

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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COASTAL GAS MARKETING COMPANY )  
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FE DOCKET NO. 95-104-NG

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

DOE/FE ORDER NO. 1128

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DECEMBER 14, 1995  
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I. DESCRIPTION OF REQUEST

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On November 1, 1995, Coastal Gas Marketing Company (CGM) filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA)<sup>1/</sup> and DOE Delegation Order Nos. 0204-111 and 0204-127, for authorization to import up to 10 MMcf per day of Canadian natural gas for a period of ten years and seven months commencing on April 1, 1996. CGM, a Delaware corporation with its principal place of business in Houston, Texas, intends to purchase the imported natural gas from Morgan Hydrocarbons Inc. (Morgan) pursuant to the terms of letter agreements, dated October 14, 1994,<sup>2/</sup> and (as amended) August 21, 1995 (Letter Agreement). The Letter Agreement between CGM and Morgan provides for a netback pricing arrangement under which CGM pays Morgan a price based on average revenues minus transportation charges and other fees/expenses. The imported natural gas will become part of CGM's supply portfolio to serve CGM's markets in the U.S. Northeast. These markets consist principally of local distribution companies, electric generation companies, and industrial end-users. In addition, CGM anticipates using the imported gas, via displacement, to satisfy some of its supply obligations to its Eagle point refinery in Westville, New Jersey.

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1/ 15 U.S.C. 717b.

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2/ CGM and Morgan have agreed in this letter agreement to negotiate in good faith to replace the letter agreement with a formal contract.

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The gas to be imported will be produced in the Province of Alberta, Canada, and transported by the NOVA Gas Transmission Ltd. (NOVA) pipeline system to Empress, Alberta, where NOVA interconnects with TransCanada PipeLines Limited (TCPL). TCPL will transport the gas to Iroquois Gas Transmission System (Iroquois). Iroquois will deliver the gas to CGM at South Comack, New York, or at some other pipeline interconnection which would allow CGM to reach its U.S. Northeast markets.

II. FINDING \_\_\_\_\_

The application filed by CGM 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 CGM 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

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Pursuant to section 3 of the Natural Gas Act, it is ordered that:

- A. Coastal Gas Marketing Company (CGM) is authorized to

import up to 10 MMcf per day of Canadian natural gas for a period

of ten years and seven months, beginning on April 1, 1996, under the terms and conditions of the letter agreements dated October 14, 1994, and August 21, 1995, with Morgan Hydrocarbons Inc. This natural gas may be imported at Waddington, New York, or at alternative border points with transportation facilities accessible by CGM.

B. CGM shall file with the Office of Fuels Programs all executed natural gas supply contracts pertaining to the natural gas to be imported within 30 days of their execution.

C. Within two weeks after deliveries begin, CGM shall provide written notification to the Office of Fuels Programs (OFP), Fossil Energy, Room 3F-056, FE-50, 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 occurred.

D. With respect to the natural gas imports authorized by this Order, CGM shall file with OFP, 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, CGM must report total monthly volumes in Mcf and the average purchase price of gas per MMBtu delivered at the international border and paid to Morgan Hydrocarbons Inc. Whenever imports have occurred at an entry point other than Waddington, New York, 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, CGM 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 July 30, 1996, and should cover the period from April 1, 1996, until the end of the second calendar quarter, June 30, 1996.

Issued in Washington, D.C. on December 14, 1995.

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Anthony J. Como  
Director  
Office of Coal & Electricity  
Office of Fuels Programs  
Office of Fossil Energy