

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

ENRON CAPITAL & TRADE RESOURCES CORP.

FE DOCKET NO. 98-40-NG

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

DOE/FE ORDER NO. 1406

AUGUST 18, 1998

I. DESCRIPTION OF REQUEST

On June 11, 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 approximately 30,390 Mcf per day of natural gas, plus fuel gas, from Canada. ECT, a Delaware corporation with its principal place of business in Houston, Texas, is a wholly-owned subsidiary of Enron Corp. ECT plans to purchase the imported natural gas from Enron Capital & Trade Resources Canada Corp. (ECT Canada) for delivery at the United States and Canadian border near Noyes, Minnesota (Emerson, Manitoba), pursuant to the terms of an agreement (the "Enfolio Master Firm Purchase/Sale Agreement") dated June 1, 1994. The import arrangement proposed by this application is subject to the Master Agreement and four Confirmation Letters between ECT and ECT Canada dated March 27 and 29, 1996, and August 29, 1997.

The natural gas to be imported would be produced in the Province of Alberta and supplied by a pool of four producers comprised of Beau Canada (5,000 Mcf per day), Pinnacle Resources Ltd. (5,000 Mcf per day), Canadian Natural Resources (15,000 Mcf per day), and Crestar Energy Inc. (5,390 MMBtu per day). The requested authorization is for a ten-year term commencing November 1, 1998, through October 31, 2008, or for ten years after the commencement of deliveries if deliveries begin after November 1, 1998.

ECT intends to use the requested volumes to enhance its overall corporate supply portfolio for delivery to markets in the midwestern United States. The imported natural gas will be transported on NOVA Gas Transmission Ltd. to TransCanada PipeLines Limited for delivery to Great Lakes Gas Transmission Company (Great Lakes). The natural gas will be delivered by Great Lakes to a point near St. Clair, Michigan, for delivery to ECT's midwestern customers. The Confirmation Letters dated March 27 and 29, 1996, and August 29, 1997, filed with this application state that the contract price for each delivery month, except for the fuel gas, shall be a price in U.S. dollars per MMBtu equal to the "St. Clair Index" minus transportation charges and other fees/expenses. Gas Daily publishes the "St. Clair Index" in its first issue of each month in the table entitled "Monthly Contract Index", in the column "Index" and the row for "Michigan Michcon, Large".

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 approximately 30,390 Mcf per day of natural gas, plus fuel gas, from Canada. The authorization is for a ten year term commencing November 1, 1998, through October 31, 2008, or for ten years after the commencement of deliveries if deliveries begin after November 1, 1998. This natural gas shall be imported in accordance with the "Enfolio Master Firm Purchase/Sale Agreement" between ECT and Enron Capital & Trade Resources Canada Corp., and related Confirmation Letters submitted as part of the application.

B. This natural gas may be imported from Canada near Noyes, Minnesota (Emerson, Manitoba), or at alternative border points with transportation facilities accessible by ECT.

C. 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.

D. With respect to the natural gas imports authorized by this Order, ECT shall file, 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 Noyes, Minnesota, ECT must identify the point of entry and report separately these volumes and prices. The monthly price information shall itemize separately the monthly demand and commodity charges, and, if applicable, any gas deficiency default charges. In addition to the volume and pricing information, ECT shall provide a volumetric breakdown of the geographic markets (by State) served by this gas supply.

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

F. The notification and report required by Ordering Paragraphs C and D of this Order shall be 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.

Issued in Washington, D.C. on August 18, 1998.

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.