UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

COENERGY TRADING COMPANY

FE DOCKET NO. 97-40-NG

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

DOE/FE ORDER NO. 1290

JULY 25, 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 import up to 80,000 Mcf per day (29.2 Bcf annually) of Canadian natural gas. The term of the authorization would be for a period of 10 years commencing November 1, 1998, or for 10 years after the commencement date 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, which is 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 of natural gas would be imported at the proposed interconnection of the Trans Quebec and Maritimes Pipeline (TQ&M) and the Portland Natural Gas Transmission System (PNGTS) located near Pittsburg, New Hampshire, or the existing interconnection of TransCanada PipeLines Limited (TCPL) and Great Lakes Gas Transmission Limited Partnership (GLGT) located near Noyes, Minnesota.

CTC submitted with its application gas supply contracts with three Canadian gas producers: Gulf Canada Resources Limited (Gulf Canada) at 30 MMcf/d; Suncor Inc. (Suncor) at 30 MMcf/d; and AEC Oil & Gas Partnership (AEC Partnership) at 20 Mmcf/d. The three Canadian supply contracts require CTC to buy gas on a 100% load factor basis and provide for the firm delivery of the import quantity over the import term. There are no take-or-pay provisions in the contracts but there are financial penalties for non-performance by either contracting party. All quantities are priced using formulae and monthly indices to insure, according to the application, the ongoing market sensitivity and competitiveness of supplies.[(2)]

The imported gas would be used to 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. The exchange agreements include a small annual fee escalator and as billed costs related to TCPL capacity. Second, CTC would use the remaining portion of the import quantity to serve various markets, including commercial, industrial, gas distributor, and power generation customers, throughout the upper Midwest and Northeast. The imported gas would also figure prominently in CTC's summer storage injection plans at storage facilities located in Michigan.

II. FINDING

The application filed by CTC 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 import 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 CTC to import natural gas from Canada, a nation with which a free trade agreement is in effect meets the section 39(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 import up to 80,000 Mcf per day (29.2 Bcf annually) from Canada. The term of the authorization is for a period of 10 years commencing November 1, 1998, or for 10 years after the commencement of deliveries if deliveries begin after November 1, 1998. This gas may be imported from Canada at the proposed interconnection of the Trans Quebec and Maritimes Pipeline and the Portland Natural Gas Transmission System near Pittsburg, New Hampshire, or the existing interconnection of TransCanada PipeLines Limited and Great Lakes Gas Transmission Limited Partnership located near Noyes, Minnesota.

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, Forestall Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first import of natural gas authorized in Ordering Paragraph A above occurred.

C. With respect to the natural gas 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, quarterly reports indicating whether imports of natural gas have been made. Quarterly reports must be filed whether or not initial deliveries have begun. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, CTC must report total monthly volumes in Mcf and the average purchase price per MMBtu at the international border. The information for a particular month shall list separately the volumes under each of the gas purchase agreements between CTC and its three Canadian suppliers.

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 July 25, 1997.

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

1. 1. 15 U.S.C. § 717b.

2. 1. (1) As stated in CTC's gas purchase agreement (GPA) with Gulf Canada, dated October 31, 1996, the price per Gj, shall equal the average monthly index price per Gj for the relevant sales month for Empress, Alberta, as published in the Canadian Gas Price Reporter under the heading "Alberta, Border (Empress), Month Average Spot (One Month), Firm (100%LF)", plus $0.065/Gj; (2) CTC's GPA with Suncor dated October 31, 1996, sets the price per Gj for the first 20,000 Mcf of natural gas sold under the contract plus the total daily TCPL fuel requirements provided by Suncor at a price equal to the same average monthly index price per Gj as the Gulf Canada GPA. The price per Gj for the remaining 10,000 Mcf of natural gas is calculated at the MIP+(50% times the monthly contract index minus TCPL's service costs minus the MIP); (3) the GPA with AEC Partnership, dated November 18, 1996, calculates the price per Gj, applicable to the daily quantity of natural gas sold (excluding the fuel requirements of TCPL and Great Lakes), at the relevant monthly index price published in the Gas Daily Price Guide under the section titled "Monthly Contract Index, Michigan, MichCon, large, Mcf", less an allocated rate for 100% load factor firm service from Empress, Alberta, to Highwater, Quebec.

All prices under all three agreements shall be denominated in $Cdn/Gj and any amounts denominated in $U.S. shall be converted to $Cdn based on the average bank of Canada noon day spot rate for the preceding month.