

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

TECHGEN S.A. DE C.V.

)
) FE DOCKET NO. 14-94-NG
)

ORDER GRANTING LONG-TERM AUTHORIZATION
TO EXPORT NATURAL GAS TO MEXICO

DOE/FE ORDER NO. 3521

OCTOBER 10, 2014

I. DESCRIPTION OF REQUEST

On July 15, 2014, Techgen S.A. de C.V. (Techgen) filed an application with the Office of Fossil Energy of the Department of Energy under section 3 of the Natural Gas Act (NGA)¹ for long term authorization to export up to 56.2 billion cubic feet (Bcf) of natural gas per year to Mexico. Techgen requests the authorization be granted for a 20-year term beginning on the earlier of the date of first commercial export or a date three years from the issuance of the Order. Techgen is a Mexican corporation with its principal place of business in San Nicolas de los Garza, Nuevo Leon, Mexico. Techgen states that direct ownership interests in Techgen are held primarily by the following three companies: Tecpower, S.A. (approximately 30 percent), Tenaris Investments Switzerland AG (approximately 22 percent), and Ternium Internacional España S.L. (approximately 48 percent), all part of the Techint Group Companies.²

Techgen intends to develop a natural gas-fired, combined cycle power plant with an output capacity of approximately 900 megawatts (MW) in the Pesquería area of the State of Nuevo León, in Mexico. Techgen states that it has obtained a permit from the Mexican Comisión Reguladora de Energía in accordance with Mexico's Electrical Energy Public Service Law and Regulations. According to Techgen, this permit allows Techgen to generate electrical power under the self-supply modality which, in turn, allows it to generate power for purposes of satisfying the electrical power needs of its shareholders. Techgen states that construction for the project began in March 2014, with testing scheduled to occur between September 2015 and September 2016. Citing DOE/FE precedent, Techgen requests that the first commercial export

¹ The authority to regulate the imports and exports of natural gas, including liquefied natural gas, under section 3 of the NGA (15 U.S.C. § 717b) has been delegated to the Assistant Secretary for FE in Redlegation Order No. 00-002.04F issued on July 11, 2013.

² Techgen provides more detail about these shareholders and their affiliates in its Application at 3-4.

begin after commissioning and testing of the power plant is completed (Commissioning Period). The planned in-service date for the power plant is September 2016.

Techgen states that it plans to execute long-term power supply agreements with two of its shareholders: Tenaris Investments Switzerland AG and Ternium Internacional España S.L. According to Techgen, it plans to supply the power plant with U.S.-sourced natural gas throughout the 20-year term of these power supply agreements (although it does not intend to enter into any long-term supply agreement that would remain in force for the duration of the 20-year term). Under the anticipated power supply agreements, Techgen would commit to provide approximately 900 MW and ancillary services over a 20-year period to the manufacturing facilities of those shareholders.

Techgen further states that it is in the process of negotiating supply agreements of various durations with natural gas producers in the Eagle Ford shale play and other production areas in Texas for a significant part of the project's fuel needs. Techgen may also supply a substantial part of the project fuel through short-term agreements and spot market purchases. Techgen states that maintaining the flexibility to acquire natural gas from multiple producers on different terms will allow it to access a diversity of gas supplies, thus helping to ensure the long-term viability of the project. In addition, Techgen states that it will acquire specific volumes of natural gas for testing of the power plant.

Techgen states that it has not yet entered into any long-term natural gas supply agreements with producers or marketers. Techgen further states that it will file with DOE/FE, under seal, all executed long-term supply agreements associated with the export of natural gas under this authorization, within 30 days of execution.

Lastly, Techgen states that it has entered into a 20-year transportation services agreement with Kinder Morgan Pipeline LLC, Kinder Morgan Tejas Pipeline LLC, and, as amended, Kinder Morgan Border Pipeline LLC (together, KM Texas) for firm capacity on their pipeline systems. This agreement will allow Techgen to transport up to 150,000 MMBtu per day of natural gas from production areas in Texas and across the U.S.-Mexico border at a single export point approximately 4 miles south of the town of Salineño, in Starr County, Texas. Techgen states that, during the Commissioning Period, Techgen will transport natural gas on the same pipeline facilities pursuant to short-term firm transportation service agreements.

II. FINDING

The application has been evaluated to determine if the proposed import and/or export 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 and export of natural gas, including liquefied natural gas (LNG), from and to a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas and the import of LNG from other international sources are deemed to be consistent with the public interest, and applications for such imports or exports must be granted without modification or delay. The authorization sought by Techgen to export natural gas to Mexico, 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 NGA, it is ordered that:

A. Techgen is authorized to export up to 56.2 Bcf of natural gas per year to Mexico. The term of this authorization shall be effective for 20 years beginning on the earlier of the date of

first commercial export or a date three years from the date of the Order (October 10, 2017), pursuant to the 20-year transportation services agreement with KM Texas.

B. This natural gas may be exported at the point on the U.S.-Mexico border near Salineño, Starr County, Texas.

C. Within two weeks after the first commercial export of natural gas occurs, Techgen shall provide written notification of the date that the first commercial export of natural gas authorized in Order Paragraph A above occurred. Techgen shall also provide the Office of Oil and Gas Global Security and Supply with copies of all contracts entered into with natural gas suppliers.

D. **Monthly Reports:** With respect to the natural gas exports authorized by this Order, Techgen shall file with the Office of Oil and Gas Global Security and Supply, within 30 days following the last day of each calendar month, a report indicating whether exports of natural gas have been made. Monthly reports must be filed whether or not initial deliveries have begun. If no exports of natural gas have been made, a report of “no activity” for that month must be filed. If exports of natural gas have occurred, the report must give the following details: (1) the country of destination; (2) the point of exit (3) the volume in thousand cubic feet (Mcf); (4) the average purchase price of gas per million British thermal units (MMBtu) at the international border; (5) the name of the supplier(s); (6) the name of the U.S. transporter(s); and (7) the estimated or actual duration of the supply agreement(s).

(Approved by the Office of Management and Budget under OMB Control No. 1901-0294)

E. The first monthly report required by this Order is due not later than 30 days after the first commercial export transaction, and should cover the reporting period from the date of the first commercial export transaction through the last day of that month.

F. All monthly report filings shall be made to U.S. Department of Energy (FE-34), Office of Fossil, Office of Oil and Gas Global Security and Supply, P.O. Box 44375, Washington, D.C. 20026-4375, Attention: Natural Gas Reports. Alternatively, reports may be e-mailed to ngreports@hq.doe.gov, or may be faxed to Natural Gas Reports at (202) 586-6050.

Issued in Washington, D.C., on October 10, 2014.

A handwritten signature in black ink, appearing to read "John A. Anderson", written over a horizontal line.

John A. Anderson
Director, Division of Natural Gas Regulatory Activities
Office of Oil and Gas Global Security and Supply
Office of Oil and Natural Gas