

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

DOMINION COVE POINT LNG, LP

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FE DOCKET NO. 11-115-LNG

ORDER GRANTING LONG-TERM MULTI-CONTRACT AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS BY VESSEL
FROM THE COVE POINT LNG TERMINAL
TO FREE TRADE AGREEMENT NATIONS

DOE/FE ORDER NO. 3019

OCTOBER 7, 2011

I. DESCRIPTION OF REQUEST

On September 1, 2011, Dominion Cove Point LNG, LP (DCP) filed an application (Application) with the Office of Fossil Energy (FE) of the Department of Energy (DOE) under section 3 of the Natural Gas Act (NGA) for long-term, multi-contract authorization to export up to the equivalent of 1 billion cubic feet per day (Bcf/d) of domestically produced liquefied natural gas (LNG) by vessel from its existing Cove Point LNG Terminal, a facility it currently owns in Calvert County, Maryland. DCP requests a 25-year term for this authorization commencing on the earlier of the date of first export or six years from the date the authorization is issued. DCP seeks to export this LNG to any country which has or in the future develops the capacity to import LNG via ocean-going carrier and with which the United States has, or in the future enters into, a Free Trade Agreement (FTA) requiring the national treatment for trade in natural gas.¹ DCP does not intend to hold title to the LNG itself and therefore requests this authorization to act as agent on behalf of other entities who hold title to the LNG, after registering each such entity with DOE/FE.

II. BACKGROUND

DCP is a Delaware limited partnership with its principal place of business in Lusby, Maryland, and offices in Richmond, Virginia. DCP is the current owner of the Cove Point LNG Terminal, a facility currently utilized for the import of LNG. DCP is a subsidiary of Dominion Resources, Inc. (DRI), a producer and transporter of energy. DRI is a corporation organized and

¹ Currently the United States has FTAs that require national treatment for trade in natural gas with the following countries: Australia, Bahrain, Canada, Chile, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Peru and Singapore. DCP requests that the authorization it is seeking also include any countries with which the United States may in the future enter into FTAs requiring the national treatment for trade in natural gas.

existing under the laws of the Commonwealth of Virginia with its principal place of business in Richmond, Virginia.

DCP states that this Application for export authorization of domestic LNG is the first part of a two-part request for authorization to export domestic natural gas as LNG from the Cove Point LNG Terminal. DCP says that it will file a separate application with DOE/FE requesting long-term, multi-contract authorization to export LNG to any country with which the United States does not have an FTA requiring national treatment for trade in natural gas, which has developed or in the future will develop the capacity to import LNG via ocean-going carrier, and with which trade is not prohibited by United States law or policy. DOE/FE takes notice that such an application was filed with DOE/FE on October 3, 2011, in FE Docket No. 11-128-LNG.

DCP states that it plans to develop, own and operate facilities at the existing Cove Point LNG Terminal to liquefy domestically produced natural gas, delivered from the interstate pipeline grid from both conventional and non-conventional production via the Cove Point Pipeline, for export to foreign markets. DCP states that this project will be integrated with existing facilities at the Cove Point LNG Terminal and that it will also construct new facilities to liquefy natural gas for export. DCP states that it anticipates placing its liquefaction project in service by the end of 2016.

DCP acknowledges that the facility modifications necessary for it to conduct liquefaction and export operations from the Cove Point LNG Terminal will require the approval of the Federal Energy Regulatory Commission (FERC). DCP indicates that it does not presently have FERC authorization to make those modifications and requests that the export authorization sought herein be conditioned on DCP's receipt of the FERC authorization.

DCP states that it anticipates entering into one or more long-term (more than two years and up to 25 years) contractual agreements with customers for natural gas liquefaction and LNG export services on a date that is closer to the start of export operations. DCP also states that it does not intend to hold title to the LNG itself and is requesting authorization to act as agent on behalf of other entities who themselves hold title to the LNG.

III. FINDINGS

(1) Section 3(c) of the NGA was amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486) to require that applications to authorize: (a) the import and export of natural gas, including 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 (b) the import of LNG from other international sources, be deemed consistent with the public interest and granted without modification or delay. The instant application falls within section 3(c) as amended, and therefore, DOE/FE is charged with granting the application without modification or delay.²

(2) The countries with which the United States has an FTA requiring national treatment for trade in natural gas currently are: Australia, Bahrain, Canada, Chile, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Peru, and Singapore.

(3) In light of DOE's statutory obligation to grant the portion of the Application pertaining to FTA nations without modification or delay, there is no need for DOE to review the other arguments posed by DCP in support of the Application.

² DOE further finds that the requirement for granting the application without modification or delay overrides regulatory requirements for public notice and other hearing-type procedures in 10 CFR Part 590.

(4) DOE/FE addressed the issue of agency rights in *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, DOE/FE Order No. 2913 (Order 2913), issued February 10, 2011. In Order 2913, DOE/FE approved a proposal by Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC (collectively, FLEX) to register each LNG title holder for whom FLEX sought to export LNG as agent. FLEX also proposed that this registration include a written statement by the title holder acknowledging and agreeing to comply with all applicable requirements included in its export authorization and to include those requirements in any subsequent purchase or sale agreement entered into by that title holder. In the FLEX application (FE Docket No. 10-160-LNG), FLEX also stated that it would file under seal with DOE/FE any relevant long-term commercial agreements that it reached with the LNG title holders on whose behalf the exports were performed.

In Order 2913, DOE/FE found that the above proposal was an acceptable alternative to the non-binding policy adopted by DOE/FE in *Dow Chemical*,³ which established that the title for all LNG authorized for export must be held by the authorization holder at the point of export. DOE/FE agreed to accept the FLEX alternative because it would ensure that the title holder was aware of all DOE/FE requirements applicable to the proposed export and would provide DOE with a record of all authorized exports and direct contact information and a point of contact with the title holder. Moreover, DOE/FE found that the registration process was responsive to current LNG markets and provided an expedited process by which companies seeking to export LNG can do so. Additionally, in Order 2913, DOE/FE noted that those entities that hold title or expect to hold title to LNG that is stored in domestic LNG terminals can choose to submit an

³ *The Dow Chemical Company*, DOE/FE Opinion and Order No. 2859 (FE Docket No. 10-57-LNG), October 5, 2010, at p. 7 and 8.

application to DOE for their own authorization to export LNG, and are not required to use the agency rights held by others.

The same policy considerations that supported DOE/FE's acceptance of the alternative proposal in Order 2913 apply here as well. The authorization granted herein shall be conditioned to require that where DCP proposes to export as agent for others, DCP must register those companies in accordance with the procedures and requirements described herein.

ORDER

Pursuant to section 3 of the Natural Gas Act, it is ordered that:

A. DCP is authorized to export domestically produced LNG by vessel from the Cove Point LNG Terminal up to the equivalent of approximately 1 Bcf/d for a 25-year term, beginning the earlier of the date of first export or six years from the date the authorization is issued, pursuant to one or more long-term contracts that do not exceed the term of this authorization.

B. This LNG may be exported to Australia, Bahrain, Canada, Chile, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Peru, and Singapore, and to any nation that the United States subsequently enters into a FTA requiring national treatment for trade in natural gas, provided that the destination nation has the capacity to import ocean going vessels. FTA countries are currently identified by DOE/FE at: <http://www.fossil.energy.gov/programs/gasregulation/index.html>.

C. DCP shall ensure that all transactions authorized by this order are permitted and lawful under United States laws and policies, including the rules, regulations, orders, policies, and other determinations of the Office of Foreign Assets Control of the United States

Department of the Treasury. Failure to comply with this requirement could result in rescission of this authorization and/or other civil or criminal remedies.

D. DCP shall file with the Office of Natural Gas Regulatory Activities all executed long-term contracts associated with the long-term export of LNG from the Cove Point LNG Terminal within 30 days of their execution. DCP shall file with the Office of Natural Gas Regulatory Activities all executed long-term contracts associated with the long-term supply of natural gas to the Cove Point LNG Terminal with the intent to process this natural gas into LNG for export within 30 days of their execution.

E. DCP shall include the following provision in any contract for the sale or transfer of LNG exported pursuant to this Order:

"Customer or purchaser acknowledges and agrees that it will resell or transfer LNG purchased hereunder for delivery only to countries identified in Ordering Paragraph B of DOE/FE Order No. 3019, issued October 7, 2011, in FE Docket No. 11-115-LNG, and/or to purchasers that have agreed in writing to limit their direct or indirect resale or transfer of such LNG to such countries. Customer or purchaser further commits to cause a report to be provided to Dominion Cove Point LNG, LP that identifies the country of destination, upon delivery, into which the exported LNG was actually delivered, and to include in any resale contract for such LNG the necessary conditions to ensure that Dominion Cove Point LNG, LP is made aware of all such actual destination countries."

F. DCP is permitted to use its authorization in order to export LNG on behalf of or as agent for others, after registering the other party with DOE/FE. Registration materials shall include an acknowledgement and agreement by the registrant to supply DCP with all information

necessary to permit DCP to register that person or entity with DOE/FE, including: (1) the registrant's agreement to comply with this Order and all applicable requirements of DOE's regulations at 10 CFR Part 590, including but not limited to destination restrictions; (2) the exact legal name of the registrant, state/location of incorporation/registration, primary place of doing business, and the registrant's ownership structure, including the ultimate parent entity if the registrant is a subsidiary or affiliate of another entity; (3) the name, title, mailing address, e-mail address, and telephone number of a corporate officer or employee of the registrant to whom inquiries may be directed; (4) within 30 days of execution, a copy, filed with DOE/FE under seal, of any long-term contracts, including processing agreements, that result in the export of natural gas, including LNG; and (5) within 30 days of execution by a person or entity required by this Order to register a copy, filed with DOE/FE under seal, of any long-term contracts associated with the long-term supply of natural gas to the Cove Point LNG Terminal with the intent to process this natural gas into LNG for export pursuant to this authorization.

G. Each registration submitted pursuant to this Order shall have current information on file with DOE/FE. Any changes in company name, contact information, change in term of the long-term contract, termination of the long-term contract, or other relevant modification, shall be filed with DOE/FE within 30 days of such change(s).

H. Within two weeks after the first export of LNG sourced from domestically produced natural gas occurs, DCP shall provide written notification of the date that the first export of LNG authorized in Order Paragraph A above occurred.

I. The authorization granted herein is conditioned on the prior issuance by the FERC of an order authorizing the facility modifications necessary to perform the proposed liquefaction and export operations.

J. Monthly Reports: With respect to the export of LNG authorized by this Order, DCP shall file with the Office of Natural Gas Regulatory Activities, within 30 days following the last day of each calendar month, a report indicating whether exports of LNG 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 LNG have occurred, the report must give the following details of each LNG cargo: (1) the name(s) of the authorized exporter registered with DOE/FE; (2) the name of the U.S. export terminal; (3) the name of the LNG tanker; (4) the date of departure from the U.S. export terminal; (5) the country of destination; (6) the name of the supplier/seller; (7) the volume in Mcf; (8) the price at point of export per million British thermal units (MMBtu); (9) the duration of the supply agreement (indicate spot sales); and (10) the name(s) of the purchaser(s).

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

K. The first monthly report required by this Order is due not later than November 30, 2011, and should cover the reporting period from October 7, 2011, through October 31, 2011.

L. All monthly report filings shall be made to U.S. Department of Energy (FE-34), Office of Fossil Energy, Office of Natural Gas Regulatory Activities, P.O. Box 44375, Washington, D.C. 20026-4375, Attention: Ms. Yvonne Caudillo. Alternatively, reports may be e-mailed to Ms. Caudillo at Yvonne.caudillo@hq.doe.gov or ngreports@hq.doe.gov, or may be faxed to Ms. Caudillo at (202) 586-6050.

Issued in Washington, D.C., on October 7, 2011.

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

John A. Anderson
Manager, Natural Gas Regulatory Activities
Office of Oil and Gas Global Security and Supply
Office of Fossil Energy