

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

IBERDROLA ENERGIA MONTERREY
S.A. DE C.V.

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FE DOCKET NO. 16-55-NG

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

DOE/FE ORDER NO. 3827

MAY 31, 2016

I. BACKGROUND AND DESCRIPTION OF REQUEST

On April 26, 2016, Iberdrola Energia Monterrey S.A. de C.V. (Iberdrola) filed an application (Application)¹ with the Office of Fossil Energy (FE) of the Department of Energy (DOE) under section 3 of the Natural Gas Act (NGA)² for long-term authorization to export up to 20 billion cubic feet (Bcf) per year of natural gas (which Iberdrola states is equivalent to 55,000 million British Thermal Units (MMBtu) per day), to Mexico, for a twenty year term beginning on August 1, 2016. Iberdrola is a *sociedad anonima de capital variable*, which Iberdrola states is similar in corporate form to a privately held stock corporation. It is organized under the laws of Mexico, with its principal place of business in Nuevo Leon, Mexico.

Iberdrola proposes to export the requested volumes of natural gas pursuant to a 20 year firm transportation agreement with two intrastate natural gas pipelines located in Texas, the KM Texas Pipeline, and the KM Tejas Pipeline (collectively KM US Pipelines), 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 Pipeline). Iberdrola states that each of these transportation agreements have service commencement dates of August 1, 2016. Iberdrola explains that the gas will be used to supply the Monterrey 5 (Monterrey Facility), a natural gas-fired combined cycle power plant it owns in Nuevo Leon, Mexico.

Iberdrola further states that, pursuant to an October 2015, Fuel Services and Agency Agreement (Agency Agreement) with its affiliate, Enstor Energy Services, LLC (Enstor), Enstor will manage Iberdrola's U.S. and Mexican pipeline capacity, as well as will perform other

¹ Iberdrola Energia Monterrey S.A. de C.V., Application for Long-Term Authorization to Export Natural Gas to Mexico, FE Docket No. 16-55-NG (April 26, 2016) [hereinafter App.].

² 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 Redelegation Order No. 00-006.02 issued on November 17, 2014.

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

Iberdrola states that it executed a NAESB Base Contract for Sale and Purchase of Natural Gas with Enstor on September 29, 2015, to assist in facilitating the agency relationship between the two parties. Enstor is expected to be the primary seller so as to fulfill the obligations of the Agency Agreement.

As part of its Application, Iberdrola states that it has filed with DOE/FE, under seal, all executed long-term contracts associated with the export of natural gas under the requested authorization, and has provided a redacted version for public inspection. Additionally, Iberdrola states that, upon receiving the requested long-term export authorization, Enstor will commence reporting all export activity undertaken in connection with the three KM Pipeline transportation 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 Iberdrola 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. Iberdrola is authorized to export up to 20 Bcf of natural gas per year to Mexico. The term of this authorization shall be effective for 20 years beginning on August 1, 2016, and extending through September 30, 2036, pursuant to the transportation agreements with Kinder Morgan Texas, Kinder Morgan Tejas, and Kinder Morgan Gas Natural S. De R.L. de C.V.

B. This natural gas will be delivered by Kinder Morgan to the U.S./Mexico border at the Bob West Meter Station, or at other mutually agreeable delivery points.

C. **Monthly Reports:** With respect to the natural gas exports authorized by this Order, Iberdrola shall file with the Office of Regulation and International Engagement, 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 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(s) 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)

D. The first monthly report required by this Order is due not later than September 30, 2016, and should cover the reporting period from August 1, 2016, through August 31, 2016.

E. All monthly report filings shall be made to U.S. Department of Energy (FE-34), Office of Fossil Energy, Office of Regulation and International Engagement, 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.

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