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**Submitted electronically to [fergas@hq.doe.gov](mailto:fergas@hq.doe.gov)**

April 26, 2016

Mr. John Anderson  
U.S. Department of Energy  
Office of Fossil Energy  
Docket Room 3F-056, FE-50  
Forrestal Building  
1000 Independence Avenue, SW  
Washington, D.C. 20585

**RE: *Iberdrola Energiá Monterrey S.A. de C.V.*,  
FE Docket No. 16 - 55 - NG  
Application for Long-Term Authorization to Export Natural Gas by Pipeline to  
Mexico**

Dear Mr. Anderson,

Pursuant to Section 3 of the Natural Gas Act, 15 U.S.C. § 717b, and Part 590 of the regulations of the Department of Energy, 10 C.F.R. Part 590 (2015), Iberdrola Energiá Monterrey S.A. de C.V. (“IEM”) hereby submits an application for long-term authorization to export up to 20 Bcf per year of natural gas by pipeline to Mexico (“Application”). IEM is submitting this Application both electronically and in hardcopy. The hardcopy submission will include the Application and its appendices – including copies of confidential agreements submitted under seal – and a check in the amount of \$50.00 made payable to the Treasurer of the United States.

In Appendix C, IEM is providing copies of the confidential agreements referenced in its Application. Due to the sensitive commercial information contained within these agreements, IEM is submitting them on a confidential basis, under seal, pursuant to 10 C.F.R. § 590.202(e). These agreements and the information they contain should be afforded confidential treatment and exempted from public disclosure because they (1) have been held in confidence by the counterparties, (2) are of a type customarily held in confidence, (3) are being transmitted to DOE/FE in confidence, (4) are not publicly available, and, (5) if disclosed, may cause substantial harm to the competitive positions of the parties to the agreement. *See* 10 C.F.R. § 590.1004.11(f).

Please do not hesitate to contact the undersigned should you have any questions about this application.

Respectfully Submitted,

\_\_\_\_\_/s/\_\_\_\_\_  
\_\_\_\_\_

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**UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY**

**In the Matter of:**

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**Iberdrola Energía Monterrey S.A. de C.V.**

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**Docket No. 16- 55-NG**

**APPLICATION OF IBERDROLA ENERGÍA MONTERREY S.A. DE C.V.  
FOR LONG-TERM AUTHORIZATION TO  
EXPORT NATURAL GAS BY PIPELINE TO MEXICO**

Pursuant to Section 3 of the Natural Gas Act (“NGA”), as amended by Section 201 of the Energy Policy Act of 1992,<sup>1</sup> and Part 590 of the regulations of the Department of Energy (“DOE”),<sup>2</sup> Iberdrola Energía Monterrey S.A. de C.V. (“IEM”) hereby submits this Application (“Application”) to the DOE Office of Fossil Energy (“DOE/FE”) for long-term authorization to export to Mexico up to 55,000 million British Thermal Units (“MMBtu”) per day of natural gas for a 20-year term to commence on August 1, 2016. Any such exports will be performed under long-term transportation and supply agreements that are described in greater detail below.

Inasmuch as applications such as this one, which requests export authorization to Mexico, a country with which the United States has a free trade agreement (“FTA”), are reviewed pursuant to the standards established by the Energy Policy Act of 1992, IEM understands that section 3(c) of the NGA, as amended by § 201 of the Energy Policy Act of 1992, established a statutory presumption that exports to such FTA countries must be authorized. Such imports and exports are “deemed to be within the public interest,” and applications for such exportation “shall be granted without modification or delay.”<sup>3</sup>

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<sup>1</sup> 15 U.S.C. § 717b (2012).

<sup>2</sup> 10 C.F.R. § 590 (2016).

<sup>3</sup> 15 U.S.C. § 717b(c). (“For purposes of [15 U.S.C. § 717b(a)] of this section. . . the exportation of natural gas to a nation with which there is in effect a free trade agreement requiring national treatment for

In support of this Application, IEM respectfully states as follows:

**I.**

**DESCRIPTION OF APPLICANT**

The exact legal name of the applicant is Iberdrola Energía Monterrey, S.A. de C.V. IEM is a *sociedad anónima de capital variable*,<sup>4</sup> which is organized under the laws of Mexico. IEM develops, constructs, owns and operates electric generation facilities, and has its principal place of business at Boulevard Manuel Ávila Camacho 24, Lomas de Chapultepec, CP 11000, N.L., Mexico. IEM is a subsidiary of Iberdrola Generación Mexico, S.A. de C.V.

**II.**

**COMMUNICATIONS**

Correspondence and communications regarding this Application should be addressed to the following:

Vanessa A. Colón  
General Counsel  
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Office of General Counsel  
20329 State Highway 249, Suite 500  
Houston, TX 77070  
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**III.**

**DESCRIPTION OF EXPORT PROPOSAL**

IEM proposes to export to Mexico up to 55,000 MMBtu/day of natural gas for a 20-year term to commence on August 1, 2016.

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trade in natural gas, shall be deemed to be consistent with the public interest, and applications for such importation or exportation shall be granted without modification or delay”).

<sup>4</sup> A *sociedad anónima de capital variable* is similar in corporate form to a privately held stock corporation.

IEM owns and operates the Monterrey 5, a natural gas-fired combined cycle power plant (“Monterrey Facility”) with an output capacity of approximately 338 megawatts (“MW”) located in Pesquería, Nuevo León, Mexico. IEM has entered into a 20-year firm transportation agreement with two different intrastate natural gas pipelines located in Texas, the KM Texas Pipeline (“KM Texas”) and the KM Tejas Pipeline (“KM Tejas”) (collectively, “KM US Pipelines”),<sup>5</sup> as well as a similar agreement with an interconnecting Mexican pipeline, Kinder Morgan Gas Natural de Mexico, S. de R.L. de C.V. (“KM Mexico”).<sup>6</sup> Each of the 20-year transportation services agreements has a service commencement date of August 1, 2016.<sup>7</sup>

Under these arrangements, IEM has the ability to transport up to 55,000 MMBtu per day of natural gas from production areas in Texas and across the U.S.-Mexico border at or near the point at which the KM US Pipelines cross the international border at the Bob West meter station (or at other mutually agreeable delivery points) and connect with KM Mexico’s Mier-Monterrey Pipeline. The gas volumes that are to be shipped on these pipelines will supply fuel to the Monterrey Facility.

IEM, through an October 2015 Fuel Services and Agency Agreement (“Agency Agreement”), has entered into an arrangement with its affiliate, Enstor Energy Services, LLC (“EES”),<sup>8</sup> whereby EES will manage IEM’s U.S. and Mexican pipeline capacity, as well as will

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<sup>5</sup> The KM US Pipelines are intrastate pipelines regulated by the Railroad Commission of Texas, and consist of natural gas transmission pipelines, gathering lines, laterals and related facilities that receive natural gas from producing fields in South Texas, the Gulf Coast area, the Gulf of Mexico and the Permian Basin of West Texas.

<sup>6</sup> The KM Mexico system is regulated by Comisión Reguladora de Energía, and consists of approximately 95 miles of 30” pipeline from the southern end of the KM Texas system in Zapata County, Texas to Monterrey, Mexico with 9 miles of pipeline in the U.S. and 86 miles of pipeline in Mexico.

<sup>7</sup> As currently contemplated, IEM may acquire specific volumes of test gas for the Monterrey Facility (prior to the August 1, 2016 commencement date of the long-term transportation agreements) that will be transported under short-term firm transportation arrangements.

<sup>8</sup> See note 9, *infra*.

perform other services, such as supply procurement, schedule receipt and delivery points in the U.S. and Mexico. EES will also file all U.S. regulatory reports associated with any transaction arising under the Agency Agreement. Under the Agency Agreement, EES will deliver natural gas to meet the fuel supply needs of the Monterrey Facility.

IEM and EES executed a NAESB Base Contract for Sale and Purchase of Natural Gas (“NAESB Contract”) on September 29, 2015 to assist in facilitating the agency relationship between the two parties.<sup>9</sup> Even though the NAESB Contract is a bilateral arrangement in which either party can be a buyer or a seller, EES is expected to be the primary seller so as to fulfill the obligations of the Agency Agreement. While the NAESB Contract itself is the standard form used throughout the industry, IEM and EES have also negotiated Special Provisions to the NAESB Contract (“Special Provisions”) that are intended to supplement and form part of the NAESB Contract.

In accordance with DOE regulations,<sup>10</sup> IEM is filing under seal confidential versions of the following agreements:

1. Intrastate Firm Gas Transportation Agreement between the KM US Pipelines and IEM, dated December 23, 2013 (“KM US TA”);
2. Firm Gas Transportation Agreement between the KM Mexico and IEM, dated December 23, 2013 (“KM Mexico TA”);
3. October 2015 Agency Agreement between IEM and Iberdrola Energy Services, LLC, (“IES”) the predecessor in name to EES; and
4. NAESB Base Contract for Sale and Purchase of Natural Gas Between IEM and IES (with Special Provisions to NAESB Base Contract).

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<sup>9</sup> Both the Agency Agreement and the NAESB Contract were entered into with Iberdrola Energy Services, LLC, the predecessor in name to EES.

<sup>10</sup> DOE’s regulations afford confidential treatment for the filing of documents that contain sensitive commercial information. *See* 10 C.F.R. §§ 590.202(e) and 1004.11.

Brief summaries of these agreements are provided in the public version of Appendix C to this Application.

#### IV.

#### FUEL SOURCE

Natural gas for the project will be produced in the United States and will be exported to the Monterrey Facility pursuant to applicable DOE/FE authorizations. IEM and EES plan to supply the Monterrey Facility with U.S.-sourced natural gas, but neither intends to enter into any long-term natural gas supply agreements other than the existing Fuel Services and Agency Agreement between EES and IEM.<sup>11</sup> IEM and EES have in place, and are in the process of negotiating, additional supply agreements of various durations with natural gas producers in the South Texas, the Gulf Coast area, the Gulf of Mexico and the Permian Basin of West Texas, in addition to other production areas in Texas, for a significant part of the Monterrey Facility's fuel needs. Consistent with other recent export authorization applicants,<sup>12</sup> IEM and EES may also supply a substantial part of the fuel through short-term agreements and spot market purchases. Maintaining this flexibility to acquire natural gas from multiple producers on different terms will allow IEM to access a diversity of gas supplies on favorable economic terms.

Consistent with DOE's regulations at 10 C.F.R. §§ 590.202(e) and 1004.11, IEM is filing confidential versions of the KM US and KM Mexico TAs and the Agency Agreement under seal due to the sensitive commercial terms contained in those agreements.

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<sup>11</sup> In the event that either entity enters into any long-term gas supply agreements, consistent with DOE/FE policy, IEM and EES agree to file them under seal within 30 days of execution.

<sup>12</sup> See, e.g., *Freeport LNG Expansion, LP*, DOE/FE Docket No. 10-161-LNG, Order No. 3282 at 11 (May 17, 2013) (noting that while "some of the proposed export supply may be secured through long-term contracts, [the applicant] expects to draw large volumes of natural gas for itself and for its LTA customers from the spot market"); *Sabine Pass Liquefaction, LLC*, DOE/FE Docket No. 13-42-LNG, Order No. 3307 at 5 (Jul. 12, 2013) (observing that the applicant could either source its supply from the spot market or under long-term arrangements).

## V.

### REQUESTED AUTHORIZATION

IEM requests long-term authorization to export to Mexico up to 20 Bcf per year of natural gas for a 20-year term commencing on August 1, 2016. The requested volume of 20 Bcf per year of natural gas is derived from the calculated volume of fuel required to operate the output capacity of 338 MW, or 55,000 MMBtu per day. A 20-year term for the export authorization is expected to run concurrently with the proposed KM US and Mexico transportation agreements. While a long-term authorization need not be limited by the terms of associated long-term agreements,<sup>13</sup> the 20-year authorization term requested here is fully consistent with IEM's 20-year firm transportation service agreements.

## VI.

### PUBLIC INTEREST STANDARD

The requested long-term authorization to export natural gas to Mexico is consistent with the public interest. As noted above, this Application is submitted pursuant to Section 3(c) of the NGA, under which DOE/FE is required to authorize imports/exports unless it makes an affirmative finding that such imports/exports "will not be consistent with the public interest."<sup>14</sup> Section 3 thus creates a statutory presumption in favor of the approval of this export Application. Any opposition to this Application would bear the burden of overcoming that presumption. This Application is also being submitted pursuant to the standard established by the Energy Policy Act of 1992, under which applications for export to FTA countries are deemed to be in the public

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<sup>13</sup> See *SB Power Solutions Inc.*, DOE/FE Docket No. 12-50-LNG, Order No. 3105 (Jun. 15, 2012) (granting 25-year authorization without coextensive long-term agreements).

<sup>14</sup> 15 U.S.C. § 717b(a).



interest, and must be granted without modification or delay.<sup>15</sup> The United States has in effect an FTA with Mexico requiring national treatment for trade in natural gas. Therefore, exports to Mexico, as proposed in this long-term Application, are deemed consistent with the public interest.<sup>16</sup>

## VII.

### ENVIRONMENTAL IMPACT

Granting the long-term authorization will have limited environmental impacts. The natural gas supplying IEM's Monterrey Facility will be transported within the United States, across the U.S.-Mexican border, and within Mexico over existing pipeline facilities operated by KM US and KM Mexico. No major facility modifications or additions will be required in order for IEM to export natural gas from the United States. Approval of this Application therefore does not constitute a federal action significantly affecting the human environment within the meaning of the National Environmental Policy Act.<sup>17</sup>

## VIII.

### APPENDICES

The following appendices are submitted as part of this Application:

**Appendix A:** Verification

**Appendix B:** Opinion of Counsel

**Appendix C:** Confidential Versions of KM US and KM Mexico TAs, Agency Agreement and NAESB Contract  
(*Filed under seal pursuant to 10 C.F.R. § 590.202(e)*)

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<sup>15</sup> 15 U.S.C. § 717b(c).

<sup>16</sup> See *Energia Chichuahua, S.A. de C.V.*, DOE/FE Docket No. 13-120-NG, Order No. 3348 at 3 (Oct. 24, 2013) (finding authorization request “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”).

<sup>17</sup> 42 U.S.C. § 4231, *et seq.*; Categorical Exclusion B5.7, 10 C.F.R. Part 1021, Subpart D, Appendix B.



**In the Matter of:**

**Iberdrola Energía Monterrey S.A. DE C.V.        )**

**Docket No. 16- 55-NG**

**APPLICATION OF IBERDROLA ENERGÍA MONTERREY S.A. DE C.V.  
FOR LONG-TERM AUTHORIZATION TO EXPORT NATURAL GAS BY  
PIPELINE TO MEXICO**

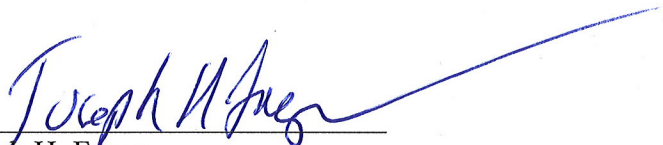
**APPENDIX A**

**VERIFICATION**

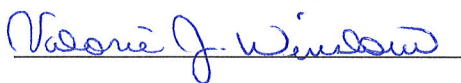
**APPENDIX A**  
**VERIFICATION**

District of Columbia

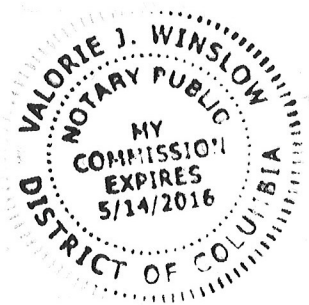
I, Joseph H. Fagan, being duly sworn on his oath, do hereby affirm that I am Counsel to Iberdrola Energía Monterrey S.A. de C.V.; that I am familiar with the contents of this Application; and that the matters set forth therein are true and correct to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
Joseph H. Fagan

Sworn to and subscribed before me, a Notary Public, in and for the District of Columbia,  
this 26th day of April, 2016.

  
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\_\_\_\_\_, Notary Public



**In the Matter of:**

**Iberdrola Energía Monterrey S.A. DE C.V.        )**

**Docket No. 16- 55-NG**

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**APPENDIX B**

**OPINION OF COUNSEL**



IBERDROLA

## Opinion of Counsel

This opinion is submitted pursuant to C.F.R. 590.202 (c) of the Department of Energy administrative procedures. The undersigned is counsel to Iberdrola Energía Monterrey, S.A. de C.V.

I have reviewed the corporate documents and it is my opinion that the proposed import/export of natural gas is/are within the company's corporate powers.

Respectfully submitted,

Rodolfo Rueda Ballesteros

Senior Counsel

**In the Matter of:**

**Iberdrola Energía Monterrey S.A. DE C.V.        )**

**Docket No. 16- 55-NG**

**APPLICATION OF IBERDROLA ENERGÍA MONTERREY S.A. DE C.V. FOR LONG-  
TERM AUTHORIZATION TO EXPORT NATURAL GAS BY PIPELINE TO MEXICO**

**APPENDIX C**

**PUBLIC SUMMARY OF KM US AND KM MEXICO TAS, AGENCY AGREEMENT  
AND NAESB CONTRACT**

## APPENDIX C

### Summary of KM US and KM Mexico TAs, Agency Agreement and NAESB Contract

#### 1. KM US Transportation Agreement

Parties: IEM and KM Texas and KM Tejas

Execution Date: December 23, 2013

Service: Firm Transportation

Service Commencement Date: August 1, 2016, with an option to accelerate the service commencement date to March 1, 2016 upon notice from IEM

Term: Twenty years (from August 1, 2016 to July 31, 2036), or such other term depending on election of the Parties

Receipt Point(s): New Howard Interconnect, King Ranch, Lobo Agua Dulce and KMTP/Tejas Interconnect (and other mutually agreeable receipt points on the KM US pipeline systems)

Delivery Point(s): Point at which KM Texas's pipeline crosses the international border between the US and Mexico, and the KMTP/Tejas Interconnect (and other mutually agreeable delivery points on the KM US pipeline systems)

Volumes: Up to 55,000 MMBtu/day

#### 2. KM Mexico Transportation Agreement

Parties: IEM and KM Mexico

Execution Date: December 23, 2013

Service: Firm Transportation

Service Commencement Date: August 1, 2016, with an option to accelerate the service commencement date to March 1, 2016 upon notice from IEM

Term: Twenty years (from August 1, 2016 to July 31, 2036), or such other term depending on election of the Parties

Receipt Point(s): Point at which KM Mexico's pipeline connects to KM Texas at or near the international border between the United States and Mexico

Delivery Point(s): Interconnection of IEM's Monterrey Facility with KM Mexico



Volumes: Up to 55,000 MMBtu/day

### **3. Fuel Services and Agency Agreement**

Parties: IES and IEM

Execution Date: October 8, 2015

Service: IES will manage IEM's firm U.S. and Mexican pipeline capacity, as well as provide other associated services

Service Commencement Date: August 1, 2016, with an option to accelerate the service commencement date to March 1, 2016 upon notice from IEM

Term: Twenty years, or such other term depending on election of the Parties

Receipt Point(s) (U.S.): New Howard Interconnect, King Ranch, Lobo Agua Dulce and KMTP/Tejas Interconnect (and other mutually agreeable receipt points on the KM US pipeline systems)

Delivery Point(s) (U.S.): Point at which KM Texas's pipeline crosses the international border between the US and Mexico, and the KMTP/Tejas Interconnect (and other mutually agreeable delivery points on the KM US pipeline systems)

Volumes: Up to 55,000 MMBtu/day

### **4. NAESB Base Contract for Sale and Purchase of Natural Gas**

Parties: IES and IEM

Execution Date: September 29, 2015

Service: NAESB Base Contract for Sale and Purchase of Natural Gas (with Special Provisions)

Service Commencement Date: TBD

Term: TBD

Volumes: TBD