities' franchise areas located in Massachusetts, New Hampshire and Maine. This re-imported gas should be competitive with other winter only firm supply options available in the northeast. The agreements include a small annual fee escalator and as billed costs related to TCPL capacity which should ensure the competitiveness of the exchange over time.

(b) Second, CTC will utilize the remaining portion of the Authorized Quantity to serve various markets throughout the northeast. CTC's market portfolio includes a range of commercial, industrial, gas distributor and power generation customers, and CTC itself is the holder of 30,000 Mcf/d of firm pipeline capacity on the proposed PNGTS to facilitate downstream transport of this gas. Sales to customers in the northeast will require that the re-imported gas be competitively priced over time.

8. CoEnergy has no corporate or other affiliation with TCPL or any of the markets CTC expects to serve with the Authorized Quantity. However, an affiliate of CTC, MCNIC East Coast Pipeline Company, is a 20% equity partner in the Portland Natural Gas Transmission System partnership, which will construct and operate PNGTS, over which the Authorized Quantity will be transported.

9. No new facilities will be required by CTC to provide for the import and subsequent re-import of the Authorized Quantity. Any potential environmental impacts from this project will stem from the expansion of TCPL in Canada and the construction of the proposed PNGTS in the United States. These issues will be fully reviewed by the National Energy Board of Canada with respect to the TCPL facilities, and the Federal Energy Regulatory Commission with respect to the PNGTS facilities (Docket No.CP96-249-000).

10. CTC has filed, concurrently herewith, a related application with the DOE for long-term authority to import natural gas from Canada into the United States. With the exception of this application, and those matters referred to in paragraph No. 8 above, neither this matter, nor a related matter, is being considered by any other part of the DOE, including the Federal Energy Regulatory Commission, or any other federal agency or department. CTC has, however, applied to the National Energy Board of Canada for authority to import the natural gas that is, in part, the subject of this export for subsequent import application.

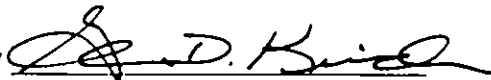
11. Attached hereto as Exhibit B is an opinion of counsel pursuant to 10 CFR Section 590.202(c).

12. The gas purchase contracts underlying CTC's related application to the DOE for long-term authority to import natural gas from Canada (see paragraph No. 10 above) are subject to the receipt by CTC of all necessary regulatory authorizations by October 1, 1997. Accordingly, CTC asks that the DOE issue the authorization requested herein no later than October 1, 1997.

WHEREFORE, CTC requests that the Office of Fossil Energy issue an order authorizing CTC to export the Authorized Quantity for subsequent re-import for the Authorized Term, all as more specifically set forth above.

Respectfully submitted,

COENERGY TRADING COMPANY

By 
Glen D. Kinder
President

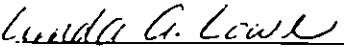
Dated: May, 7, 1997

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

Glen D. Kinder, being first duly sworn, deposes and says that he is the President of CoEnergy Trading Company, that as such he has signed the foregoing "Application of CoEnergy Trading Company for Authorization To Export Natural Gas For Subsequent Re-Import" for and on behalf of said company; that he is authorized to do so; that he has read said document and is familiar with the contents thereof; and that the matters and things therein set forth are true and correct to the best of his knowledge, information and belief.


Glen D. Kinder

Sworn and subscribed to before me this 1st day of May, 1997.


.....

LINDA A. LOWE
Notary Public, Wayne County, Michigan
My Commission Expires October 18, 1997

PRECEDENT AGREEMENT

THIS PRECEDENT AGREEMENT made as of the 21st day of February, 1997.

BETWEEN:

TRANSCANADA PIPELINES LIMITED
a Canadian corporation
("TransCanada")

OF THE FIRST PART

AND:

COENERGY TRADING COMPANY
a company incorporated under the laws of the
State of Michigan
("Shipper")

OF THE SECOND PART

WITNESSES THAT:

WHEREAS TransCanada owns and operates a natural gas pipeline system extending from a point near the Alberta/Saskatchewan border where TransCanada's facilities interconnect with the facilities of NOVA Gas Transmission Ltd. easterly to the Province of Quebec with branch lines extending to various points on the Canada/United States of America International Border; and

WHEREAS TransCanada utilizes capacity available from its own natural gas transmission system and from its firm transportation service entitlements on the natural gas transmission systems of the Great Lakes Gas Transmission Limited Partnership, Union Gas Limited, and Trans Quebec and Maritimes Pipeline Inc. ("TQM") (the "Combined Capacity") to enable it to provide transportation service to its customers; and

WHEREAS on September 5, 1996 and September 17, 1996 Shipper requested TransCanada to transport up to a total of 2 266.2 10^3m^3 per day of natural gas from the point of interconnection of the facilities of TransCanada and NOVA Gas Transmission Ltd. at or near Empress, Alberta (the "Receipt Point"), to the point of interconnection between the facilities of TQM and Portland Natural Gas Transmission System located at or near East Hereford, Quebec (the "Delivery Point") commencing

November 1, 1998 or as soon as possible thereafter and terminating ten (10) years after the commencement of service (the "Requested Long-Haul Service"); and

WHEREAS TransCanada is not able to provide the Requested Long-Haul Service from the Receipt Point to commence on November 1, 1998, but anticipates that it would be able to provide similar FT service from the point of interconnection between the facilities of TransCanada and Great Lakes Gas Transmission Limited Partnership located at the Canadian side of the Canada/United States International border near St. Clair, Michigan (the "Requested Short-Haul Service"), subject to timely regulatory approvals and installation of necessary facilities, which will have no effect on TransCanada's ability to provide FT Service to those parties with a higher priority than Shipper, and who may be in TransCanada's 1998/1999 Contract Year Facilities Application Queue; and

WHEREAS Shipper is willing to accept the Requested Short-Haul Service, effective November 1, 1998, but wishes to replace this service with the Requested Long-Haul Service if and when TransCanada is able to provide the Requested Long-Haul Service for Shipper; and

WHEREAS TransCanada and Shipper recognize that an increase to the Combined Capacity may be necessary to accommodate the Requested Short-Haul Service and Requested Long-Haul Service, and, subject to the terms and conditions of this Precedent Agreement, TransCanada is willing to use all reasonable efforts to increase the Combined Capacity to the extent necessary in order to provide Shipper with the Requested Short-Haul Service and Requested Long-Haul Service; and

WHEREAS Shipper has provided TransCanada with evidence of natural gas supply, market and upstream and downstream transportation arrangements corresponding to the Requested Short-Haul Service and Requested Long-Haul Service; and

WHEREAS, TransCanada and Shipper have executed a financial assurances agreement dated _____ (such financial assurances agreement, as amended from time to time, being hereinafter called the "Financial Agreement"), pertaining to the financial security to be provided to TransCanada by Shipper in connection with the payment of transportation charges for the provision of the Requested Short-Haul Service and Requested Long-Haul Service; and

WHEREAS subject to the terms and conditions of this Precedent Agreement, TransCanada and Shipper desire to enter into firm service transportation contracts for both the Requested Short-Haul Service and Requested Long-Haul Service, which will be executed simultaneously and substantially in the forms attached hereto as Exhibit "A" and Exhibit "B" respectively, which will be subject to the terms and

-3-

conditions thereof at that time approved by the National Energy Board (the "NEB") (the "Firm Transportation Contracts").

NOW THEREFORE THIS AGREEMENT WITNESSES THAT, in consideration of the covenants and agreements herein contained, the parties hereto covenant and agree as follows:

1. Shipper shall use all reasonable efforts to do, or cause to be done, all lawful acts that may be necessary to:
 - (a) qualify Shipper for service under the Firm Transportation Contracts by complying, *inter alia*, with the "Availability" provisions of the FT Toll Schedule as set out in TransCanada's Transportation Tariff, as amended from time to time (the "Availability Provisions"), and
 - (b) present any evidence to TransCanada pertaining to Shipper's natural gas supply ("Shipper's Gas"), markets, and upstream and downstream transportation arrangements that are germane to the Requested Short-Haul Service and Requested Long-Haul Service and that may be required by TransCanada to fulfill the requirements of the NEB, the NEB Act and the NEB's Guidelines for Filing Requirements (the latter two as may be amended from time to time) in seeking approval for TransCanada's facilities application(s) in relation to the Requested Short-Haul Service and Requested Long-Haul Service (the "Additional Information"), and to the extent that such Additional Information is not available, Shipper shall provide TransCanada with the written reasons therefor, and
 - (c) obtain, or have others obtain where required, such certificates, permits, orders, licenses and authorizations from regulators or other governmental agencies in the United States and Canada, as the case may be, as are necessary to enable Shipper, or others designated by Shipper, to export from the United States and import and deliver into Canada to TransCanada for the Requested Short-Haul Service and to remove from the province of production and deliver to TransCanada at the Receipt Point and to receive from TransCanada, to export from Canada, and to import and deliver into the United States at the Delivery Point, the quantities of natural gas to be transported by TransCanada under the Firm Transportation Contracts (individually, a "Shipper Authorization" and collectively, the "Shipper Authorizations"); provided that nothing herein shall obligate Shipper to appeal any decision of a regulatory or judicial authority which has the effect of denying any such certificate, permit, order, license or authorization or granting same on conditions unsatisfactory to the parties hereto.

2. TransCanada shall use all reasonable efforts to do, or cause to be done, all lawful acts that may be necessary to:

- (a) obtain, or cause to be obtained where required, such certificates, permits, licenses, orders and other authorizations as are necessary to enable it to increase the Combined Capacity to provide Shipper with the Requested Short-Haul Service and Requested Long-Haul Service (individually, a "TransCanada Authorization" and collectively the "TransCanada Authorizations") providing that nothing herein shall obligate TransCanada to appeal any decision of a regulatory or judicial authority which has the effect of denying any such certificate, permit, order, license or authorization or granting same on conditions unsatisfactory to the parties hereto, and
- (b) obtain all the corporate financial arrangements on terms satisfactory to TransCanada that, in its sole discretion, are necessary to finance the construction of any facilities required to increase the Combined Capacity to the extent necessary to provide Shipper with the Requested Short-Haul Service and Requested Long-Haul Service.

3. If Shipper does not provide TransCanada with the Additional Information requested pursuant to Paragraph 1(b) hereof, or reasons satisfactory to TransCanada for not providing the said Additional Information, on or before the date so identified in writing by TransCanada; TransCanada may terminate this Precedent Agreement by providing Notice of its intention to do so to Shipper. If Shipper has not provided TransCanada with the Additional Information or given satisfactory reasons (in TransCanada's sole discretion) for not providing such Additional Information within fifteen (15) days following receipt of such Notice by Shipper, this Precedent Agreement shall terminate and shall thereafter have no further force or effect.

4. Upon obtaining each of the Shipper Authorizations, Shipper shall promptly provide to TransCanada a copy of such Shipper Authorization (unless TransCanada has already received a copy as a result of being an interested party in the regulatory proceedings wherein the authorization was issued) and Notice of Shipper's acceptance or rejection of such Shipper Authorization. TransCanada shall within thirty (30) days of receipt of such Notice from Shipper give Notice to Shipper of TransCanada's acceptance or rejection of such Shipper Authorization. If TransCanada does not respond to the Shipper's Notice within such thirty (30) day period, TransCanada shall be deemed to have accepted such Shipper Authorization. Acceptance of any Shipper Authorization by Shipper or TransCanada shall not be unreasonably withheld and any Notice of rejection of a Shipper Authorization shall be accompanied by written reasons for such rejection.

5. Upon obtaining each of the TransCanada Authorizations, TransCanada shall promptly provide to Shipper a copy of such TransCanada Authorization (unless Shipper has received a copy as a result of being an interested party in the regulatory proceedings wherein the authorization was issued) and Notice of TransCanada's acceptance or rejection of such TransCanada Authorization. Shipper shall within thirty (30) days of receipt of such Notice from TransCanada give Notice to TransCanada of Shipper's acceptance or rejection of such TransCanada Authorization. If Shipper does not respond to TransCanada's Notice within such thirty (30) day period, Shipper shall be deemed to have accepted such TransCanada Authorization. Acceptance of any TransCanada Authorization by TransCanada or Shipper shall not be unreasonably withheld and any Notice of rejection of a TransCanada Authorization shall be accompanied by written reasons for such rejection.

6. In the event of a rejection by Shipper or TransCanada of a Shipper Authorization or a TransCanada Authorization, either party shall thereafter have the right, but not the obligation, to terminate this Precedent Agreement by providing Notice (the "Authorization Failure Notice") of its intention to do so to the other party and this Precedent Agreement shall terminate on the thirtieth (30th) day next following the date of receipt of the Authorization Failure Notice by such other party and thereafter, have no further force or effect unless, within such thirty (30) day period, the parties agree in writing that this Precedent Agreement shall not terminate as aforesaid.

7. The parties shall execute the Firm Transportation Contracts forthwith after:

- (a) Shipper has complied to TransCanada's satisfaction with the Availability Provisions referred to in paragraph 1(a) hereof;
- (b) Shipper and TransCanada have each received and accepted all of the Shipper Authorizations and TransCanada Authorizations pursuant to paragraphs 4 and 5 hereof;
- (c) TransCanada has made or determined that it can make all the corporate financial arrangements as referred to in Paragraph 2(b) hereof; and
- (d) Shipper has supplied to TransCanada the financial assurances as agreed to in the Financial Agreement ("Financial Assurances").

Provided however, that if Shipper fails to execute and return to TransCanada the Firm Transportation Contracts within thirty (30) days of receipt thereof by Shipper, TransCanada may, in its sole discretion,

- 6 -

terminate this Precedent Agreement by providing Notice (the "Termination Notice") of its intention to do so to Shipper. If Shipper has not executed and returned the Firm Transportation Contracts to TransCanada within five (5) days following receipt by Shipper of the Termination Notice, this Precedent Agreement shall immediately terminate and have no further force or effect. Any termination of the Precedent Agreement as aforesaid shall not be construed as an election of remedies and TransCanada may pursue any other legal and equitable remedy available to TransCanada in respect of Shipper's breach of its obligation to execute the Firm Transportation Contracts. Upon execution of the Firm Transportation Contracts by the parties, this Precedent Agreement shall thereupon terminate and have no further force or effect.

8. Notwithstanding any other provision in this Agreement, if by February 27 1998, any of the requirements referred to in paragraph 7 hereof have not been satisfied, then either party may thereafter declare its intention to terminate this Precedent Agreement by providing Notice of such party's intention to the other party. If any of the requirements referred to in paragraph 7 hereof remain unsatisfied on the thirtieth (30th) day next following receipt of such Notice, this Precedent Agreement shall thereupon terminate and shall thereafter have no further force or effect.

9. Any notice, request or demand ("Notice") to or upon the respective parties hereto shall be in writing and shall be validly communicated by the delivery thereof to its addressee, either personally or by courier, first class mail, or telecopier to the address hereinafter mentioned:

In the case of TransCanada:

TransCanada PipeLines Limited

(i) Mailing Address:

P.O. Box 1000, Station M
Calgary, Alberta
T2P 4K5

(ii) Delivery Address:

TransCanada PipeLines Tower
111 - 5th Avenue S.W.
Calgary, Alberta
T2P 3Y6
Attention: Manager, Transportation Services
Telecopier: (403) 267-8620

In the case of Shipper:

CoEnergy Trading Company

(i) **Mailing Address:**

**150 West Jefferson, Suite 1800
Detroit, Michigan 48226**

(ii) **Delivery Address:**

same as above

Attention: President

Telecopier: (313) 256-5739

Such Notice sent as aforesaid shall be deemed to have been received by the party to whom it is sent: (a) at the time of its delivery if personally delivered or if sent by telecopier, or (b) on the day following transmittal thereof if sent by courier, or (c) on the third day following the transmittal thereof if sent by first class mail; provided however, that in the event normal mail service, courier service, or telecopier service shall be interrupted by a cause beyond the control of the parties hereto, then the party sending the Notice shall utilize any service that has not been so interrupted or shall personally deliver such Notice. Each party shall provide Notice to the other of any change of address for the purposes hereof.

10. Any company which shall succeed by purchase, merger or consolidation to the assets substantially or in entirety, of Shipper or TransCanada, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor under this Precedent Agreement. Either party may, without relieving itself of its obligations under this Precedent Agreement, assign any of its rights and obligations hereunder to an affiliate (as such term is defined in the Canada Business Corporations Act) of such party without the consent of the other party hereto, but otherwise no assignment of this Precedent Agreement or any of the rights or obligations hereunder shall be made unless there first shall have been obtained the written consent thereto of the other party, such consent not to be unreasonably withheld. It is agreed, however, that the restrictions on assignment contained in this paragraph shall not in any way prevent either party to this Precedent Agreement from pledging or mortgaging its rights hereunder as security for its indebtedness. This Precedent Agreement shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the parties hereto.

11. This Agreement shall be construed and applied in accordance with, and be subject to, the laws of the Province of Alberta, and, where applicable, the laws of Canada, and shall be subject to the rules, regulations, decisions and orders of any regulatory or legislative authority having jurisdiction over the matters contained herein.

12. Shipper represents that neither Shipper nor any third party acting on behalf of Shipper have executed arrangements with other parties with respect to the acquisition of natural gas which would have the effect of eliminating Shipper's need for the Requested Short-Haul Service and Requested Long-Haul Service, and Shipper agrees that it shall not enter into any such arrangements without the prior written consent of TransCanada while this Precedent Agreement is in effect.

13. TransCanada and Shipper hereby stipulate and agree that this Precedent Agreement is executed for the sole benefit of TransCanada and Shipper, including all successors and assignees permitted under the terms of this Precedent Agreement. TransCanada and Shipper expressly intend that no rights under this Precedent Agreement inure to any other parties.

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

COENERGY TRADING COMPANY

TRANSCANADA PIPELINES LIMITED

Per: *C. D. Kinder*

Per: *[Signature]*

Name: COLEEN D. KINDER

Name: Rick Parnell
Director, Market Development
Transportation Marketing

Title: PRESIDENT

Title: _____

Per: _____

Per: *[Signature]*

Name: _____

Name: Barry G. Luft
Vice-President

Title: _____

Title: _____

Standard Form Contract	
Transportation Ser.	<input checked="" type="checkbox"/>
Contract Admin.	<input checked="" type="checkbox"/>
Legal	<input type="checkbox"/>



FIRM TRANSPORTATION SERVICE CONTRACT

THIS FIRM SERVICE CONTRACT FOR FIRM TRANSPORTATION SERVICE, made as of
the ____ day of _____, 199__.

BETWEEN:

TRANSCANADA PIPELINES LIMITED
a Canadian corporation
("TransCanada")

OF THE FIRST PART

and

COENERGY TRADING COMPANY
a company incorporated under the laws of the
State of Michigan
("Shipper")

OF THE SECOND PART

WITNESSES THAT:

WHEREAS TransCanada owns and operates a natural gas pipeline system extending from a point near the Alberta/Saskatchewan border where TransCanada's facilities interconnect with the facilities of NOVA Gas Transmission Ltd. easterly to the Province of Quebec with branch lines extending to various points on the Canada/United States of America International Border; and

WHEREAS Shipper has satisfied in full, or TransCanada has waived, each of the conditions precedent set out in Sections 1.1 (b) and (c) of TransCanada's Firm Transportation Service Toll Schedule referred to in Section 7.1 hereof (the "FT Toll Schedule"); and

WHEREAS Shipper has requested and TransCanada has agreed to transport volumes of gas that are delivered by Shipper or Shipper's agent to TransCanada at the Receipt Point referred to in Section 3.2 hereof (the "Receipt Point"), to the Delivery Point referred to in Section 3.1 hereof (the "Delivery Point") pursuant to the terms and conditions of this Contract; and

WHEREAS the parties hereto have entered into an agreement dated as of the 21st day of February, 1997, (the "Precedent Agreement") which bound them to enter into a Contract pertaining to the Requested Short-Haul Service, as described in the Precedent Agreement, and substantially upon the terms and conditions hereinafter described; and

WHEREAS the conditions precedent of the Precedent Agreement have been satisfied or waived pursuant to the Requested Short-Haul Service; and

WHEREAS the volumes of gas delivered hereunder by Shipper or Shipper's agent to TransCanada are to be imported into Canada from the United States of America and then exported back to the United States of America by Shipper and/or Shipper's suppliers and/or its (their) designated agent(s) pursuant to valid and subsisting regulatory approvals and/or such other authorizations in respect thereof.

NOW THEREFORE THIS CONTRACT WITNESSES THAT, in consideration of the covenants and agreement herein contained, the parties hereto covenant and agree as follows:

ARTICLE I - COMMENCEMENT OF SERVICE

1.1 TransCanada shall use reasonable efforts to have the additional facilities (and/or obtain such transportation arrangements on other natural gas transmission systems) as may be required to effect the transportation of the volumes hereunder (the "Necessary Short-Haul Capacity") in place by November 1, 1998, or as soon as possible thereafter. TransCanada's ability to provide service by November 1, 1998, will be subject to, inter alia,

- (a) the timing of receipt by Shipper and TransCanada of the authorizations referred to in paragraphs 1 and 2 of the Precedent Agreement which are required prior to the commencement of construction of TransCanada's facilities and the timing of the commencement of the services required by TransCanada (if any) on the pipeline systems of Union Gas Limited and Trans Quebec and Maritimes Pipeline Inc.; and
- (b) the lead time required for the acquisition, construction and installation of those facilities required by TransCanada.

TransCanada shall use reasonable efforts to provide Shipper with ten (10) days advance Notice of the anticipated availability of the Necessary Short-Haul Capacity (the "Advance Short-Haul Notice"). TransCanada shall give Shipper Notice of the actual date of availability of the Necessary Short-Haul Capacity ("TransCanada's Short-Haul Notice"), and service hereunder shall not commence prior to the actual date of availability of the Necessary Short-Haul Capacity.

1.2 The date of commencement of service hereunder (the "Date of Commencement") shall be the earlier of:

- (a) the date for which Shipper first nominates and TransCanada authorizes service hereunder; or
- (b) the tenth (10th) day following the day on which Shipper received TransCanada's Short-Haul Notice;

PROVIDED that Shipper shall not be obligated to a Date of Commencement which is earlier than November 1, 1998, unless mutually agreed upon by both parties.

1.3 At least five (5) days prior to the Date of Commencement, as defined in Section 1.2 hereof, Shipper shall provide TransCanada with its best estimate of its nomination (pursuant to Section XXII, Nominations and Unauthorized Volumes of the General Terms and Conditions) for the first seven (7) days of service under the Contract.

ARTICLE II - GAS TO BE TRANSPORTED

2.1 Subject to the provisions of this Contract, the FT Toll Schedule, the List of Tolls, and the General Terms and Conditions referred to in Section 7.1 hereof, TransCanada shall provide transportation service hereunder for Shipper in respect of a volume of gas which, in any one day from the Date of Commencement of Service shall not exceed $2,266.2 \times 10^3 \text{m}^3$ (the "Contract Demand").

ARTICLE III - DELIVERY POINT AND RECEIPT POINT

3.1 The Delivery Point hereunder is the point specified as such in Exhibit "1" which is attached hereto and made a part hereof.

3.2 The Receipt Point hereunder is the point specified as such in Exhibit "1" hereof.

ARTICLE IV - TOLLS

4.1 Shipper shall pay for all transportation service hereunder from the Date of Commencement in accordance with TransCanada's FT Toll Schedule, List of Tolls and General Terms and Conditions set out in TransCanada's Transportation Tariff as the same may be amended or approved from time to time by the NEB.

ARTICLE V - TERM OF CONTRACT

5.1 This Contract shall be effective from the date hereof and shall continue until the earlier of :

(a) the commencement of the Requested Long-Haul Service as described in the Precedent Agreement, or

(b) ten (10) years after the Date of Commencement of the Requested Short-Haul Service.

ARTICLE VI - NOTICES

6.1 Any notice, request or demand ("Notice") to or upon the respective parties hereto shall be in writing and shall be validly communicated by the delivery thereof to its addressee, either personally or by courier, first class mail, or telecopier to the address hereinafter mentioned:

IN THE CASE OF TRANSCANADA:

TransCanada PipeLines Limited

(i) mailing address:

P.O. Box 1000
Station M
Calgary, Alberta
T2P 4K6

(ii) delivery address:

TransCanada PipeLines Tower
111 - 5th Avenue S.W.
Calgary, Alberta
T2P 3Y6

Attention: Manager, Transportation
Services
Telecopy: (403) 267-8620

- | | |
|--------------------|--|
| (iii) nominations: | Attention: Manager, Electronic Commerce
Telecopy: (403) 267-6338/6339 |
| (iv) invoices: | Attention: Manager, Revenue Accounting
Telecopy: (403) 267-1074 |
| (v) other matters: | Attention: Manager, Transportation
Services
Telecopy: (403) 267-8620 |

IN THE CASE OF SHIPPER:

CoEnergy Trading Company

- | | |
|------------------------|---|
| (i) mailing address: | 150 West Jefferson, Suite 1800
Detroit, Michigan
U.S.A 48226
Attention: President
Telecopy: (313)256-5739 |
| (ii) delivery address: | same as above |
| (iii) nominations: | Attention: Director, Transportation & Operations
Telecopy: (313)256-5739 |
| (iv) invoices: | Attention: Director, Transportation & Operations
Telecopy: (313)256-5739 |
| (v) other matters: | Attention: President
Telecopy: (313)256-5739 |

Any such Notice shall be sent in order to ensure prompt receipt of such Notice by the other party. Such Notice sent as aforesaid shall be deemed to have been received by the party to whom it is sent at the time of its delivery if personally delivered or if sent by telecopier, or on the day following transmittal thereof if sent by courier, or on the third day following the transmittal thereof if sent by first class mail; PROVIDED however, that, in the event normal mail service, courier service, or telecopier service shall be interrupted by a cause beyond the control of the parties hereto, then the party sending the Notice shall utilize any service that has not been so interrupted or shall deliver such Notice. Each party shall provide Notice to the other of any change of address for the purposes hereof.

ARTICLE VII - MISCELLANEOUS PROVISIONS

7.1 The FT Toll Schedule, the List of Tolls, and the General Terms and Conditions set out in TransCanada's Transportation Tariff as amended or approved from time to time by the NEB are all by reference made a part of this Contract and operations hereunder shall, in addition to

the terms and conditions of this Contract, be subject to the provisions thereof. TransCanada shall notify Shipper at any time that TransCanada files with the NEB revisions to the FT Toll Schedule, the List of Tolls, and/or the General Terms and Conditions (the "Revisions") and shall provide Shipper with a copy of the Revisions.

7.2 The headings used throughout this Contract, the FT Toll Schedule, the List of Tolls, and the General Terms and Conditions are inserted for convenience of reference only and are not to be considered or taken into account in construing the terms or provisions thereof nor to be deemed in any way to qualify, modify or explain the effect of any such provisions or terms.

7.3 This Contract shall be construed and applied, and be subject to the laws of the Province of Alberta, and, when applicable, the laws of Canada, and shall be subject to the rules, regulations and orders of any regulatory or legislative authority having jurisdiction.

IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the date first above written.

COENERGY TRADING COMPANY

TRANSCANADA PIPELINES LIMITED

Per: _____

Per: _____

Name: _____

Name: _____

Title: _____

Title: _____

Per: _____

Per: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT "1"

This is EXHIBIT "1" to the FIRM SERVICE CONTRACT for FIRM TRANSPORTATION SERVICE, made as of the _____ day of _____, 199 __ between TRANSCANADA PIPELINES LIMITED ("TransCanada") and COENERGY TRADING COMPANY ("Shipper")

The Delivery Point hereunder is the point of interconnection between the pipeline facilities of Trans Quebec and Maritimes Pipeline Inc. and Portland Natural Gas Transmission System which is located at:

East Hereford, Quebec

The Receipt Point hereunder is the point of interconnection between the pipeline facilities of TransCanada and Great Lakes Gas Transmission Limited Partnership which is located at:
the Canadian side of the Canada/United States International border near St. Clair, Michigan.

FIRM TRANSPORTATION SERVICE CONTRACT

THIS FIRM SERVICE CONTRACT FOR FIRM TRANSPORTATION SERVICE, made as of
the ____ day of _____, 199__.

BETWEEN:

TRANSCANADA PIPELINES LIMITED
a Canadian corporation
("TransCanada")

OF THE FIRST PART

and

COENERGY TRADING COMPANY
a company incorporated under the laws of the
State of Michigan
("Shipper")

OF THE SECOND PART

WITNESSES THAT:

WHEREAS TransCanada owns and operates a natural gas pipeline system extending from a point near the Alberta/Saskatchewan border where TransCanada's facilities interconnect with the facilities of NOVA Gas Transmission Ltd. easterly to the Province of Quebec with branch lines extending to various points on the Canada/United States of America International Border; and

WHEREAS Shipper has satisfied in full, or TransCanada has waived, each of the conditions precedent set out in Sections 1.1 (b) and (c) of TransCanada's Firm Transportation Service Toll Schedule referred to in Section 7.1 hereof (the "FT Toll Schedule"); and

WHEREAS Shipper has requested and TransCanada has agreed to transport volumes of gas that are delivered by Shipper or Shipper's agent to TransCanada at the Receipt Point referred to in Section 3.2 hereof (the "Receipt Point"), to the Delivery Point referred to in Section 3.1 hereof (the "Delivery Point") pursuant to the terms and conditions of this Contract; and

WHEREAS the parties hereto have entered into an agreement dated as of the 21st day of February, 1997, (the "Precedent Agreement") which bound them to enter into a Contract pertaining to the Requested Long-Haul Service, as described in the Precedent Agreement, and substantially upon the terms and conditions hereinafter described; and

WHEREAS the conditions precedent of the Precedent Agreement have been satisfied or waived pursuant to the Requested Long-Haul Service; and

WHEREAS the volumes of gas delivered hereunder by Shipper or Shipper's agent to TransCanada are to be removed from the province of production of such gas by Shipper and/or Shipper's suppliers and/or its (their) designated agent(s) pursuant to valid and subsisting permits and/or such other authorizations in respect thereof.

NOW THEREFORE THIS CONTRACT WITNESSES THAT, in consideration of the covenants and agreement herein contained, the parties hereto covenant and agree as follows:

ARTICLE I - COMMENCEMENT OF SERVICE

1.1 TransCanada shall use reasonable efforts to have the additional facilities (and/or obtain such transportation arrangements on other natural gas transmission systems) as may be required to effect the transportation of the Requested Long-Haul Service volumes hereunder (the "Necessary Long-Haul Capacity") in place by November 1, 1998, or as soon as possible thereafter. TransCanada's ability to provide service by November 1, 1998, will be subject to, inter alia,

- (a) the timing of receipt by Shipper and TransCanada of the authorizations referred to in paragraphs 1 and 2 of the Precedent Agreement which are required prior to the commencement of construction of TransCanada's facilities and the timing of the commencement of the services required by TransCanada (if any) on the pipeline systems of Great Lakes Gas Transmission Limited Partnership, Union Gas Limited and Trans Quebec and Maritimes Pipeline Inc.; and
- (b) the lead time required for the acquisition, construction and installation of those facilities required by TransCanada.

TransCanada shall use reasonable efforts to provide Shipper with ten (10) days advance Notice of the anticipated availability of the Necessary Long-Haul Capacity (the "Advance Long-Haul Notice"). TransCanada shall give Shipper Notice of the actual date of availability of the Necessary Long-Haul Capacity ("TransCanada's Long-Haul Notice"), and service hereunder shall not commence prior to the actual date of availability of the Necessary Long-Haul Capacity.

1.2 The date of commencement of service hereunder (the "Date of Commencement") shall be the earlier of:

- (a) the date for which Shipper first nominates and TransCanada authorizes service hereunder; or
- (b) the tenth (10th) day following the day on which Shipper received TransCanada's Long-Haul Notice;

PROVIDED that Shipper shall not be obligated to a Date of Commencement which is earlier than November 1, 1998, unless mutually agreed upon by both parties.

1.3 At least five (5) days prior to the Date of Commencement, as defined in Section 1.2 hereof, Shipper shall provide TransCanada with its best estimate of its nomination (pursuant to Section XXII, Nominations and Unauthorized Volumes of the General Terms and Conditions) for the first seven (7) days of service under the Contract.

ARTICLE II - GAS TO BE TRANSPORTED

2.1 Subject to the provisions of this Contract, the FT Toll Schedule, the List of Tolls, and the General Terms and Conditions referred to in Section 7.1 hereof, TransCanada shall provide transportation service hereunder for Shipper in respect of a volume of gas which, in any one day from the Date of Commencement of Service shall not exceed 2,266.2 10^3m^3 (the "Contract Demand").

ARTICLE III - DELIVERY POINT AND RECEIPT POINT

3.1 The Delivery Point hereunder is the point specified as such in Exhibit "1" which is attached hereto and made a part hereof.

3.2 The Receipt Point hereunder is the point specified as such in Exhibit "1" hereof.

ARTICLE IV - TOLLS

4.1 Shipper shall pay for all transportation service hereunder from the Date of Commencement in accordance with TransCanada's FT Toll Schedule, List of Tolls and General Terms and Conditions set out in TransCanada's Transportation Tariff as the same may be amended or approved from time to time by the NEB.

ARTICLE V - TERM OF CONTRACT

5.1 This Contract shall be effective from the date hereof and shall continue for a period of ten (10) years after the Date of Commencement.

ARTICLE VI - NOTICES

6.1 Any notice, request or demand ("Notice") to or upon the respective parties hereto shall be in writing and shall be validly communicated by the delivery thereof to its addressee, either personally or by courier, first class mail, or telecopier to the address hereinafter mentioned:

IN THE CASE OF TRANSCANADA:

TransCanada PipeLines Limited

(i) mailing address:

P.O. Box 1000
Station M
Calgary, Alberta
T2P 4K5

(ii) delivery address:

TransCanada PipeLines Tower
111 - 5th Avenue S.W.
Calgary, Alberta
T2P 3Y6

Attention: Manager, Transportation Services
Telecopy: (403) 267-8620

(iii) nominations:

Attention: Manager, Electronic Commerce
Telecopy: (403) 267-6338/6339

(iv) invoices:

Attention: Manager, Revenue Accounting
Telecopy: (403) 267-1074

(v) other matters: Attention: Manager, Transportation Services
Telecopy: (403) 267-8620

IN THE CASE OF SHIPPER:

CoEnergy Trading Company

(i) mailing address: 150 West Jefferson, Suite 1800
Detroit, Michigan
U.S.A 48226
Attention: President
Telecopy: (313)256-5739

(ii) delivery address: same as above

(iii) nominations: Attention: Director, Transportation & Operations
Telecopy: (313)256-5739

(iv) invoices: Attention: Director, Transportation & Operations
Telecopy: (313)256-5739

(v) other matters: Attention: President
Telecopy: (313)256-5739

Any such Notice shall be sent in order to ensure prompt receipt of such Notice by the other party. Such Notice sent as aforesaid shall be deemed to have been received by the party to whom it is sent at the time of its delivery if personally delivered or if sent by telecopier, or on the day following transmittal thereof if sent by courier, or on the third day following the transmittal thereof if sent by first class mail; PROVIDED however, that, in the event normal mail service, courier service, or telecopier service shall be interrupted by a cause beyond the control of the parties hereto, then the party sending the Notice shall utilize any service that has not been so interrupted or shall deliver such Notice. Each party shall provide Notice to the other of any change of address for the purposes hereof.

ARTICLE VII - MISCELLANEOUS PROVISION

7.1 The FT Toll Schedule, the List of Tolls, and the General Terms and Conditions set out in TransCanada's Transportation Tariff as amended or approved from time to time by the NEB are all by reference made a part of this Contract and operations hereunder shall, in addition to the terms and conditions of this Contract, be subject to the provisions thereof. TransCanada shall notify Shipper at any time that TransCanada files with the NEB revisions to the FT Toll Schedule, the List of Tolls, and/or the General Terms and Conditions (the "Revisions") and shall provide Shipper with a copy of the Revisions.

7.2 The headings used throughout this Contract, the FT Toll Schedule, the List of Tolls, and the General Terms and Conditions are inserted for convenience of reference only and are not to be considered or taken into account in construing the terms or provisions thereof nor to be deemed in any way to qualify, modify or explain the effect of any such provisions or terms.

7.3 This Contract shall be construed and applied, and be subject to the laws of the Province of Alberta, and, when applicable, the laws of Canada, and shall be subject to the rules, regulations and orders of any regulatory or legislative authority having jurisdiction.

IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the date first above written.

COENERGY TRADING COMPANY

TRANSCANADA PIPELINES LIMITED

Per: _____

Per: _____

Name: _____

Name: _____

Title: _____

Title: _____

Per: _____

Per: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT "1"

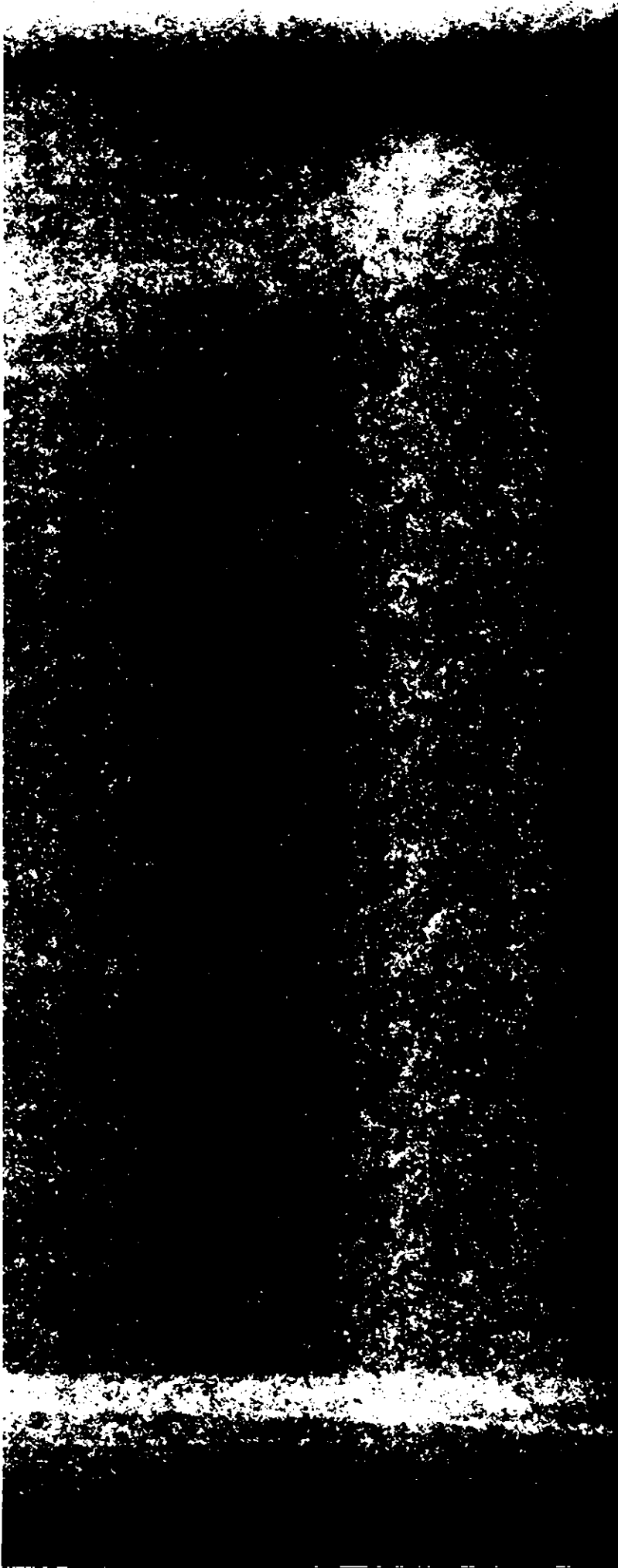
This is EXHIBIT "1" to the FIRM SERVICE CONTRACT for FIRM TRANSPORTATION SERVICE, made as of the _____ day of _____, 199 __ between TRANSCANADA PIPELINES LIMITED ("TransCanada") and COENERGY TRADING COMPANY ("Shipper")

The Delivery Point hereunder is the point of interconnection between the pipeline facilities of Trans Quebec and Maritimes Pipeline Inc. and Portland Natural Gas Transmission System which is located at:

East Hereford, Quebec

The Receipt Point hereunder is the point of interconnection between the pipeline facilities of TransCanada and NOVA Gas Transmission Ltd. which is located at:

Empress, Alberta



ENHANCED CAPACITY RELEASE (ECR)

Similar to Capacity Release, but allows a shipper to replace the volume of gas dropped off on the Great Lakes system with an equivalent volume at St. Clair or Dawn to keep the shippers' original market whole. Enhanced Capacity Release (ECR) allows a shipper to access two markets from one transportation contract.

Summary

ECR enables shippers to retain the Firm Transportation (FT) contract entitlement to a primary delivery point, while allowing access to TransCanada's firm transportation capacity on the Great Lakes system.

By replacing the gas delivered through the Great Lakes system with equivalent volumes at St. Clair or Dawn, shippers can make two deliveries on a single transportation contract.

All shippers need is a minimum one-year FT contract to the Eastern Zone or an export point downstream of St. Clair, Michigan, to take advantage of this service.

Request

Simply submit a written request specifying the FT contract volume which will be reduced to allow the delivery onto the Great Lakes system and the term of the release to TransCanada's Transportation Services department.

TransCanada Approval

Requests are forwarded to TransCanada's Gas Control Operations department for approval. Requests are approved if the service can be offered without adversely affecting system performance. If TransCanada is able to accommodate a shippers' request, it will enter into a pre-arranged capacity release at the maximum rate with you, the replacement shipper. Successful applicants will receive a contract addendum for execution.

Requirements for Service

Before releasing a portion of FT capacity on Great Lakes, TransCanada must:

- execute a ECR contract and addendum with the replacement shipper;
- confirm that the replacement shipper has executed a FT Service Agreement with Great Lakes;
- confirm that the replacement shipper has an export license (and import if required) from the NEB and an import license from the United States Department of Energy; and
- ensure nominations to TransCanada and Great Lakes are timely.

ENHANCED CAPACITY RELEASE (ECR)

Posting of Release

Upon entering into an agreement with a replacement shipper, the terms will be posted on Great Lakes' electronic bulletin board.

Facilities Construction

No

Priority

Firm

TCPL Receipt Point

Empress

TCPL Delivery Point

Emerson

TCPL Re-delivery Point

St. Clair or Dawn

Alternate Receipt/Delivery Points on GLGT

Shippers who enter into an arrangement with TransCanada have access to alternate receipt/delivery points on the Great Lakes system. This allows replacement shippers additional comfort and contract optimizing opportunities, which includes access to Michigan storage.

Re-release

Yes, TransCanada provides the replacement shipper with the opportunity to re-release capacity held on Great Lakes. Replacement shippers must provide written notification to both TransCanada and Great Lakes prior to re-release.

Diversion Rights

Diversion rights will remain intact at the primary delivery point in the FT contract for all volumes redelivered under an ECR contract.

Contract Term

The ECR contract is an umbrella contract that is activated by the execution of each addendum to the ECR contract.

Assignments

Assignments of any contracts, in whole or in part, into which the ECR service is incorporated require TransCanada's prior written consent.

Fuel Required

Yes, for both the TransCanada and Great Lakes systems.

ENHANCED CAPACITY RELEASE (ECR)

Toll

TransCanada reduces its entitlement to transportation service on Great Lakes and the replacement shipper will reduce its entitlement to transportation service on TransCanada. The replacement shipper effectively steps into TransCanada's shoes and pays Great Lakes the maximum allowable rates and charges in effect under Rate Schedule FT of Great Lakes' tariff. Great Lakes subsequently credits TransCanada's monthly transportation service invoice for the released capacity and TransCanada in turn passes that credit on to the replacement shipper.

For the ECR volume a replacement shipper will pay:

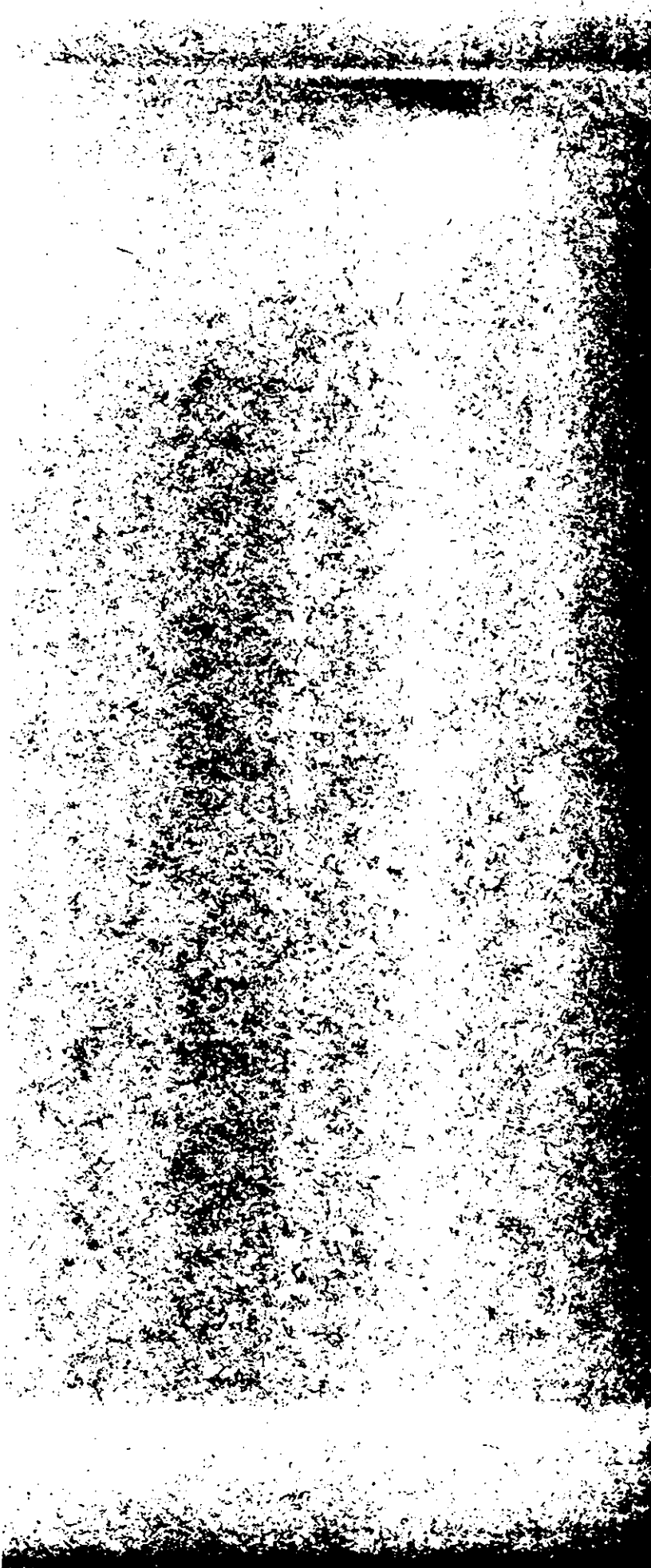
- demand charges to their original point or delivery area under their TransCanada FT contract;
- commodity charges to Emerson II and from the designated re-delivery point to the primary delivery point under the FT contract;
- Great Lakes directly for capacity released by TransCanada;
- the greater of the delivery pressure toll at Emerson II, Manitoba, and the delivery pressure toll(s) applicable under the FT contract; and
- ECR surcharge.

For the ECR volume a replacement shipper will receive:

- a reservation fee credit from TransCanada for capacity released.

ECR Surcharge

The ECR surcharge will be charged on all released volumes that are to be re-delivered to TransCanada at St. Clair or Dawn. The surcharge is the difference between the demand charges a replacement shipper would pay for delivery of gas to TransCanada's Eastern Zone by contracting for each individual transportation component (less 50% of the currently effective TransCanada Administrative and General charges) and the demand charges that the same replacement shipper would pay to the Eastern Zone on the TransCanada system. See Section 5 for the ECR surcharge calculation.





CoEnergy Trading Company

A subsidiary of MCN Corporation, Detroit, MI

150 West Jefferson • Suite 1800 • Detroit, MI 48226
(313) 256-6000 • (313) 256-5739 FAX

May 7, 1997

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

Re: Application of CoEnergy Trading Company for Authorization
 to Export Natural Gas For Subsequent Re-Import

Gentlemen:

Pursuant to Section 590.202(c) of the Regulations of the Department of Energy (10 CFR Sec. 590.202(c)), I hereby advise you that in my opinion the proposed export of natural gas for subsequent re-import that is the subject of the above-referenced application is within the corporate powers of CoEnergy Trading Company.

Very truly yours,

Harold M. Newland

Harold M. Newland
Senior Attorney

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

DOE/FE

1997-06-20

COENERGY TRADING COMPANY

)
)
)
FE DOCKET NO. 97-41-NG

ORDER GRANTING LONG-TERM AUTHORIZATION
TO EXPORT NATURAL GAS TO CANADA
FOR SUBSEQUENT RE-IMPORT

DOE/FE ORDER NO. 1280

JUNE 20, 1997

I. DESCRIPTION OF REQUEST

On May 13, 1997, CoEnergy Trading Company (CTC) 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 authorization to export up to 80,000 Mcf per day (29.2 Bcf annually) of natural gas to Canada for subsequent re-import to the United States. The term of the authorization would be for a period of 10 years commencing November 1, 1998, through October 31, 2008, or 10 years after the commencement of deliveries if deliveries begin after November 1, 1998. CTC, a Michigan corporation with its principal place of business in Detroit, Michigan, is a wholly owned subsidiary of MCN Investment Corporation, located in Detroit Michigan. MCN Investment Corporation is, in turn, a wholly owned subsidiary of MCN Energy Group, Inc., also located in Detroit, Michigan. CTC is engaged in the business of buying and selling natural gas.

The authorized quantity would be exported from the United States at the existing interconnection of TransCanada PipeLines Limited (TCPL) and Great Lakes Gas Transmission Limited Partnership (GLGT) near St. Clair, Michigan, and re-imported into the United States at the interconnection of the Trans Quebec and Maritimes Pipeline and the proposed Portland Natural Gas Transmission System (PNGTS) near Pittsburg, New Hampshire. Once exported, the authorized quantity would be transported from the point of export to the point of re-import by TCPL. The gas to be

^{1/} 15 U.S.C. § 717b.

exported for subsequent re-import would be supplied from CTC's portfolio of firm supplies, interstate pipeline capacity, and storage located in Michigan. These supplies are purchased by CTC under numerous gas purchase agreements with varying price terms and durations of up to 10 years. The gas is delivered to CTC by Panhandle Eastern Pipe Line Company, ANR Pipeline Company, TCPL, and GLGT. CTC also obtains gas from Michigan production and Michigan storage.

The authorized quantity would serve two distinct segments of CTC's market portfolio. First, CTC would use a portion of this gas to fulfill its redelivery obligation under 10-year exchange agreements with Bay State Gas Company and its affiliate, Northern Utilities, Inc. Second, CTC will use the remaining portion of the authorized quantity to serve various markets, including commercial, industrial, local distribution, and power generation customers, throughout the Northeast.

No new facilities would be required by CTC to provide for the export and subsequent re-import of the authorized quantity. Any potential environmental impacts from the project would stem from the expansion of TCPL in Canada and the construction of the proposed PNGTS in the United States.

II. FINDING

The application filed by CTC has been evaluated to determine if the proposed export and 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 export and import of natural gas to and

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 CTC to export natural gas to Canada, a nation with which a free trade agreement is in effect, for re-import to the United States 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. CoEnergy Trading Company (CTC) is authorized to export up to 80,000 Mcf per day (29.2 Bcf annually) to Canada for re-import to the United States. The term of the authorization is for a period of 10 years commencing November 1, 1998, through October 31, 2008, or 10 years after the commencement of deliveries if deliveries begin after November 1, 1998. This gas may be exported from the United States at the existing interconnection of TransCanada PipeLines Limited and Great Lakes Gas Transmission Limited Partnership near St. Clair, Michigan, and re-imported into the United States at the proposed interconnection of the Trans Quebec and Maritimes Pipeline and the Portland Natural Gas Transmission System near Pittsburg, New Hampshire.

B. Within two weeks after deliveries begin, CTC shall provide written notification to the Office of Natural Gas &

Petroleum Import and Export Activities, Fossil Energy, Room 3F-056, FE-34, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first export of natural gas for re-import authorized in Ordering Paragraph A above occurred.

C. With respect to the natural gas exports and imports authorized by this Order, CTC shall file with the Office of Natural Gas & Petroleum Import and Export Activities, within 30 days following each calendar quarter, a quarterly report indicating by month the volumes of natural gas exported and re-imported pursuant to this Order. If no exports and imports have been made, a report of "no activity" for that calendar quarter must be filed. If exports and imports have occurred, CTC must report total monthly volumes in Mcf by point of exit and point of entry.

D. The first quarterly report required by Ordering Paragraph C of this Order is due not later than January 30, 1999, and should cover the period from November 1, 1998, through the end of the fourth calendar quarter, December 31, 1998.

Issued in Washington, D.C., on June 20, 1997.



Wayne E. Peters
Manager, Natural Gas Regulation
Office of Natural Gas & Petroleum
Import and Export Activities
Office of Fossil Energy



CoEnergy Trading Company

A subsidiary of MCN Energy Group Inc., Detroit, MI

D. Guy Jarvis
Director, Market Development

1400 Canterra Tower • 400-3rd Avenue S.W.
Calgary, Alberta T2P 4H2
(403) 263-8157 • (403) 269-8868 FAX

March 24, 1999

**United States Department of Energy
Office of Natural Gas & Petroleum Import and Export Activities
Fossil Energy, Room 3F-056, FE-34, Forestall Building
1000 Independence Avenue, S.W.
Washington, D.C. 20585**

Re: DOE/FE Order No. 1280

CoEnergy Trading Company wishes to advise that initial exports of natural gas for subsequent import under the subject order commenced on March 11, 1999.

Should you have any questions on this matter, please feel free to contact myself at 403-263-8157.

Yours truly,

CoEnergy Trading Company

D. Guy Jarvis
Vice President

97-41

REC'D DOE/FE
MAY 11 1999 8 A 9:27