



File OF-EI-Gas-GL-K083-2010-01 01  
6 July 2011

To: All Parties to Hearing Order GH-1-2011

**Hearing Order GH-1-2011 KM LNG Operating General Partnership  
Application for a Liquefied Natural Gas Export Licence  
Possible Export Licence Conditions and Procedural Update**

The National Energy Board will continue with its examination of KM LNG's application for a liquefied natural gas export licence in Phase 2 of the hearing that will begin in Calgary on Wednesday, 13 July 2011. Should the Board decide to issue a licence to KM LNG for the exportation of liquefied natural gas pursuant to Section 117 of the *National Energy Board Act*, the licence may be subject to terms and conditions and will be subject to the approval of the Governor in Council.

In keeping with the Board's usual practice, attached for comment by KM LNG and other parties to GH-1-2011 are possible conditions that the Board may include with such a licence. These conditions relate to supply and market matters. KM LNG and other parties may comment on these possible conditions during the course of argument in Phase 2 of the hearing.

The Board may distribute possible conditions to parties related to issues #4 and #9 of the Revised List of Issues no later than 11 July 2011. All parties may comment on these additional conditions during argument in Phase 2.

The Board advises parties that these possible conditions do not imply that a decision has been made by the Board on the Application, or that the Board has decided whether these or any other conditions would or would not be included with an export licence, if issued.

Phase 2 of this hearing will begin on **Wednesday, 13 July 2011 at 9:00 am local time in Calgary in the Board's Hearing Room, second floor at 444 Seventh Avenue SW**. The Board will hear evidence about issues #4 and #9 on the first day of Phase 2. On 14 July 2011 the hearing will start at 9:00 am and parties will deliver final oral argument. Any party submitting written argument should file it with the Board **no later than 4:00 pm on 13 July 2011**.

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As this hearing will occur during the Calgary Stampede, western or business casual attire is appropriate.

If you have any questions, please contact Parvez Khan, Legal Counsel at [Parvez.Khan@neb-one.gc.ca](mailto:Parvez.Khan@neb-one.gc.ca), or by phone at 403-299-3933 or toll free at 1-800-899-1265.

Yours truly,

A handwritten signature in black ink that reads "Anne Marie Erickson". The signature is written in a cursive, flowing style.

Anne-Marie Erickson  
Secretary of the Board

Attachment

**GH-1-2011**  
**KM LNG Operating General Partnership**  
**Application for a Liquefied Natural Gas Export Licence**  
**Possible Export Licence Conditions**

These possible terms and conditions may be revised and other terms and conditions may be considered after additional evidence is adduced and comments are received. Allowed terms and conditions for the export licence, if the Board should decide to issue the licence, would be determined as the result of the GH-1-2011 proceeding.

**General**

1. KM LNG shall comply with all of the terms and conditions contained in this Licence unless the Board otherwise directs.

**Licence Term, Conditions and Point of Export**

2. Subject to Condition 3, the term of this Licence shall commence on the date of first export from the KM LNG operated liquefaction terminal, which is to be located at Bish Cove, near the Port of Kitimat, British Columbia, Canada (the Liquefaction Terminal) and shall continue for a period of 20 years thereafter.
3. The term of this Licence shall end on 1 June 2017, unless exports from the Liquefaction Terminal commence hereunder on or before that date.
4. The quantity of LNG that can be exported under the authority of this Licence is:
  - (a) Annual quantity not exceeding 10,000,000 tonnes, which is the approximate natural gas equivalent of 13,300,000 10<sup>3</sup> m<sup>3</sup> or 468 Bcf.
  - (b) Term quantity not exceeding 200,000,000 tonnes, which is the approximate natural gas equivalent of 265,000,000 10<sup>3</sup> m<sup>3</sup> or 9,360 Bcf.
  - (c) As a tolerance, the amount of LNG that may be exported in any 12-month period may exceed the annual quantity by 10 per cent.
5. Natural gas will be exported at a point on the outlet side of the liquefaction terminal to be located at Bish Cove, near the Port of Kitimat, British Columbia, Canada.

### **Reporting**

6. In addition to the information required under the *National Energy Board Export and Import Reporting Regulations*, KM LNG shall file with the Board, within 30 days following the end of each calendar month, a report indicating whether exports have been made, and if so, provide the following information for each tanker shipment:
  - (a) the name of the LNG tanker,
  - (b) the date of tanker departure from the Liquefaction Terminal,
  - (c) the quantity of natural gas in its gaseous state in cubic meters and in its liquefied state in tonnes,
  - (d) the export revenue in Canadian dollars.
7. KM LNG must notify the Board of any changes that may occur to the ultimate destination of the exported LNG as a result of a cargo diversion or resale.

### **Filings with the Board**

8. KM LNG shall file with the Board each executed LNG sale and purchase agreement that would result in exportation under this licence.
9. KM LNG shall file with the Board Article 8 of the Joint Operating Agreement, and any future amendments or revisions to Article 8 over the duration of the Licence.