UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

STROM, INC.	)	FE DOCKET NO. 14-56-LNG

ORDER GRANTING LONG-TERM MULTI-CONTRACT AUTHORIZATION TO EXPORT LIQUEFIED NATURAL GAS IN ISO CONTAINERS LOADED AT THE PROPOSED STROM LNG TERMINAL IN CRYSTAL RIVER, FLORIDA, AND EXPORTED BY VESSEL TO FREE TRADE AGREEMENT NATIONS

DOE/FE ORDER NO. 3537

OCTOBER 21, 2014

I. DESCRIPTION OF REQUEST

On April 18, 2014, Strom, Inc. (Strom) 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, multi-contract authorization to export liquefied natural gas (LNG) produced from domestic sources in a volume equivalent to approximately 28.21 billion cubic feet per year (Bcf/yr) of natural gas (0.08 Bcf per day). Strom seeks authorization to export the LNG for a 25-year term from its proposed liquefaction location in Crystal River, Florida (Project), to be located on an approximately 15-acre site (Project).[3] As explained below, Strom intends to liquefy natural gas at this site utilizing small-to-medium size modular, scalable, portable liquefaction systems (MLNG units), creating a "portable liquefaction facility."[4]

Strom seeks to export this LNG on its own behalf, by vessel, from the proposed Project to any country that currently has, or in the future will have, the capacity to import LNG via approved ISO IM07/TVAC-ASME LNG (ISO) containers transported on ocean-going carriers, and with which the United States has a free trade agreement (FTA) providing for national treatment for trade in natural gas, and with which trade is not prohibited by U.S. law or policy (FTA countries).[5] Strom requests that this authorization commence on the earlier of the date of first export or five years from the date the authorization is issued (*i.e.*, October 21, 2019).

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[1] Strom, Inc., Application for Long-Term Authorization to Export Liquefied Natural Gas to Free Trade Agreement Countries, FE Docket No. 14-56-LNG, at 3 (Apr. 15, 2014) [hereinafter Strom App.].

[2] 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 Redelegation Order No. 00-002.04F, issued on July 11, 2013.

[3] On September 29, 2014, Strom filed an amendment to its Application, in which it provided a new location for the primary site of its planned Project. *See* Ltr. from M. Lokey, Strom, Inc., to J. Anderson, U.S. Dep't of Energy, FE Docket No. 14-56-LNG (Sept. 25, 2014).

[4] Strom App. at 5.

[5] The United States currently has FTAs requiring national treatment for trade in natural gas with Australia, Bahrain, Canada, Chile, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Republic of Korea, and Singapore. FTAs with Israel and Costa Rica do not require national treatment for trade in natural gas.

II. BACKGROUND

Applicant. Strom states that it is a Florida corporation with its principal place of business in Tampa, Florida. Strom states that stocks in Strom are held equally by Mr. Michael Lokey, Mr. Dean Wallace, and Atlantic Development, LLC. Strom states that it is a majority owned minority and woman owned business, and that its principals have more than 25 years of experience in alternative and renewable energy.

Strom states that it is a niche company providing LNG and power generation to clients in regions where diesel is the primary source of energy production. Strom further states that it was one of the first companies to execute a long-term agreement with a major commercial client in the Caribbean for power generation using LNG, and that it continues to develop relationships with a large portfolio of commercial entities in the Caribbean and Latin America for LNG supply for power generation, transportation, and other purposes. Strom states that its subsidiary, Atlantic Renewable Resources, Inc., is currently under contract with a client in the Caribbean to provide power utilizing LNG.

Procedural History. Strom states that, on March 14, 2014, it filed a Motion for Declaratory Order with the Federal Energy Regulatory Commission (FERC), requesting clarification of FERC's authority or intention to regulate the MLNG units that Strom proposes to utilize to liquefy LNG for export and other purposes. We note, however, that on August 22, 2014, FERC dismissed Strom's petition for lack of a filing fee and closed the docket.[6]

Concurrently with this Application, Strom filed two applications with DOE/FE requesting long-term, multi-contract authorization to export LNG to non-FTA countries. Those

[6] Fed. Energy Regulatory Comm'n, *Strom, Inc.*, Docket No. CP14-121-000, Notice to Dismiss Petition for Declaratory Order and Terminate Docket (Aug. 22, 2014).

applications are currently pending in FE Docket Nos. 14-57-LNG and 14-58-LNG, and DOE will review them separately from this Order. 15 U.S.C. § 717b(a).

Liquefaction Project. Strom seeks long-term authorization to export domestically produced LNG from its proposed liquefaction project to be located at 6700 North Tallahassee Road, in Crystal River, Citrus County, Florida. According to Strom, the Project will be constructed on a property site approximately 15 acres in size. Strom states that it is engaging in a purchase agreement to acquire the property, and possibly to acquire neighboring properties. As part of its Amendment to the Application, Strom submitted a letter of intent to purchase the property at the Project site.

Strom states that, because it intends to use MLNG units to liquefy natural gas at the Project, no new facilities (or modifications to existing facilities) will be required. Strom describes the MLNG units as similar to the "LNG in a Box" system developed by General Electric, and similar systems marketed by companies such as Cryostar, Hamworthy, Chart, and others. Strom states that its MLNG units will be small-to-medium scale, modular, portable, "plug-and-play" systems, designed to be assembled in a matter of months. According to Strom, each MLNG unit can produce from 500 to 5,000 gallons of LNG per day. As demand increases, Strom intends to add MLNG units to increase production of LNG.

Strom states that it intends to liquefy natural gas using these MLNG units, then load the LNG directly into ISO approved containers for immediate shipment to customers, thereby minimizing on-site storage. Strom further states that the MLNG units will be connected directly to the natural gas supplier and can be demobilized expeditiously.

Strom states that it will transport the LNG from the Project over highways and via rail, and will transport the LNG to buyers in approved ISO containers transported on ocean-going carriers. Strom further states that the containers and carriers used for transportation within the United States will comply with all Association of American Railroads and United States Department of Transportation regulations. According to Strom, the third parties with which Strom will be contracting to handle such transportation will comply with all hazardous material and cryogenic handling regulations and requirements, in addition to obtaining any state permits required for transportation of LNG.

Source of Natural Gas. Strom states that the natural gas to be liquefied at the Project will come from the robust, liquid U.S. natural gas market, which includes natural gas produced from shale deposits. In the Amendment to its Application, Strom asserts that the Project can receive natural gas by short lateral pipeline from either Florida Gas Transmission Company's current interstate transmission pipeline or, in the future, from the proposed Sabal Trail Transmission Pipeline, which Strom asserts has received state approval by the Florida Public Service Commission. Strom states that it intends to purchase natural gas from these pipeline companies under long-term purchase agreements, as well as from utilities that have excess natural gas.

Business Model. Strom requests authorization to engage in exports of LNG on its own behalf. Strom states that it is currently involved in negotiations with natural gas suppliers, and will file with DOE/FE under seal all executed long-term contracts.

Environmental Review. Strom states that, because it intends to utilize MLNG units to liquefy natural gas, any environmental impact would be none to minimal, and approval of its Application would not constitute a federal action significantly affecting the human environment within the meaning of the National Environmental Policy Act (NEPA), 42 U.S.C. § 4321 *et seq.* Strom further states that the design and specification of the MLNG units will meet all local and federal environmental permitting requirements and will be permitted by the appropriate governing agency to the manufacturer.

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 authorizing (a) the import and export of natural gas, including LNG, from and to a nation with which there is in effect a FTA 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. This Application falls within section 3(c), as amended, and therefore, DOE/FE is charged with granting the requested authorization without modification or delay.[7]

(2) In light of DOE's statutory obligation to grant this Application without modification or delay, there is no need for DOE/FE to review other arguments asserted by Strom in support of the Application. The instant grant of authority should not be read to indicate DOE's views on those arguments or on Strom's requests for non-FTA export authorization.

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

(4) Section 590.202(b) of DOE's regulations requires applicants to supply transaction specific factual information "to the extent practicable."[8] Additionally, DOE regulations at 10 C.F.R. § 590.202(e) allow confidential treatment of the information supplied in support of or in

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[7] DOE further finds that the requirement for public notice of applications and other hearing-type procedures in 10 C.F.R. Part 590, are applicable only to applications seeking to export natural gas, including LNG, to countries with which the United States does not have a FTA requiring national treatment for trade in natural gas.

[8] 10 C.F.R. § 590.202(b).

opposition to an application if the submitting party requests such treatment, shows why the information should be exempted from public disclosure, and DOE determines it will be afforded confidential treatment in accordance with 10 C.F.R. § 1004.11.

(5) DOE/FE also will require Strom to file any long-term contracts Strom enters into providing for the long-term export of LNG on its own behalf from the Project. DOE/FE finds that the submission of these contracts within 30 days of their execution using the procedures described below will be consistent with the "to the extent practicable" requirement of section 590.202(b).

(6) In addition, DOE/FE finds that section 590.202(c) of DOE/FE's regulations[9] requires that Strom file, or cause to be filed, all long-term contracts associated with the long-term supply of natural gas to the Project within 30 days of their execution that Strom enters into.

(7) DOE/FE recognizes that some information in Strom's long-term commercial agreements associated with the export of LNG, and/or long-term contracts associated with the long-term supply of natural gas to the proposed Project, may be commercially sensitive. DOE/FE therefore will provide Strom the option to file or cause to be filed either unredacted contracts, or in the alternative: (A) Strom may file long-term contracts under seal, but it also will file either: i) a copy of each long-term contract with commercially sensitive information redacted, or ii) a summary of all major provisions of the contract(s) including, but not limited to, the parties to each contract, contract term, quantity, any take or pay or equivalent provisions/conditions, destinations, re-sale provisions, and other relevant provisions; and (B) the filing must demonstrate why the redacted information should be exempted from public disclosure.

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[9] *Id.* § 590.202(c).

To ensure that DOE/FE destination and reporting requirements included in the Order are conveyed to subsequent title holders, DOE/FE will include as a condition of this authorization that future contracts for the sale or transfer of LNG exported pursuant to the Order shall include an acknowledgement of these requirements.

ORDER

Pursuant to section 3 of the NGA, it is ordered that:

A. Strom is authorized to export domestically produced LNG by ISO containers on vessels from the proposed Project, to be located in Crystal River, Florida. The volume authorized in this Order is equivalent to approximately 28.21 Bcf/yr of natural gas for a 25-year term, beginning on the earlier of the date of first export or five years from the date the authorization is issued (*i.e.*, October 21, 2019). Strom LNG is authorized to export this LNG pursuant to one or more long-term contracts (a contract greater than two years).

B. This LNG may be exported to Australia, Bahrain, Canada, Chile, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Republic of Korea, and Singapore, and to any nation with which 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 LNG via ocean going vessels. FTA countries are currently identified by DOE/FE at: http://www.fossil.energy.gov/programs/gasregulation/index.html.

C. Strom shall ensure that all transactions authorized by this Order are permitted and lawful under U.S. 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. (i) Strom shall file, or cause others to file, with the Office of Oil and Gas Global Security and Supply a non-redacted copy of all executed long-term contracts associated with the long-term export of LNG from the Project. The non-redacted copies may be filed under seal and must be filed within 30 days of their execution. Additionally, if Strom has filed the contracts described in the preceding sentence under seal or subject to a claim of confidentiality or privilege, within 30 days of their execution, Strom shall also file, or cause others to file, for public posting either: i) a redacted version of the contracts described in the preceding sentence, or ii) major provisions of the contracts. In these filings, Strom shall state why the redacted or non-disclosed information should be exempted from public disclosure.

(ii) Strom shall file, or cause others to file, with the Office of Oil and Gas Global Security and Supply a non-redacted copy of all executed long-term contracts associated with the long-term supply of natural gas to the Project. The non-redacted copies may be filed under seal and must be filed within 30 days of their execution. Additionally, if Strom has filed the contracts described in the preceding sentence under seal or subject to a claim of confidentiality or privilege, within 30 days of their execution, Strom shall also file, or cause others to file, for public posting either: i) a redacted version of the contracts described in the preceding sentence, or ii) major provisions of the contracts. In these filings, Strom shall state why the redacted or non-disclosed information should be exempted from public disclosure.

E. Strom shall include the following provision in any agreement or other 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. 3537, issued October 21, 2014, in FE Docket No. 14-56-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 Strom, Inc. 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 Strom, Inc. is made aware of all such actual destination countries.

F. Within two weeks after the first export of domestically produced LNG occurs from the Project, Strom shall provide written notification of the date that the first export of LNG authorized in Ordering Paragraph A above occurred.

G. Strom shall file with the Office of Oil and Gas Global Security and Supply, on a semi-annual basis, written reports describing the progress of the proposed Project. The reports shall be filed on or by April 1 and October 1 of each year, and shall include information on the progress of the Project, the date the facility is expected to be operational, and the status of the long-term contracts associated with the long-term export of LNG and any long-term supply contracts.

H. Prior to any change in control of the authorization holder, Strom must obtain the approval of the Assistant Secretary for Fossil Energy. For purposes of this Ordering Paragraph, a "change in control" shall include any change, directly or indirectly, of the power to direct the management or policies of Strom, whether such power is exercised through one or more intermediary companies or pursuant to an agreement, written or oral, and whether such power is established through ownership or voting of securities, or common directors, officers, or stockholders, or voting trusts, holding trusts, or debt holdings, or contract, or any other direct or indirect means.

Strom may submit a statement of change in control to DOE using one of the three methods set forth below. Upon receipt of the statement, DOE will give immediate effect to the change in control and take no further action. Three methods to submit a statement of change in control to DOE: (1) e-mailing the filing to fergas@hq.doe.gov with CIC and the FE Docket No. in the title line; (2) mailing an original and three paper copies of the filing to U.S. Department of Energy (FE-34), Office of Oil and Gas Global Security and Supply, P.O. Box 44375, Washington, DC 20026-4375; or (3) hand delivering an original and three paper copies of the filing to U.S. Department of Energy (FE-34), Office of Oil and Gas Global Security and Supply, Office of Fossil Energy, Forrestal Building, Room 3E-042, 1000 Independence Avenue, SW, Washington, DC 20585.

I. Monthly Reports: With respect to the LNG exports authorized by this Order, Strom 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 LNG have been made. The first monthly report required by this Order is due not later than the 30th day of the month following the month of first export. In subsequent months, if exports have not occurred, a report of "no activity" for that month must be filed. If exports of LNG in ISO containers by vessel have occurred, the report must give the following details of each LNG cargo: (1) the name of the U.S. export port or terminal; (2) the name of the vessel; (3) the date of departure from the U.S. export port or terminal; (4) the country (or countries) of destination into which the exported LNG was actually delivered; (5) the name of the supplier/seller; (6) the delivered volume in Mcf; (7) the price at the point of export in U.S. dollars per million British thermal units (MMBtu); (8) the name and location (city, state) of the facility where the ISO container is loaded with LNG; (9) the mode(s) of transport used to move the loaded ISO container from the loading facility to the export port or terminal; (10) the duration of the supply agreement (indicate spot sales); and (11) the name(s) of the purchaser(s).

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

J. All monthly report filings shall be made to U.S. Department of Energy (FE-34), Office of Fossil Energy, 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 21, 2014.

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Office of Oil and Gas Global Security and Supply
Office of Oil and Natural Gas