

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

_____)
STONE CONSOLIDATED CORPORATION) FE DOCKET NO. 97-23-NG
RAINY RIVER FOREST PRODUCTS INC.) FE DOCKET NO. 95-96-NG
_____)

ORDER GRANTING LONG-TERM AUTHORIZATION TO
IMPORT AND EXPORT NATURAL GAS FROM AND TO CANADA
AND VACATING PREVIOUS ORDER

DOE/FE ORDER NO. 1265

MARCH 20, 1997

I. DESCRIPTION OF REQUEST

On March 4, 1997, Stone Consolidated Corporation (Stone Consolidated) 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 from and export to Canada up to 1095 MMcf of natural gas annually. The term of the authorization would commence on the first day of the month after approval of the requested authorization and continue through October 31, 2002, pursuant to a long-term supply arrangement. Stone Consolidated is a Canadian corporation with its principal place of business in Montreal, Quebec. It also maintains places of business at various locations, including a paper mill facility located in Fort Frances, Ontario. The volumes of gas to be imported would be used at Stone Consolidated's Fort Frances, Ontario facility.

In addition, Rainy River Forest Products Inc. (Rainy River) previously received a two-year blanket authorization to import natural gas from Canada under DOE/FE Order No. 1108.^{2/} That order, which will expire October 31, 1997, authorized Rainy River to import and export up to a combined total of 100

^{1/} 15 U.S.C. § 717b.

^{2/} 1 FE ¶ 71,188 (October 31, 1995).

Bcf of natural gas from and to Canada. On November 1, 1995, all gas supply, transportation, and agency agreements, along with the rights to DOE/FE Order No. 1108 were transferred by sale from Rainy River to Stone Consolidated. Stone Consolidated states the authorization requested by this application would replace the blanket authorization granted to Rainy River and acquired by Stone Consolidated.

Stone Consolidated intends to obtain these natural gas supplies from TransCanada Gas Services Limited (TGSL) under a "Gas Supply Agreement" dated October 23, 1995, executed by UtiliCorp Energy Solutions, Inc. (UtiliCorp Energy) as agent for Rainy River and subsequently for Stone Consolidated. Under separate agreements between UtiliCorp Energy as agent for Rainy River/Stone Consolidated and Centra Transmissions Holdings (Centra-Canada)^{3/} and between UtiliCorp Energy, as agent, and Centra Pipelines Minnesota (Centra-Minnesota)^{4/}, Centra-Canada agreed to transport this gas from Spruce, Manitoba to Sprague, Manitoba/Warroad, Minnesota and deliver a like amount to Centra-Minnesota. Centra-Minnesota agreed to transport the gas from Sprague, Manitoba/Warroad, Minnesota across Minnesota to the international border at Baudette, Minnesota/Rainy River, Ontario where it reenters Canada. The gas would then be delivered by Centra-Canada to Stone

^{3/} Formerly known as IGC Transmission Holdings, Ltd.

^{4/} Formerly known as Inter-City Minnesota Pipelines, Ltd.

Consolidated's paper mill facilities in Fort Frances, Ontario.

Stone Consolidated requests authority to conduct the proposed import and export transactions at any point on the international border.

The purchase price for this gas is indexed to market indicators. It has a two-part rate consisting of a demand charge covering tolls for transportation in Canada and a commodity charge based on the average monthly spot price of gas sold at Empress, Alberta, as published by Canadian Enerdata Ltd., in the Canadian Gas Price Reporter. The contract price may be renegotiated every third year and is subject to binding arbitration if the parties are unable to agree on a new price. If Stone Consolidated fails to schedule the maximum daily quantity, Stone Consolidated shall pay a deficiency charge to TGSL.

II. FINDING

The application filed by Stone Consolidated has been evaluated to determine if the proposed import and export 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 and export of natural gas from or to 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 Stone Consolidated to import and export natural gas from and to 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. Stone Consolidated Corporation (Stone Consolidated) is authorized to import and export up to 1095 MMcf of natural gas annually from and to Canada commencing on the first day of the month after approval of this authorization and continuing through October 31, 2002. This natural gas shall be imported under a "Gas Supply Agreement" dated October 23, 1995, executed by TransCanada Gas Services Limited and UtiliCorp Energy Solutions, Inc., as agent for Rainy River Forest Products Inc. (Rainy River), and subsequently for Stone Consolidated. The natural gas may be imported at Warroad, Minnesota/Sprague, Manitoba and exported at Baudette, Minnesota/Rainy River, Ontario, or any other points on the border of the United States and Canada.

B. The authorization granted to Rainy River, by DOE/FE Order No. 1108, issued October 31, 1995, and acquired by Stone Consolidated is hereby vacated.

C. Within two weeks after deliveries begin, Stone

Consolidated shall provide written notification to the Office of Natural Gas & Petroleum Import and Export Activities, 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 and export of natural gas authorized in Ordering Paragraph A above occurred.

D. With respect to the natural gas imports and exports authorized by this Order, Stone Consolidated shall file with the Office of Natural Gas & Petroleum Import and Export Activities, within 30 days following each calendar quarter, quarterly reports indicating whether imports and exports of natural gas have been made. Quarterly reports must be filed whether or not initial deliveries have begun. If no imports and exports of natural gas have been made, a report of "no activity" for that calendar quarter must be filed. If imports and exports have occurred, Stone Consolidated must report total monthly volumes in Mcf. Whenever imports and exports have occurred at an entry and exit point other than Warroad, Minnesota/Sprague, Manitoba and Baudette, Minnesota/Rainy River, Ontario these volumes must be reported separately.

E. The first quarterly report required by Ordering Paragraph C of this Order is due not later than July 30, 1997, and should cover the period from April 1, 1997, until the end of the second calendar quarter, June 30, 1997.

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

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