UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

ENRON CAPITAL & TRADE RESOURCES CORP.

FE DOCKET NO. 98-12-NG

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

DOE/FE ORDER NO. 1367

MARCH 06, 1998

I. DESCRIPTION OF REQUEST

On February 9, 1998, Enron Capital & Trade Resources Corp. (ECT) 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 from Canada an aggregate volume of 33.1 billion cubic feet (Bcf) of natural gas (9,051 thousand cubic feet (Mcf) per day), over ten years from the date of initial deliveries. ECT plans to purchase the gas supplies from its parent corporation Enron Capital & Trade Resources Canada Corp. (ECT Canada) pursuant to an Enfolio Master Firm Purchase/Sale Agreement (Master Agreement) dated June 1, 1994. The import arrangement proposed by this application is subject to the Master Agreement and a Confirmation Letter between ECT and ECT Canada dated January 30, 1997. ECT Canada has entered into a purchase arrangement with Canadian Natural Resources for the volume and the term covered by this import application. Initial deliveries are expected to begin no earlier than November 1, 1998. ECT, a Delaware corporation with its principal place of business in Houston, Texas, is a wholly-owned subsidiary of Enron Corp.

ECT intends to use the requested volumes to enhance its overall corporate supply portfolio for delivery to markets in the northeastern United States. The natural gas to be imported will be produced in Alberta and will flow on NOVA Gas Transmission Ltd. for firm delivery service to Empress, Alberta, at the interconnect of TransCanada PipeLines Limited (TCPL) and then across Canada on the facilities of TCPL to the interconnect of TCPL and National Fuel Gas Supply Corporation (National Fuel) near the Niagara Falls, New York import point. The gas will continue on the facilities of National Fuel to a delivery point near Leidy, Pennsylvania.

The January 30, 1997 Confirmation Letter filed with this application states that the contract price for each delivery month shall be a price in U.S. dollars per Mcf equal to the "Belle Mills River Index". The "Belle Mills River Index" means the price for the applicable delivery month as published in the Gas Daily Price Guide by Gas Daily, in the section entitled "Monthly Contract Index".

Under this import arrangement, ECT must take its daily contract quantity, otherwise, it constitutes a "Buyer's Deficiency Default". Under this situation, ECT would have to pay ECT Canada the sum of the following: (i) an amount equal to the product of ECT's Deficiency Quantity multiplied by the Replacement Price Differential, plus (ii) liquidated damages equal to $0.15 multiplied by ECT's Deficiency Quantity to cover ECT Canada's administrative and operational costs.

II. FINDING

The application filed by ECT 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 ECT 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. Enron Capital & Trade Resources Corp. (ECT) is authorized to import up to 3.31 billion cubic feet (Bcf) of natural gas per year (9,051 thousand cubic feet (Mcf) per day) from Canada. The term of the authorization is for a period of 10 years commencing November 1, 1998, through October 31, 2008, 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 interconnection of TransCanada PipeLines Limited and National Fuel Gas Supply Corporation near Niagara Falls, New York, or other alternative points on the United States/Canada border. The gas shall be imported subject to the Enfolio Master Firm Purchase/Sale Agreement and Confirmation Letter entered into with Enron Capital & Trade Resources Canada Corp.

(ECT Canada), and signed June 1, 1994, and January 30, 1997, respectively.

B. Within two weeks after deliveries begin, ECT shall provide written notification to the Office of Natural Gas & Petroleum Import and Export Activities 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, ECT 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, ECT must report total monthly volumes in Mcf and the average purchase price of gas in U.S. dollars per MMBtu delivered at the international border, and paid to ECT Canada. Whenever imports have occurred at an entry point other than Niagara Falls, New York, these volumes and prices must be reported separately. The monthly price information shall itemize separately the monthly demand and commodity charges, and, if applicable, any gas inventory charges. In addition to the volume and pricing information, ECT shall identify and report, to the extent possible, the geographical area (by State) served by this gas supply.

D. The reporting requirements required by Ordering Paragraphs B and C of this Order shall filed with the Office of Natural Gas & Petroleum Import and Export Activities, Fossil Energy, Room 3E-042, FE-34, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C., 20585.

E. 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 of the fourth calendar quarter of 1998 (October 1, 1998, through December 31, 1998).

Issued in Washington, D.C. on March 06, 1998.

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John W. Glynn

Manager, Natural Gas Regulations

Office of Natural Gas & Petroleum

Import and Export Activities

Office of Fossil Energy

1. 1/ 15 U.S.C. § 717b.