UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

ANDROSCOGGIN ENERGY LLC

FE DOCKET NO. 97-94-NG

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

DOE/FE ORDER NO. 1352

JANUARY 14, 1998

I. DESCRIPTION OF REQUEST

On October 30, 1997, Androscoggin Energy LLC (Androscoggin) 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 from Canada an aggregate volume of 160.1 billion cubic feet (Bcf) of natural gas (43,863 thousand cubic feet (Mcf) per day), over ten years from the date of initial deliveries under five gas supply contracts. Initial deliveries are expected to begin no earlier then November 1, 1998, upon completion of construction of related facilities. Androscoggin is a limited liability Delaware corporation with its principal place of business in Northbrook, Illinois.

Androscoggin intends to use the requested volumes to fuel its proposed 150 MW cogeneration facility to be constructed adjacent to International Paper Company's (International Paper) Androscoggin mill near Jay, Maine. The steam and the electricity produced by the cogeneration facility will be sold to International Paper. The applicant states that the electricity produced in excess of International Paper's needs will be sold to the New England Power Pool, or other wholesale purchasers. In addition, any natural gas imported by Androscoggin on any given day that exceeds the fuel requirements of its cogeneration facility, such gas will be sold to third parties.

Androscoggin will take delivery of the gas at various points on the pipeline facilities owned by NOVA Gas Transmission Ltd. (NOVA). NOVA will transport the gas to an interconnection with the pipeline facilities of TransCanada PipeLines Limited (TransCanada) near Empress, Alberta. TransCanada will then transport the gas from Alberta to the United States-Canada border near East Hereford, Quebec and Pittsburg, New Hampshire at an interconnection of certain pipeline facilities proposed to be constructed in Canada by TransQuebec and Maritimes Pipeline, Inc., an affiliate of TransCanada, and proposed to be constructed in the United States by Portland Natural Gas Transmission System Limited (PNGTS). From the United States-Canada border, PNGTS will deliver the gas to Androscoggin.

Androscoggin submitted with its application five supply contracts with following gas producers: AltaGas Services Inc. (AltaGas) (executed April 22, 1997); Beau Canada Exploration Ltd. (Beau Canada) (executed January 27, 1997, as amended June 30, 1997); Producers Marketing Ltd. (Producers) (executed February 12, 1997); Renaissance Energy Ltd. (Renaissance) (executed March 11, 1997); and Rio Alto Exploration Ltd. (Rio Alto) (executed May 24, 1997). All but the Renaissance contract contain similar pricing provisions establishing annual commodity prices, subject to adjustment every year in accordance with an established schedule of price increases. The Renaissance gas purchase agreement contains a netback pricing arrangement whereby the monthly price will be determined by using public market price information at the point of import, or alternatively, published price information at the Waddington, N.Y. import point if gas price data is not available at the Pittsburg, N.H. entry point.

II. FINDING

The application filed by Androscoggin 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 Androscoggin 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. Androscoggin Energy LLC (Androscoggin) is authorized to import up to 16.01 billion cubic feet (Bcf) of natural gas per year (43,863 thousand cubic feet (Mcf) per day) from Canada. The term of the authorization is for a period of 10 years commencing November 1, 1998, through October 31, 2008, or for 10 years after the commencement of deliveries if deliveries begin after November 1, 1998. This gas may be imported from Canada at the proposed interconnection of the TransQuebec and Maritimes Pipeline and the Portland Natural Gas Transmission System near Pittsburg, New Hampshire. The gas shall be imported pursuant to the terms and conditions of five gas purchase agreement with AltaGas Services Inc. (executed April 22, 1997); Beau Canada Exploration Ltd. (executed January 27, 1997, as amended June 30, 1997); Producers Marketing Ltd. (executed February 12, 1997); Renaissance Energy Ltd. (executed March 11, 1997); Rio Alto Exploration Ltd. (executed May 24, 1997).

B. Within two weeks after deliveries begin, Androscoggin 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.

C. With respect to the natural gas imports authorized by this Order, Androscoggin shall file with the Office of Natural Gas & Petroleum Import and Export Activities, 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, Androscoggin 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 (Pittsburg, N.H.). The information for a particular month shall list separately the volume and price under each of the gas purchase agreements between Androscoggin and its five Canadian suppliers. The monthly price information shall itemize separately the monthly demand and commodity charges, and, if applicable, any gas inventory charges. For any imported volumes sold to third parties, Androscoggin shall report: (1) the name of the Purchaser(s); (2) the estimated or actual duration of the agreement(s); (3) the name of the U.S. transporter(s); (4) the geographic markets served (by state); and (5) whether sales are being made on an interruptible or firm basis.

D. The reporting requirements required by Ordering Paragraphs B and C of this Order shall filed with the Office of Natural Gas & Petroleum Import and Export Activities, Fossil Energy, Room 3F-056, FE-34, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C., 20585.

E. The first quarterly report required by Ordering Paragraph C of this Order is due not later than January 30, 1999, and should cover the period of the fourth calendar quarter of 1998 (October 1, 1998, through December 31, 1998).

Issued in Washington, D.C. on January 14, 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.