

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

In the Matter of]	FE Docket Nos.
]	11 – 128 – LNG
DOMINION COVE POINT LNG, LP]	
]	11 – 115 – LNG
]	(not consolidated)

**UPDATE OF DOMINION COVE POINT LNG, LP
CONCERNING SIGNED LNG EXPORT CONTRACTS**

On October 3, 2011, Dominion Cove Point LNG, LP (DCP) filed with the Department of Energy, Office of Fossil Energy (DOE/FE) an application for long-term, multi-contract authorization to engage in exports of domestically produced liquefied natural gas (LNG) to any country that has or in the future develops the capacity to import LNG via ocean-going carrier and with which the United States (U.S.) does not prohibit trade but also does not have a Free Trade Agreement (FTA) requiring the national treatment for trade in natural gas. This "non-FTA" application filed by DCP remains pending in FE Docket No. 11-128-LNG. On October 7, 2011, DOE/FE granted, in FE Docket No. 11-115-LNG, DCP's FTA application requesting long-term, multi-contract authorization to export domestically produced LNG to any country (1) with which the United States has, or in the future enters into, an FTA requiring national treatment for trade in natural gas and (2) which has or in the future develops the capacity to import LNG via ocean-going carrier. *Dominion Cove Point LNG, LP*, Order No. 3019.

DCP respectfully submits this supplemental filing in both these proceedings to provide DOE/FE with an update on its project and, especially, to describe the key terms of its terminal service agreements recently executed with two customers, each of which will contract for 50 percent of the available capacity (the "Customers"). The Customers are: (1) Pacific Summit Energy LLC, which is a U.S. subsidiary of Sumitomo Corporation, a Japanese corporation that is one of the

world's leading trading companies, and (2) GAIL Global (USA) LNG LLC, which is a U.S. subsidiary of GAIL (India) Limited, the largest natural gas processing and distribution company in India.

In addition to fully contracting all of the project capacity, DCP's liquefaction and export project also recently achieved two other major milestones. 1/ First, DCP has now completed front-end engineering and design ("FEED") work for its project, and awarded its engineering, procurement and construction ("EPC") contract for the new facilities to IHI/Kiewit Cove Point, a joint venture between IHI E&C International Corporation of Houston and Kiewit Corporation of Omaha, Nebraska. 2/ Second, DCP filed its Federal Energy Regulatory Commission ("FERC") application for the project on April 1, 2013, in FERC Docket No. CP13-113. As DOE/FE knows, the filing of that application follows only after the completion of FERC's "pre-filing" process, which DCP had initiated in June 2012. The preparation and submittal of the FERC filing, of course, is a very significant undertaking: DCP's application consists of more than 12,000 pages and considers all aspects of the project, including safety, environment, security, cost, community effects, and benefits.

DCP understands that DOE/FE policy requires the filing of executed contracts for LNG exports. 3/ The contracts between DCP and its Customers, however, are highly confidential and contain commercially valuable and proprietary information the disclosure of which would cause competitive and financial harm to the parties. Accordingly, DCP is submitting its LNG export

1/ Dominion announced these three major milestones in a press release issued on April 1, 2013, available at: <http://dom.mediaroom.com/2013-04-01-Dominion-Cove-Point-Liquefaction-Project-Moving-Forward-Cements-Front-Runner-Status>

2/ See the IHI press release available at: http://www.ihico.jp/var/ezwebin_site/storage/original/application/0fe3d73f79d533e65e1c170ba18e9282.pdf IHI E&C provides engineering and construction services to the global oil and gas industry, and is the Houston-based subsidiary of IHI Corporation (IHI), a global engineering, construction and manufacturing company. IHI has approximately 27,000 employees in more than 10 manufacturing centers in Japan, 18 branches and sales offices in Japan, 14 offices and 142 subsidiaries worldwide. Kiewit is one of North America's largest and most respected construction and engineering organizations, with a network of offices in the United States, Canada and abroad, that had 2012 revenues of more than \$11 billion and employs more than 30,000 staff and craft.

3/ The DOE/FE regulations at 10 C.F.R. § 590.202(b) require the filing of supporting contracts "to the extent practicable," and the orders DOE has issued authorizing LNG exports – both the many FTA orders and the single non-FTA order – have required applicants to file contracts once executed.

contracts on a confidential basis, under seal, in a separate transmission to the Natural Gas Regulatory Team Leader at DOE/FE. For purposes of the public record, DCP provides the following explanation of the major provisions of its contracts.

DCP's contracts are structured as "tolling agreements," under which the Customers contract for services from DCP but are responsible for obtaining their own gas supplies and transporting them to the Terminal (though they have each also entered into firm transportation service agreements on the Cove Point pipeline, which extends 88 miles from the Terminal to interconnections with three other interstate pipelines). The gas to be liquefied at Cove Point may be sourced from a wide variety of locations, at the election of the Customers. DCP notes, however, that the location of its Terminal provides closer and more direct access than any other proposed LNG export facility to the Marcellus and Utica shale plays, two of the most prolific natural gas basins in North America. ^{4/}

The Customers have no obligation under the contracts to liquefy any gas or export any LNG, but must pay DCP set monthly charges whether or not they utilize their contractual rights to service. In addition, while the service will commence as a liquefaction and export service and is likely to remain as such unless and until world gas markets change dramatically, the service will be bi-directional and provide for both import service and export service (but not both at the same time). The Customers may make a joint election once per year to switch to an import and regasification service, or back from that service to export operations. Thus, if justified by economics and relative gas demands, the contracts could be utilized to *import* LNG to the U.S., rather than export it.

The two Customers combined have contracted for firm capacity to liquefy natural gas and load LNG onto ships an annual amount of 240,900,000 Dth, on average over each six years. More precisely, the total contractual amount will be 243,271,062 Dth per year for five out of every six

^{4/} The Potential Gas Committee ("PGC") just released, on April 9, 2013, its latest biennial assessment of the nation's natural gas resources, concluding that the United States possesses a total technically recoverable resource base of 2,384 trillion cubic feet (Tcf) as of year-end 2012. The largest volumetric and percentage gains were reported for the Appalachian basin shales (primarily the Marcellus, but including other Devonian shales and the Utica), which collectively rose by 335 Tcf or 147% since the prior study. PGC now ranks the Atlantic region as the country's richest resource area with 33% of total U.S. resources. See <http://potentialgas.org/press-release>

years, and 229,044,686 Dth in each sixth year, reflecting a cycle of a major planned maintenance outage once every six years. ^{5/} In addition, the contracts provide each of the Customers with access as “overrun” service to any LNG production capability that may exist in excess of this contracted firm capacity.

DCP’s liquefaction facilities will consist of one LNG train expected to have a name plate capacity of up to 5.75 mtpa. DCP’s FEED study was for facilities that will have a base LNG production capacity of 5.25 mtpa, based on conservative assumptions regarding average ambient air temperatures, the quality of gas received at the LNG Terminal, and a design margin used for equipment and pipe size selection. DCP expects that, once in operation, the actual liquefaction capacity will exceed the base level of 5.25 mtpa by as much as 10%. A review of the production capability for global liquefaction plants supports this expectation of an increase over the original design. Therefore, DCP has requested from the FERC authorization to construct and operate liquefaction facilities with LNG production capacity of up to 5.75 mtpa. This expected level of liquefaction capacity is less than the level of export authorization previously requested by DCP in these proceedings of up to the equivalent of approximately one Bcf of natural gas per day or approximately 7.82 mtpa.

The contracts do not include any limitation on the destination of LNG exports (except as required by the applicable DOE authorizations and U.S. law). DCP’s understanding, however, is that the GAIL subsidiary intends to export the LNG primarily, if not exclusively, to India, and the Sumitomo subsidiary intends to export LNG from DCP’s terminal at least primarily to Japan. While Sumitomo is a trading company, it has succeeded in marketing the full amount of LNG which will be produced from the capacity contracted from DCP to Japanese end-users. Sumitomo has entered into a “heads of agreement” with a subsidiary of Tokyo Gas for the sale and purchase of a volume of 1.4 mtpa

^{5/} The annual quantities take into account a certain number of maintenance days; so, the daily quantities are greater than 1/365th of the annual quantities. In addition, the quantities available will vary over the course of the year, such that some days will have higher contractual quantities than others.

of LNG for import into Japan,^{6/} and another heads of agreement for sale and purchase with Kansai Electric Power Co., Inc. (based in Osaka, Japan) of 0.8 mtpa of LNG from the DCP project. ^{7/}

Japan and India, of course, are not currently parties to free trade agreements with the United States. They are, however, longstanding and important allies and trading partners of the U.S. Moreover, they are countries with a well-known, large, and growing need for incremental, secure natural gas supplies. Making possible the export of LNG from the United States to these countries is certainly in the public interest.

Each of the Customers has contracted for a primary term of 20 years, with certain potential extension rights at the end of that term. Service will commence, essentially, when the required facilities are completed. The contracts provide for a “windowing process” for DCP to provide the Customers with increasing certainty about the expected starting date as the project progresses. In its FERC application, DCP proposed to commence construction of the new facilities at its terminal during the first quarter of 2014 in order to meet a target in-service date of June 2017.

DCP explained in detail in its “non-FTA” application in FE Docket No. 11-128-LNG all the reasons why granting its requested authorization to allow LNG exports will be consistent with, and indeed advance, the public interest. DCP further elaborated on the benefits of LNG exports in its extensive comments concerning the 2012 LNG Export study filed on January 24 and February 25, 2013. The developments described here, particularly DCP’s successful long-term contracting of all of its available capacity with major companies located in countries that are important U.S. allies with a significant need for gas, further strengthen the clear public interest supporting approval of DCP’s application.

Moreover, DCP’s non-FTA application has been pending for over eighteen months now. LNG markets and the need for gas supplies do not stand still for the American political and

^{6/} See http://www.sumitomocorp.co.jp/english/news/2013/20130401_043001.html As noted there, Sumitomo and Tokyo Gas also are investigating the possibility of establishing a joint venture vehicle to implement the contract with DCP.

^{7/} See http://www.sumitomocorp.co.jp/english/news/2013/20130401_043010.html

regulatory processes. DCP and its Customers need certainty that its project may move forward, as envisioned in their contracts. Therefore, DCP urges DOE/FE to grant its authorization requested in FE Docket No. 11-128-LNG as soon as possible.

Respectfully submitted,



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