

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

ENGAGE ENERGY US, L.P.

FE DOCKET NO. 97-48-NG

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

DOE/FE ORDER NO. 1332

NOVEMBER 6, 1997

I. DESCRIPTION OF REQUEST

On June 25, 1997, as supplemented on September 8, 1997, Engage Energy US, L.P. (Engage) 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 up to 30.5 MMcf per day of Canadian natural gas for a ten-year term beginning on November 1, 1998. Engage is a limited partnership within the State of Delaware with its principal of business in Houston, Texas.

Under the proposed import arrangement, Engage intends to purchase the imported natural gas from six Canadian producers: Canadian Natural Resources (5.083 MMcf per day); Enerplus Energy Marketing Inc. (5.083 MMCF per day); Pinnacle Resources Ltd. (5.083 MMCF per day); Ranger Oil Limited (5.083 MMcf per day); Rio Alto Exploration Ltd. (5.083 MMCF per day); and Tri Link Resources Ltd. (5.083 MMCF per day) (collectively the Suppliers) pursuant to the terms of letter agreements dated August 31, 1996⁽²⁾ (Letter Agreements). The Letter Agreements between Engage and these six Suppliers provide for a netback pricing arrangement under which Engage pays a price based on average monthly revenues, minus transportation charges and other fees/expenses. The imported natural gas will become part of Engage's supply portfolio to serve Engage's existing and new markets in the U.S. Northeast, the Midwest, and the Gulf Coast. These markets consist principally of local distribution companies, electric generation companies, and industrial end-users. Engage presently markets in the U.S. Northeast in excess of 500 MMcf/d of natural gas.

The gas to be imported will be produced in the Provinces of Alberta and British Columbia, Canada, and transported by the NOVA Gas Transmission Ltd. (NOVA) pipeline system to Empress, Alberta, where NOVA interconnects with TransCanada PipeLines Limited (TCPL).⁽³⁾ TCPL will transport the gas to the United States/Canadian border near Emerson, Manitoba/Noyes, Minnesota, to the interconnect of TCPL and Viking Gas Transmission Company (Viking).⁽⁴⁾ In addition, Engage has requested firm backhaul transportation arrangements with ANR Pipeline Company (ANR)⁽⁵⁾ to various interconnects in the State of Louisiana. Although Emerson is the primary import point, Engage also requests the flexibility to import the gas at other border points.

II. FINDING

The application filed by Engage has been evaluated to determine if the proposed import arrangement meets the public interest requirements 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 Engage 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. Engage Energy US, L.P. (Engage) is authorized to import up to 30.5 MMCF per day of Canadian natural gas for a ten-year term, beginning on November 1, 1998, under the terms and conditions of the Letter Agreements dated August 31, 1996, with Canadian Natural Resources, Enerplus Energy Marketing Inc., Pinnacle Resources Ltd., Ranger Oil Limited, Rio Alto Exploration Ltd. and Tri Link Resources Ltd. This natural gas may be imported near Emerson, Manitoba/Noyes, Minnesota, or at alternative border points where transportation facilities are accessible to Engage.

B. At such time the Letter Agreements with the six Canadian producers have been replaced with formal gas purchase contracts, Engage shall file them with the Office of Natural Gas & Petroleum Import and Export Activities within 30 days of their execution. Engage shall also file a copy of its firm 11-year backhaul transportation agreement with ANR Pipeline Transmission Company once finalized.

C. Within two weeks after deliveries begin, Engage 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 import delivery of natural gas authorized in Ordering Paragraph A above has occurred.

D. With respect to the natural gas imports authorized by this Order, Engage 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 and prices of natural gas imported pursuant to this Order. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, Engage must report by month, the volumes in Mcf by supplier and the average purchase price of gas per MMBtu delivered at the international border and paid to Canadian Natural Resources, Enerplus Energy Marketing Inc., Pinnacle Resources Ltd., Ranger Oil Limited, Rio Alto Exploration Ltd, and Tri Link Resources Ltd. Whenever imports have occurred at an entry point other than Emerson, Manitoba/Noyes, Minnesota, these volumes and prices must be reported separately. The monthly price information shall itemize separately the demand and commodity charges, fuel charges, and if applicable, reservation fees. In addition, Engage shall provide to the extent possible, a breakdown of the import volume showing the amount sold in each State and to each of its customers.

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

Issued in Washington, D.C. on November 6, 1997.

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

1. / 15 U.S.C. § 717b.

2. / Engage and the Suppliers are negotiating formal contracts to replace the Letter Agreements.

3. / Engage has requested firm transportation for 10 years on TCPL from Empress, Alberta, from the interconnect of TCPL and NOVA Corporation to Emerson, Manitoba. The TCPL transportation is part of its 1998 expansion project with an in-service date of November 1, 1998.

4. 4/ Engage has requested firm transportation for 15 years on Viking from Emerson to Marshfield, Wisconsin, and North Branch, Minnesota, pursuant to a Side Letter dated October 17, 1996. The transportation is part of Viking's 1997 Expansion Facilities with an in-service date of November 1, 1997.

5. 5/ The ANR transportation to various points in the State of Louisiana is for 11 years beginning on November 1, 1997.