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UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

2002 APR 29 P 3:49

In the Matter of)
OFFICE OF FOSSIL ENERGY)
U.S. DEPARTMENT OF ENERGY)
EL PASO MERCHANT ENERGY, L.P.)
)

DOCKET NO. FE02-26LNG

**APPLICATION OF EL PASO MERCHANT ENERGY, L.P. FOR
LONG-TERM AUTHORIZATION TO IMPORT LIQUEFIED NATURAL GAS**

Pursuant to Section 3 of the Natural Gas Act ("NGA"), 15 U.S.C. § 717b, and Sections 590.201 *et seq.* of the Regulations of the Department of Energy, Office of Fossil Energy ("DOE/FE"), 10 C.F.R. §§ 590.201 *et seq.*, El Paso Merchant Energy, L.P. ("El Paso Merchant") hereby requests long-term authorization to import liquefied natural gas ("LNG") primarily from Norway, but also from other various international sources.

In support of this application, El Paso Merchant respectfully shows as follows:

I.

GENERAL

All communications regarding this Application and this proceeding should be addressed to the following persons, who should be included on the official service list maintained by the Assistant Secretary for Fossil Energy:

Myra McAbee, Esquire
Senior Counsel
El Paso Merchant Energy, L.P.
1001 Louisiana Street
Houston, TX 77002
(713) 420-1895

David S. Shaffer, Esquire
Andrews & Kurth L.L.P.
1701 Pennsylvania Avenue, N.W.
Suite 300
Washington, D.C. 20006
(202) 662-2700

II.

BACKGROUND

A. The Applicant

The exact legal name of the Applicant is El Paso Merchant Energy, L.P. El Paso Merchant is a limited partnership organized and existing under the laws of the State of Delaware. The location of El Paso Merchant's principal place of business is 1001 Louisiana Street, Houston, Texas 77002. El Paso Merchant is an indirect, wholly-owned subsidiary of El Paso Corporation. El Paso Merchant is a major U.S. marketer and broker of natural gas to local distribution companies, other marketing companies and end users. El Paso Merchant is also engaged in the business of purchasing LNG from various international sources and importing it into the United States under both long-term and short-term arrangements.

B. Related Transaction

El Paso Merchant, as buyer, and El Paso Global LNG Company, Ltd. ("El Paso Global") [an affiliate of El Paso Merchant], as seller, have agreed, in principle, to enter into a LNG Sale and Purchase Agreement. Under this agreement, El Paso Merchant will purchase from El Paso Global up to 91.25 million MMBtu of LNG yearly for an initial term of seventeen (17) years, which may be extended by El Paso Global for an additional five (5) years. El Paso Global, in turn, intends to purchase and arrange for the transportation of the LNG supplies necessary to meet its obligations under the agreement primarily from the Snøhvit Area on the Norwegian Continental Shelf, but also from various other international sources.

III.

AUTHORIZATION REQUESTED

By this application, El Paso Merchant requests long-term authorization pursuant to Section 3 of the NGA to import up to 91.25 million MMBtu per year of LNG for a term of twenty-two (22) years commencing on the date of the first delivery. Such terms reflect the agreement in principle, described above, between El Paso Merchant and El Paso Global. Under this agreement, El Paso Merchant will acquire the LNG from El Paso Global who, in turn, will purchase and arrange for the transportation of the LNG from various international sources. It is expected that over the term of the requested authorization most of the LNG to be imported by El Paso Merchant will originate in the Snøhvit Area on the Norwegian Continental Shelf. However, El Paso Global is also likely to purchase and arrange for the transportation of LNG supplies from a variety of other international sources, particularly during the period before 2005, when the Snøhvit supplies will not be available. Purchases from such other sources are likely to be on a short-term firm basis. The deliveries of LNG from El Paso Global are to commence no earlier than June 1, 2002.

The LNG to be imported will generally be delivered to the LNG terminal and related facilities of Cove Point LNG Limited Partnership ("Cove Point LNG") in Calvert County, Maryland. Cove Point LNG has recently received authorization from the Federal Energy Regulatory Commission to recommission the LNG terminal at this location, which has been maintained in a "moth-balled" state for a number of years. Cove Point LNG is presently in the process of obtaining remaining permits required for reactivation of the facility and taking other steps necessary to bring the terminal back into service. Cove Point LNG expects to resume service at the terminal in the near future, but no earlier than June 1, 2002. El Paso Merchant has

contracted to become a firm shipper at the facility, with a capacity right of 250,000 Dth/day, for a primary term of twenty years.

After being regasified at Cove Point LNG's plant, the gas will be transported from the tailgate of the plant through the Cove Point LNG's pipeline to existing interconnections with interstate pipelines or to facilities of parties served directly from the Cove Point LNG pipeline. However, if there is a temporary operational constraint at the Cove Point LNG facilities, or in order to take make-up quantities, El Paso Merchant may designate alternate delivery points. As a result, El Paso Merchant requests authorization to import the LNG at any existing receiving facility in the United States or its territories.

El Paso Merchant respectfully requests waiver of the ninety day notice requirement contained in Section 201(b) of the DOE/FE regulations. *See* 10 C.F.R. § 590.201. El Paso Merchant could begin incurring charges at the Cove Point LNG terminal as early as June 1, 2002, and, accordingly, would like to have the necessary authorization to commence importing LNG at that time. El Paso Merchant, therefore, respectfully requests that the DOE/FE expeditiously consider the instant application and grant its request for long-term authority no later than June 1, 2002.

IV.

CONTRACT PROVISIONS

El Paso Merchant and El Paso Global anticipate executing a definitive agreement within the next few weeks which will provide for the sale of LNG by El Paso Global to, and the purchase of LNG by, El Paso Merchant consistent with the agreement in principle described above. El Paso Merchant will file with the DOE/FE a copy of the final LNG Sale and Purchase Agreement after it has been executed.

V.

PUBLIC INTEREST

Under Section 3(c) of the NGA, as amended by Section 201 of the Energy Policy Act of 1992 (Pub. L. 102-485), the importation of LNG is deemed consistent with the public interest and an application for such importation must be granted without modification or delay.

VI.

ENVIRONMENTAL IMPACT

Cove Point LNG is the owner and operator of the Cove Point LNG terminalling facilities that will receive the LNG deliveries under the current application. On January 31, 2001, Cove Point LNG filed an application with the Federal Energy Regulatory Commission ("FERC") for a certificate of public convenience and necessity to reactivate the existing Cove Point Terminal and to construct certain new facilities ("Reactivation Project"). As a result, the FERC performed an Environmental Assessment of the Reactivation Project. Ultimately, the FERC approved the application and determined that if constructed and operated in accordance with Cove Point LNG's application, then the Reactivation Project would not constitute a major federal action significantly affecting the quality of the human environment within the meaning of the Natural Environmental Policy Act, 42 U.S.C. §§ 4321, *et seq.* See *Cove Point LNG Limited Partnership*, 97 FERC ¶ 61,043, *order on reh'g*, 97 FERC ¶ 61,276 (2001). Furthermore, no new facilities will be constructed in the United States for the importation of LNG at alternate delivery points. Therefore, no further environmental impact statement or environmental assessment is required.

VII.

REPORTING REQUIREMENTS

Consistent with reporting requirements imposed on similar authorizations granted by the DOE/FE, El Paso Merchant proposes to provide within two weeks after LNG deliveries begin, written notification of the date of the first import of LNG under this requested authorization. El Paso Merchant also proposes to file, within thirty days following each calendar quarter, quarterly reports indicating whether imports of LNG have been made. If no imports of LNG have been made, a report of "no activity" for that calendar quarter would be filed. If LNG imports have occurred during the calendar quarter, El Paso Merchant would report the following information by month: (1) the total volume of imports in Mcf and MMBtu; (2) the country of origin; (3) the names of the transporters, including the names of the LNG tankers used; (4) the geographic market(s) served; (5) the name(s) of the purchasers; (6) the average landed cost per MMBtu at the point of import; and (7) the per unit (MMBtu) demand/commodity charge breakdown of the price, if applicable.

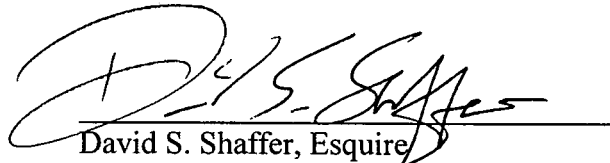
VIII.

CONCLUSION

WHEREFORE, for the foregoing reasons, El Paso Merchant respectfully requests that the DOE/FE consider the instant application and, pursuant to Section 3 of the NGA and Section 201 of the Energy Policy Act, grant its request for long-term import authorization. El Paso Merchant submits that a grant of such authorization would be consistent with the public interest.

Respectfully submitted,

El Paso Merchant Energy, L.P.



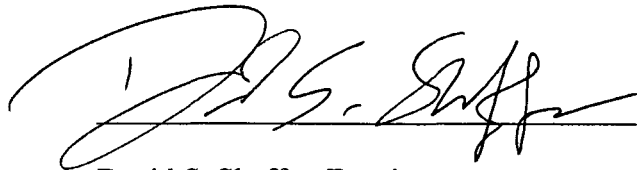
David S. Shaffer, Esquire
Andrews & Kurth L.L.P.
1701 Pennsylvania Avenue, N.W.
Suite 300
Washington, D.C. 20006
(202) 662-2700

Dated: April 29, 2002

VERIFICATION

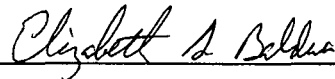
CITY OF WASHINGTON)
DISTRICT OF COLUMBIA)

David S. Shaffer, being first duly sworn, deposes and says that he is a duly authorized representative of El Paso Merchant Energy, L.P.; that he has read the foregoing document; that he is familiar with the contents thereof; that the statements contained therein are true and correct to the best of his knowledge, information and belief; that he is authorized to file the same with the Department of Energy, Office of Fossil Energy; and that to the best of his knowledge, information and belief, the same or a related matter is not being considered by any other part of the Department of Energy, including the Federal Energy Regulatory Commission, or any other Federal agency or department.



David S. Shaffer, Esquire

SUBSCRIBED AND SWORN TO before me this 29th day of April, 2002.



Notary Public

ELIZABETH A. BALLOU
Notary Public, District of Columbia
My Commission Expires June 14, 2005

My Commission Expires:

OPINION OF COUNSEL

I, Myra McAbee, have reviewed the Fourth Amended and Restated Agreement of Limited Partnership dated October 1, 2001 of El Paso Merchant Energy, L.P. ("Applicant"); in my opinion the importation of liquefied natural gas from various international sources into the United States is within the corporate powers of Applicant.

I also certify that Applicant has complied with State laws and with any applicable rules and regulations of State regulatory authorities in the States in which Applicant operates, to the best of my knowledge and belief.



Myra McAbee
Senior Counsel
El Paso Merchant Energy, L.P.

Dated: April 29, 2002.

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

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MAY 29 2002

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EL PASO MERCHANT ENERGY, L.P.

FE DOCKET NO. 02-26-LNG

ORDER GRANTING LONG-TERM AUTHORIZATION TO
IMPORT LIQUEFIED NATURAL GAS

DOE/FE ORDER NO. 1780

MAY 29, 2002

I. DESCRIPTION OF REQUEST

On April 29, 2002, El Paso Merchant Energy, L.P. (El Paso Merchant), filed an application with the Office of Fossil Energy (FE) of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA),^{1/} and DOE Delegation Order Nos. 0204-111 and 0204-127, for authorization to import up to 91.25 million MMBtu of liquefied natural gas (LNG) per year over a term of 22 years beginning on the date of first import delivery after June 1, 2002. El Paso Merchant proposes to import LNG from the affiliated El Paso Global LNG Company, Ltd. (El Paso Global). El Paso Global will purchase the LNG from a variety of sources, but primarily from the Snøhvit Area on the Norwegian Continental Shelf.

The LNG imported will generally be delivered to the LNG terminal and related facilities of Cove Point LNG Limited Partnership (Cove Point LNG) in Calvert County, Maryland. Cove Point LNG has recently received authorization from the Federal Energy Regulatory Commission to recommission the LNG terminal at this location. Cove Point LNG is presently in the process of obtaining remaining permits required for reactivation of the facility and taking other steps necessary to bring the terminal back into service. Service at the terminal is expected to resume no earlier than June 1, 2002. If there is a temporary operational constraint at the Cove Point LNG facilities, or in order to take make-up quantities, El Paso Merchant may designate alternate delivery points. As a result, El Paso Merchant also requests authorization to import the LNG at any existing receiving facility in the United States or its territories. El Paso Merchant, a Delaware limited partnership, with its principal place of business in Houston, Texas, is an indirect wholly-

^{1/} 15 U.S.C. § 717b.

owned subsidiary of El Paso Corporation. El Paso Merchant, a marketer and broker of natural gas, is also engaged in the business of purchasing LNG from various international sources and importing it into the United States under both long-term and short-term arrangements. El Paso Merchant and El Paso Global anticipate executing a sale and purchase agreement, consistent with an existing agreement in principle, within the next few weeks. El Paso Merchant will file a copy of the final agreement with the Office of Natural Gas & Petroleum Import & Export Activities after it has been executed. The requested authorization does not involve the construction of new LNG receiving facilities.

II. FINDING

The application filed by El Paso Merchant has been evaluated to determine if the proposed import 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 of LNG is deemed to be consistent with the public interest and must be granted without modification or delay. The authorization sought by El Paso Merchant to import LNG meets the section 3(c) criterion and, therefore, is consistent with the public interest.

ORDER

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

A. El Paso Merchant Energy, L.P. is authorized to import up to 91.25 million MMBtu of LNG per year over a term of 22 years beginning on the date of first import delivery after June 1, 2002, in accordance with the final Sale and Purchase Agreement between El Paso Merchant and El Paso Global. This LNG will be imported primarily from Norway, but also other various international sources. This LNG may be delivered to the LNG terminal and related facilities of

Cove Point LNG Limited Partnership in Calvert County, Maryland, or to alternative receiving facilities in the United States, or its territories, as designated by El Paso Merchant if there are temporary operational constraints at the Cove Point LNG facilities, or in order to take make-up quantities.

B. El Paso Merchant shall file with the Office of Natural Gas & Petroleum Import & Export Activities within two weeks of its execution, a copy of the final Sale and Purchase Agreement with El Paso Global.

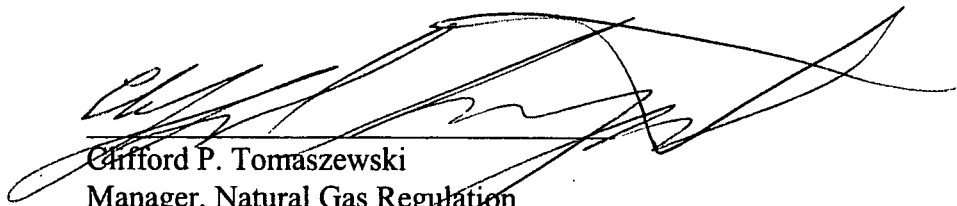
C. Within two weeks after deliveries begin, El Paso Merchant shall provide written notification of the date that the first import of LNG authorized in Ordering Paragraph A above occurred.

D. With respect to the LNG imports authorized by this Order, El Paso Merchant shall file with the Office of Natural Gas & Petroleum Import & Export Activities, within 30 days following each calendar quarter, reports indicating whether imports of LNG have been made. Quarterly reports must be filed whether or not initial deliveries have begun. If no imports of LNG have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, El Paso Merchant must report by month: (1) total volume of imports in Mcf and MMBtu; (2) the country of origin; (3) the name(s) of the seller(s); (4) the point(s) of entry; (5) transporters, including the name(s) of the LNG tankers used; (6) geographic markets served; (7) the average landed cost per MMBtu at the point of import; and (8) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price, if applicable. The reports shall also include the monthly volumes in Mcf taken by each of El Paso Merchant's customers. [OMB No.: 1901-0294]

E. The first quarterly report required by Ordering Paragraph D of this Order is due not later than July 30, 2002, and should cover the period from June 1, 2002, through the end of the second calendar quarter, June 30, 2002.

F. The notification and reports required by Ordering Paragraphs B, C and D of this Order shall be filed with the Office of Natural Gas & Petroleum Import & Export Activities, Fossil Energy, Room 3E-042, FE-34, Forrestal Building, 1000 Independence Avenue, S. W., Washington, D.C., 20585.

Issued in Washington, D.C., on May 29, 2002.



Clifford P. Tomaszewski
Manager, Natural Gas Regulation
Office of Natural Gas & Petroleum
Import & Export Activities
Office of Fossil Energy



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DOE/OFE/NGR

Clifford P. Tomaszewski, Manager
Natural Gas Regulation
Office of Natural Gas and Petroleum Import and Export Activities
Fossil Energy
U.S. Department of Energy
Forrestal Building, Room 3E-042, FE-34
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Re: Request to Terminate Long-Term Import Authorization Granted to
El Paso Merchant Energy, L.P. under DOE/FE Order No. 1780

Dear Mr. Tomaszewski:

On April 29, 2002, El Paso Merchant Energy, L.P. ("El Paso Merchant") filed an application with the Office of Fossil Energy of the Department of Energy for authorization to import up to 91.25 million MMBtu of liquefied natural gas ("LNG") per year to be delivered primarily to the LNG terminal located at Cove Point, Maryland. The application provided that El Paso Merchant would purchase the imported LNG from an affiliate, El Paso Global LNG Company, Ltd. ("El Paso Global"). In turn, El Paso Global would purchase the LNG from a variety of sources, but primarily from the Snohvit Area on the Norwegian Continental Shelf. The requested long-term authorization was for 22 years beginning on the date of first import delivery.

On May 29, 2002, the Office of Fossil Energy granted El Paso Merchant's application in DOE/FE Order No. 1780. The authorization granted under Order No. 1780 directed El Paso Merchant to file a copy of the final Sale and Purchase Agreement between El Paso Merchant and El Paso Global for the imported LNG within two weeks of being executed.

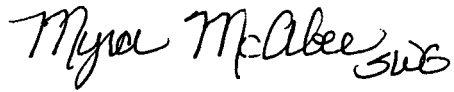
Subsequently, El Paso Global agreed to sell its interest in the LNG supply contract underlying the long-term import authorization granted in Order No. 1780 to Statoil ASA. In addition, El Paso Merchant agreed to assign and release its capacity rights at the LNG regasification terminal at Cove Point to an affiliate of Statoil ASA. These transactions were consummated in December 2002.

Accordingly, El Paso Merchant herein requests that the Office of Fossil Energy immediately terminate the long-term import authorization granted under Order No. 1780. Furthermore, El Paso Merchant hereby notifies the Office of Fossil Energy that because of the transfer of interests described in this letter the Sale and Purchase Agreement between El Paso Merchant and El Paso Global for the imported LNG was never executed, and therefore, will not be filed.

Clifford P. Tomaszewski, Manager
U.S. Department of Energy
Page 2

If there are any questions, please feel free to contact me at the 713-840-8231.

Respectfully submitted,

A handwritten signature in black ink that reads "Myra McAbee" with a stylized flourish at the end.

Myra Wilson McAbee
On behalf of
El Paso Merchant Energy, L.P.

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

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OFFICE OF FOSSIL ENERGY
U.S. DEPARTMENT OF ENERGY

EL PASO MERCHANT ENERGY, L.P.)
_____)

FE DOCKET NO. 02-26-LNG

ORDER VACATING LONG-TERM AUTHORIZATION
TO IMPORT LIQUEFIED NATURAL GAS

DOE/FE ORDER NO. 1780-A

On May 29, 2002, the Office of Fossil Energy (FE) of the Department of Energy (DOE) granted long-term authorization to El Paso Merchant Energy, L.P. (El Paso Merchant) in DOE/FE Order No. 1780 (Order 1780)^{1/2} to import up to 91.25 million MMBtu of liquefied natural gas (LNG) per year over a term of 22 years beginning on the date of first import delivery after June 1, 2002, in accordance with the final Sale and Purchase Agreement between El Paso Merchant and El Paso Global.

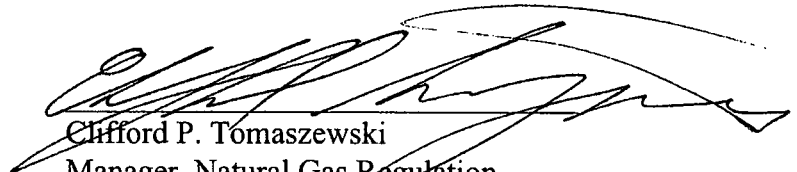
On March 14, 2003, El Paso Merchant filed a letter with DOE requesting that FE vacate Order 1780. In December 2002, El Paso Global LNG Company (El Paso Global) agreed to sell to Statoil ASA its interest in the LNG supply contract underlying the long-term authorization

^{1/2} 2 FE ¶ 70,747.

granted in Order 1780; in addition, El Paso Merchant agreed to assign and release its capacity rights at the LNG regasification terminal at Cove Point, Maryland to an affiliate of Statoil ASA. As a result of the transfer of interests, the Sale and Purchase Agreement between El Paso Merchant and El Paso Global was never executed. Order 1780 was never activated and El Paso Merchant no longer has any need to import LNG.

Accordingly, pursuant to section 3 of the Natural Gas Act, the authorization to import natural gas granted by Order 1780 is hereby vacated.

Issued in Washington, D.C., on March 21, 2003.



Clifford P. Tomaszewski
Manager, Natural Gas Regulation
Office of Natural Gas & Petroleum
Import and Export Activities
Office of Fossil Energy