UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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KAMINE/BESICORP NATURAL DAM L.P.) FE DOCKET NO. 92-04-NG
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ORDER GRANTING LONG-TERM AUTHORIZATION
TO IMPORT NATURAL GAS FROM CANADA

DOE/FE ORDER NO. 754

DECEMBER 17, 1992

I. DESCRIPTION OF REQUEST

On January 17, 1992, as supplemented on February 25, and March 4, 1992, Kamine/Besicorp Natural Dam L.P. (Kamine/Besicorp) 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/ requesting authorization to import from Canada up to 12,500 Mcf of natural gas per day, and up to a total of 114.1 Bcf, over a 15-year term. The imported gas would be used to fuel a new 58-megawatt (MW) combined-cycle cogeneration facility Kamine/Besicorp is currently constructing on land leased from James River Paper Company Inc. (JRP), at JRP's paper mill near Gouverneur, New York.2/ The 15-year authorization term will commence at the time of the first import delivery or June 1993, whichever is earlier. Kamine/Besicorp will sell the electrical output from the facility to Niagara Mohawk Power Company (Niagara Mohawk) and the steam to JRP's paper mill.

Kamine/Besicorp is a Delaware limited partnership whose general partners are Beta Natural Dam Inc. (Beta) and Kamine Natural Dam Cogen Co., Inc. (Kamine). Kamine, a New Jersey corporation, is an affiliate of Kamine Development Corporation (KDC) with its principal place of business in Union, New Jersey. Beta is a subsidiary of Besicorp Group Inc. (Besicorp), a New York corporation with its principal place of business in

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

2/ The cogeneration facility was certified by the Federal Energy Regulatory Commission on August 29, 1991, to operate as a "qualifying facility" under section 201 of the Public Utility Regulatory Policies Act of 1978.

Kingston, New York. KDC and Besicorp (or their affiliates), individually and jointly, are energy project developers and have been owners and operators of natural gas congeneration facilities since 1985.

Kamine/Besicorp will purchase the natural gas supplies from North Canadian Marketing, Inc. (NCM) under a gas purchase agreement dated July 30, 1991, as amended November 29, 1991. The contract calls for Kamine/Besicorp to purchase a maximum daily quantity (MDQ) of 10,200 Mcf for the period of November 1, 1993, through November 1, 2008, at a base price of $1.56 (U.S.) per Mcf (1993-1995), increasing gradually to $5.54 (U.S.) per Mcf in the final contract year. This volume will support the first 48 MW's of electrical production. The contract also provides for the purchase of an incremental quantity of up to 1,800 Mcf per day to support production of an additional supplementary 9 MW of electricity. For the incremental quantities, the price would be $1.22 (U.S.) per MMBtu in 1993 and thereafter would be indexed to reflect Niagara Mohawk's short-run avoided energy costs. If Kamine/Besicorp takes less than 80 percent of the MDQ times the number of days in the month, it must pay a gas inventory charge equal to $0.40 (U.S.) per Mcf (subject to an annual percentage increase) times the short fall.

The gas would enter the United States at the international border near Waddington, New York, and would be transported by Iroquois Gas Transmission System, L.P. (Iroquois) to an interconnection with the pipeline facilities of St. Lawrence Gas

Company, Inc. (St. Lawrence). St. Lawrence will transport the gas over approximately 12 miles of new pipeline connecting the cogeneration facility to the Iroquois system. NCM has made arrangements for transportation by NOVA Corporation of Alberta, TransGas, and West Coast Gas which would deliver the gas to various interconnections of their systems with TransCanada Pipelines Limited (TCPL) in Saskatchewan and Alberta. Kamine/Besicorp would pay TCPL for transportation from these delivery points to the Iroquois system at Waddington, New York.

A notice of the application was published in the Federal Register on June 19, 1992, inviting protests, motions to intervene, notices of intervention and comments to be filed by July 20, 1992.3/ No comments or motions to intervene were received.

II. FINDING

The application filed by Kamine/Besicorp 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. No. 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 Kamine/Besicorp to import natural gas from Canada, a nation

3/ 57 FR 27457.

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. Kamine/Besicorp Natural Dam L.P. (Kamine/Besicorp) is authorized to import near Iroquois, Ontario/Waddington, New York, up to 12,500 Mcf of Canadian natural gas per day, and up to a total of 114.1 Bcf, under the provisions of its gas purchase contract with North Canadian Marketing Inc. dated July 30, 1991, as amended, which was filed in this proceeding. The term of the authorization shall be for 15 years beginning on the date of first import or June 30, 1993, whichever is earlier.

B. Within two weeks after deliveries begin, Kamine/Besicorp 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, Kamine/Besicorp shall file with the Office of Fuels Programs, 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 have occurred, Kamine/Besicorp must report monthly total volumes in Mcf and the average purchase price per MMBtu delivered to the U.S./Canada border. The reports shall itemize separately the commodity and transportation charges and any gas inventory charges paid on a per unit basis (MMBtu).

D. The first quarterly report required by Ordering Paragraph C of this Order is due not later than 30 days after the end of the quarter in which deliveries begin.

Issued in Washington, D.C., on December 17, 1992.

James G. Randolph
Assistant Secretary for Fossil Energy