

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

EL PASO MERCHANT ENERGY, L.P.

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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

^{1/} 15 U.S.C. § 717b.

place of business in Houston, Texas, is an indirect wholly-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