UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

AG-ENERGY, L.P.	)	FE DOCKET NO. 92-22-NG

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

DOE/FE ORDER 744

DECEMBER 3, 1992

I. BACKGROUND

On February 18, 1992, AG-ENERGY, L.P. (AG-ENERGY) filed an application with the Office of Fossil Energy (FE) of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA)[1], requesting authorization to import from Canada up to 17,500 Mcf of natural gas per day and a total of up to 95.8 Bcf, over a maximum term of sixteen years and two months beginning on or about September 1, 1993, and ending no later than October 31, 2009.[2] AG-ENERGY is a limited partnership comprised of AG-ENERGY, Inc., a New York corporation headquartered in New York City, and Energy Factors, Inc., a Delaware corporation headquartered in San Diego, California. The imported gas would be consumed in a 79-megawatt cogeneration facility to be constructed by AG-ENERGY at the New York State Psychiatric (NYSP) Center in Ogdensburg, New York. AG-ENERGY will sell electricity to Niagara Mohawk Power Corporation and steam to NYSP.

AG-ENERGY would import the gas at the existing interconnection between the pipeline systems of Iroquois Gas Transmission System (IGTS) and TransCanada PipeLines Limited on the U.S.- Canada border near Iroquois, Ontario and Waddington, New York. The gas would be delivered through IGTS to Lisbon, New York, and transferred to a new 12-mile pipeline to be built and operated by St. Lawrence Gas Company between IGTS and the

1 15 U.S.C. 717b.

2 The application also contained a request for a two-year blanket import authorization which was later withdrawn in an amendment filed by AG-ENERGY on April 12, 1992.

cogeneration plant. The imports will commence with commercial operation of the cogeneration facility, expected to be around September 1, 1993.

AG-ENERGY will purchase the gas under the terms of a sales agreement dated October 14, 1991, with Home Oil Company Limited. The agreement provides for firm deliveries of a maximum daily quantity (MDQ) of 16,500 Mcf, plus the fuel gas requirements for the pipeline transportation of the natural gas to AG-ENERGY's cogeneration facility. The contract extends for fifteen years from the date of the first firm delivery when that delivery occurs on November 1, 1993, or for sixteen years when the first firm delivery occurs on a day other than November 1. Although firm deliveries cannot commence before November 1, 1993, AG-ENERGY can receive up to the MDQ of gas for start-up or testing beginning as early as June 1, 1993, and continuing up to the commencement of firm deliveries. With respect to the price for the gas, AG-ENERGY will pay a commodity charge of $1.547 (U.S) per MMBtu in the contract year November 1, 1993, to October 31, 1994, gradually escalating each year thereafter by steadily higher percentages (up to 7.5 percent) to $4.162 (U.S.) per MMBtu in the contract year November 1, 2008, to October 31, 2009. AG-ENERGY will also pay an upstream transportation charge and if it takes less than 80 percent of the MDQ averaged over a six-month period, a reservation charge equal to $0.21 (U.S.) times the deficit amount. The reservation charge is subject to a 4 percent annual adjustment.

A notice of the application was published in the Federal Register on May 1, 1992, inviting protests, motions to intervene, notices of intervention and comments to be filed by June 1, 1992.3 No comments or motions to intervene were received.

II. FINDING

The application filed by AG-ENERGY 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 (P.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 AG-ENERGY to import natural gas from Canada, a nation with which a free trade agreement is in effect, meets the section 3(c) criterion and is therefore consistent with the public interest.

ORDER

For the reasons set forth above, under section 3 of the Natural Gas Act, it is ordered that:

A. AG-ENERGY, L.P. (AG-ENERGY) is authorized to import near Iroquois, Ontario/Waddington, New York, up to 17,500 Mcf per day of Canadian natural gas in accordance with the provisions of its gas purchase agreement with Home Oil Company Limited (Home Oil) dated October 14, 1991, filed in this proceeding. The term of

3 57 FR 18871.

the authorization shall be for a period of fifteen years and two months beginning on or about September 1, 1993, and ending October 31, 2008, unless firm deliveries commence after November 1, 1993, in which case the term will end October 31, 2009.

B. Within two weeks after deliveries begin, AG-ENERGY shall notify the Office of Fuels Programs, Fossil Energy, Room 3F-056, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, in writing of the date that the first import delivery of natural gas authorized in Ordering Paragraph A above occurred.

C. With respect to the natural gas imports authorized by this Order, AG-ENERGY shall file with the Office of Fuels Programs (OFP), within 30 days following each calendar quarter, quarterly reports indicating whether imports of natural gas have been made. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports occur, AG-ENERGY must report total monthly volumes in Mcf and the average purchase price per MMBtu (in U.S. dollars) delivered at the international border. The reports shall itemize separately, on a per-unit basis, the commodity and upstream transportation charges and any reservation charge that AG-ENERGY pays. Furthermore, AG-ENERGY shall notify OFP if the contract with Home Oil is terminated before October 31, 2009.

D. The first quarterly report required by Ordering Paragraph C of this Order is due not later than 30 days after the calendar quarter in which exports and imports first occur under this authorization.

Issued in Washington, D.C., on December 3, 1992.

James G. Randolph
Assistant Secretary for Fossil Energy