UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

ENRON CAPITAL & TRADE RESOURCES CORP.	)	FE DOCKET NO. 99-19-NG

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

DOE/FE ORDER NO. 1470

MARCH 18, 1999

I. DESCRIPTION OF REQUEST

On March 4, 1999, 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, for authorization to import from Canada up to 20,000 Mcf of natural gas per day (up to approximately 7.3 Bcf annually). The term of the authorization would begin November 1, 1999, or when deliveries commence, whichever occurs later, and terminate 10 years following the commencement date. ECT, a Delaware corporation with its principal place of business in Houston, Texas, is a wholly owned subsidiary of Enron Corp. It is the parent corporation of Enron Capital & Trade Resources Canada Corp. (ECT Canada) and one of the largest buyers and sellers of natural gas in North America. ECT will purchase the gas from ECT Canada and use the imported volumes to enhance ECT's overall corporate supply portfolio.

The gas to be imported would be produced in Alberta, and transported in Canada to U.S. markets through Nova Gas Transmission Ltd (NOVA) and TransCanada PipeLines Limited (TCPL). It would enter the United States at the international border near St. Clair, Michigan/St. Clair, Ontario, where the pipeline facilities of TCPL and Great Lakes Gas Transmission Company (Great Lakes) interconnect. ECT would purchase the gas from ECT Canada on the Canadian side of the border and Great Lakes will provide transportation to one of three U.S. delivery points: (1) Belle River Mills, Michigan;[2/] (2) Capac, Michigan;[3/] or (3) Farwell, Michigan.[4/] However,

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1/ 15 U.S.C. § 717b.

2/ At the interconnection of the pipeline facilities of Great Lakes and Michigan Consolidated Gas Company.

3/ A point on the Great Lakes' pipeline system.

4/ At the interconnection of the pipeline facilities of Great Lakes and ANR Pipeline Company.

ECT may wish to bring these volumes into the United States at other points along the U.S.-Canada border from time to time. To retain flexibility, ECT requests that the import authorization not be restricted to a single point of importation. The requested authorization will not require the construction of new pipeline facilities.

ECT will buy the gas from ECT Canada under the terms of an Enfolio Master 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 February 27, 1998, and supplemented August 31, 1998. To acquire this gas, ECT Canada entered into a purchase agreement with a Canadian producer, PanCanadian Petroleum Limited, under a Master Firm Gas Purchase/Sale Agreement, with a Confirmation Letter dated February 27, 1998, and supplemented August 31, 1998.

The price ECT will pay ECT Canada each month is equal to the price for the applicable delivery month published in the first issue by *Gas Daily*, in the table entitled "Monthly Contract Index," in the column for "Index," in the row for "Michigan MichCon, large," *minus* the Great Lakes tariff.[5/] ECT will also pay a deficiency charge if it fails to schedule the prescribed minimum daily quantity or daily contract quantity.

II. FINDING

The application filed by ECT 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

5/ The Great Lakes tariff only applies to deliveries from St.Clair, Michigan/St. Clair, Ontario, to Belle River Mills, Michigan.

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 20,000 Mcf of natural gas per day from Canada in accordance with the "Enfolio Master Firm Purchase/Sale Agreement" between ECT and Enron Capital & Trade Resources Canada Corp., dated June 1, 1994, which was confirmed by a letter agreement dated February 27, 1998, and supplemented August 31, 1998. This natural gas may be imported from Canada near St. Clair, Michigan (St. Clair, Ontario), or at alternative international border points with transportation facilities accessible by ECT.

B. The term of this authorization begins November 1, 1999, or when deliveries commence, whichever occurs later, and terminates 10 years following the commencement date.

C. Within two weeks after deliveries begin, ECT shall provide written notification to the Office of Natural Gas & Petroleum Import & 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 with the Office of Natural Gas & Petroleum Import & 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 of natural gas 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 per MMBtu delivered at the international border. Whenever imports have occurred at an entry point other than St. Clair, Michigan/St. Clair, Ontario, these volumes and prices must be reported separately. In addition, ECT shall provide to the extent possible, a breakdown of the import volume showing the amount sold in each state to each of its customers.

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

F. The first quarterly report required by Ordering Paragraph D of this Order is due not later than January 30, 2000, and should cover the period from November 1, 1999, until the end of the fourth calendar quarter, December 31, 1999.

Issued in Washington, D.C., on March 18, 1999.

John W. Glynn
Manager, Natural Gas Regulation
Office of Natural Gas & Petroleum
Import & Export Activities
Office of Fossil Energy