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

**In the Matter of:**

**FE Docket No. 12-06- LNG,**

**AMENDMENT AND SUPPLEMENT  
TO  
APPLICATION OF  
FREEPORT EXPANSION, L.P. AND FLNG LIQUEFACTION, LLC  
FOR LONG-TERM AUTHORIZATION TO EXPORT  
LIQUEFIED NATURAL GAS**

Communications with respect to this  
Application should be addressed to:

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September 18, 2013

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

IN THE MATTER OF

FE DOCKET NO. 12-06- LNG,

AMENDMENT AND SUPPLEMENT TO  
APPLICATION FOR LONG-TERM, MULTI-CONTRACT  
AUTHORIZATION TO EXPORT LIQUEFIED NATURAL GAS

**I.**  
**INTRODUCTION**

Freeport LNG Expansion, L.P. ("FLNG Expansion") and FLNG Liquefaction ("FLNG Liquefaction 1") request that the Department of Energy ("DOE") Office of Fossil Energy ("FE"), grant this amendment and supplement to its long-term, multi-contract authorizations for FLEX to export domestically sourced liquefied natural gas (LNG).

This application is submitted pursuant to the requirements of the regulations of DOE/FE<sup>1</sup> promulgated under the authority of Section 3 of the Natural Gas Act (NGA),<sup>2</sup> Part 590 of the Regulations of the Department of Energy ("DOE"),<sup>3</sup> and Section 201 of the Energy Policy Act of 1992.<sup>4</sup> In support of this Amendment and Supplement, applicants respectfully show as follows:

**II.**  
**COMMUNICATIONS AND CORRESPONDENCE**

Correspondence and communications regarding this application should be addressed to the following:

Les E. Lo Baugh, Esq.  
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<sup>1</sup> 10 C.F.R 590.204.

<sup>2</sup> 15 U.S.C. § 717b (2010).

<sup>3</sup> 10 C.F.R. Part 590 (2010).

<sup>4</sup> Pub. L. No. 102-486, § 201, 106 Stat. 2776, 2866 (1992) (codified as amended at 15 U.S.C. § 717b(c) (2010)).

### **III.**

#### **DESCRIPTION OF THE APPLICANTS**

FLNG Expansion, L.P. is a Delaware limited partnership and a wholly owned subsidiary of Freeport LNG Development, L. P. Applicant FLNG Liquefaction, LLC is a Delaware limited liability company and a wholly owned subsidiary of FLNG Expansion, L.P. Both have their principal place of business located at 333 Clay Street, Suite 5050, Houston, Texas 77022. Both are authorized to do business in the State of Texas. (Collectively they are referred to as "FLEX")

### **IV.**

#### **LIQUEFACTION PROJECT DESCRIPTION**

FLEX, through one or more of its subsidiaries, proposes to develop natural gas liquefaction facilities to receive and liquefy domestic natural gas for export to foreign markets. ("Freeport LNG Export Project") The Freeport LNG Export Project facilities will be integrated into Freeport LNG's existing LNG receiving and re-gas terminal located on Quintana Island in the vicinity of Freeport, Texas. Currently there are two LNG storage tanks at the Freeport facilities. It is proposed that a third tank storage tank will be added, as well as necessary gas treating infrastructures. The proposed liquefaction facilities will include three liquefaction trains. The Federal Energy Regulatory Commission ("FERC") review of the proposed Freeport LNG liquefaction facilities is ongoing.<sup>5</sup>

### **V.**

#### **FLEX'S LONG-TERM APPLICATIONS AND AUTHORIZATIONS**

In its applications to DOE/FE, FLEX requests that DOE/FE grant long-term, multi-contract authorizations for Freeport LNG to export domestically sourced LNG from the Freeport LNG terminal on Quintana Island, Texas to any country which has or will develop the capacity to import LNG via ocean-going carrier, and with which trade is not prohibited by United States law or policy. Freeport has filed four separate applications. These requests include proposed exports to both Free Trade Agreement ("FTA") countries and to non-FTA countries. The FLEX applications in FE Docket Nos. 10-160-LNG and 12-06-LNG are specifically for exports to countries that have a Free Trade Agreement with the United States that provides for the national treatment of natural gas ("FTA"). Both of these applications have been approved.<sup>6</sup> The other two FLEX applications, FE Docket Nos. 10-161-LNG and 11-161-LNG, are for exports of LNG to countries that do not have an FTA with the United States, but where exports are not prohibited by United States law or policy. All exports are proposed to be made from the Freeport LNG Terminal. All exports will be managed by FLNG Expansion. In each of the applications, FLNG Expansion requests authorization to export LNG on its own behalf or as agent for its customers.

On February 10, 2012 DOE/FE issued Order No. 3066 in FE Docket No. 12-06-LNG granting long-term multi-contract authorization to export liquefied natural gas by vessel from the Freeport LNG Terminal on Quintana Island, Texas to FTA nations. DOE/FE Order 3066 also

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<sup>5</sup> Docket No. CP12-509-000. FERC Pre-Filing Docket PF 11-2.

<sup>6</sup> FE Order No. 2913, issued Feb. 17, 2011; FE Order No. 3066, issued February 10, 2012.



authorized FLEX to export domestic sourced LNG on its own behalf or as agent for others.<sup>7</sup> To facilitate performance of its responsibilities under the Natural Gas Act, DOE/FE established various reporting and filing requirements for long-term contracts for the export of LNG as agent for others. In compliance with those requirements, FLEX has filed summary reports for three long-term Liquefaction Tolling Agreements ("LTA") that it has executed thus far.<sup>8</sup>

## VI. LEGAL AUTHORITY

The DOE's general authority over applications to export natural gas is pursuant to the specific authorization requirements of Section 3 of the NGA.<sup>9</sup> Consistent with that authority and responsibility, the DOE/FE has established a set of procedures governing the application process and the exercise by DOE/FE of its responsibilities.<sup>10</sup> These regulations authorize applicants to amend or supplement applications and under certain circumstances require such amendment or supplement. Specially, the DOE/FE regulations state that:

"The applicant may amend or supplement the application at any time prior to the issuance of the Assistant Secretary's final opinion and order resolving the application, and shall amend or supplement the application whenever there are changes in material facts or conditions upon which the proposal is based."<sup>11</sup>

The clear language of the regulations grants the applicant the right to amend its application and in some circumstances they impose the obligation to do so.

## VII. AMENDMENT AND SUPPLEMENT

As referenced above, and as described in more detail in its applications, FLEX proposes to develop the Freeport LNG Export Project through its subsidiaries. In addition it proposes to develop several liquefaction trains as part of this project. Each train will be commissioned and placed into service separately. The LTAs designate individual liquefaction trains. In addition, as noted earlier here and in its applications, FLNG Expansion will act as agent for others under the various LTAs for all trains and all exports.

At the time of the filing of the FLEX applications, it was contemplated that all three liquefaction trains would be owned by FLNG Liquefaction, LLC which is a wholly owned subsidiary of Freeport LNG Expansion, L.P., the two companies both being the applicants and referred to as FLEX. Recently FLEX has entered into detailed negotiations for the financing of the Freeport LNG Export Project. It is now apparent that to meet the requirements of its LTA customers and lenders, it is necessary that each of the liquefaction trains be a separate legal entity.

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<sup>7</sup> FE Order No. 3066, p. 8)

<sup>8</sup> See the FLEX DOE/FE dockets, posted April 12, 2013.

<sup>9</sup> 15 U.S.C. §717b. This authority is delegated to the Assistant Secretary for FE pursuant to Re-delegation Order No. 00.002.04D (November 6, 2007)

<sup>10</sup> 10. C.F.R. 590 et seq.

<sup>11</sup> 10. C.F. R. 590.204(a).

As a consequence, FLEX has established additional Freeport companies to separately own the second and third liquefaction trains. The first liquefaction train will be owned by FLNG Liquefaction 1, which is an applicant in the current dockets and included under the FLEX conditional authorization in Order 3282 and both of the FTA orders. However, the second liquefaction train will be owned by FLNG Liquefaction 2 and FLNG Liquefaction 3 will own the third liquefaction train. These two new entities are part of the same Freeport corporate family of companies. Both FLNG Liquefaction 2 and FLNG Liquefaction 3 are wholly owned subsidiaries of FLNG Expansion. Both FLNG Liquefaction 2 and FLNG Liquefaction 3 are authorized to do business in the State of Texas. Prospective lenders and equity providers have also recently raised concerns that although FLNG Liquefaction 2 and FLNG Liquefaction 3 are wholly owned subsidiaries of the applicant FLNG Expansion, they not named applicants in this proceeding and therefore will not be designated owners of the export licenses. Notwithstanding that the three liquefaction trains will be separately developed, financed and constructed, the liquefaction trains, upon completion all three liquefaction trains will be integrated with the existing regasification and import facility and the Liquefaction Project will be operated as a single integrated liquefaction, regasification, LNG export and LNG import facility. (Please see Attachment A which is a chart illustrating the corporate structure of the Freeport companies.)

In order to address these concerns, it is necessary that the FLEX application be amended and supplemented to include FLNG Liquefaction 2 and FLNG Liquefaction 3 as additional applicants in the Freeport Docket No. 12-06-LNG. This amendment and supplement will not adversely impact any aspects of the public interest. Nor does it constitute a change of control as defined by DOE/FE in Order 3282. The power to direct the management and policy of FLNG Liquefaction 1, FLNG Liquefaction 2 and FLNG Liquefaction 3 is not changed by this amendment and supplement. As before this amendment and supplement, FLNG Expansion will act as agent for others, will continue to be the single point of contract with DOE and will coordinate all exports under the licenses. This amendment and supplement is consistent with the policy preference of DOE/FE to establish clear lines of responsibility and transparency.<sup>12</sup>

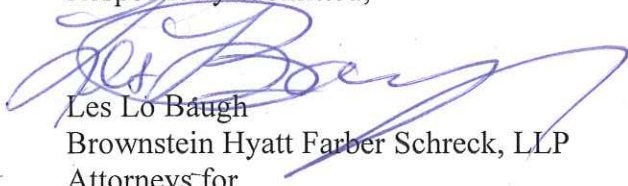
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<sup>12</sup> For the reasons described above, FLEX is filing an analogous amendment and supplement in each of its four long-term FE Docket Nos. 10-160-LNG; 10-161-LNG; 12-06-LNG; and 11-161-LNG.

**VIII.**  
**CONCLUSION**

WHEREFORE, for the foregoing reasons FLEX respectfully requests that the DOE/FE expeditiously acknowledge, accept and approve this amendment and supplement to the FLEX application to include FLNG Liquefaction 2 and FLNG Liquefaction 3 as additional applicants in FE Dockets No. 12-06-LNG.

Respectfully submitted,

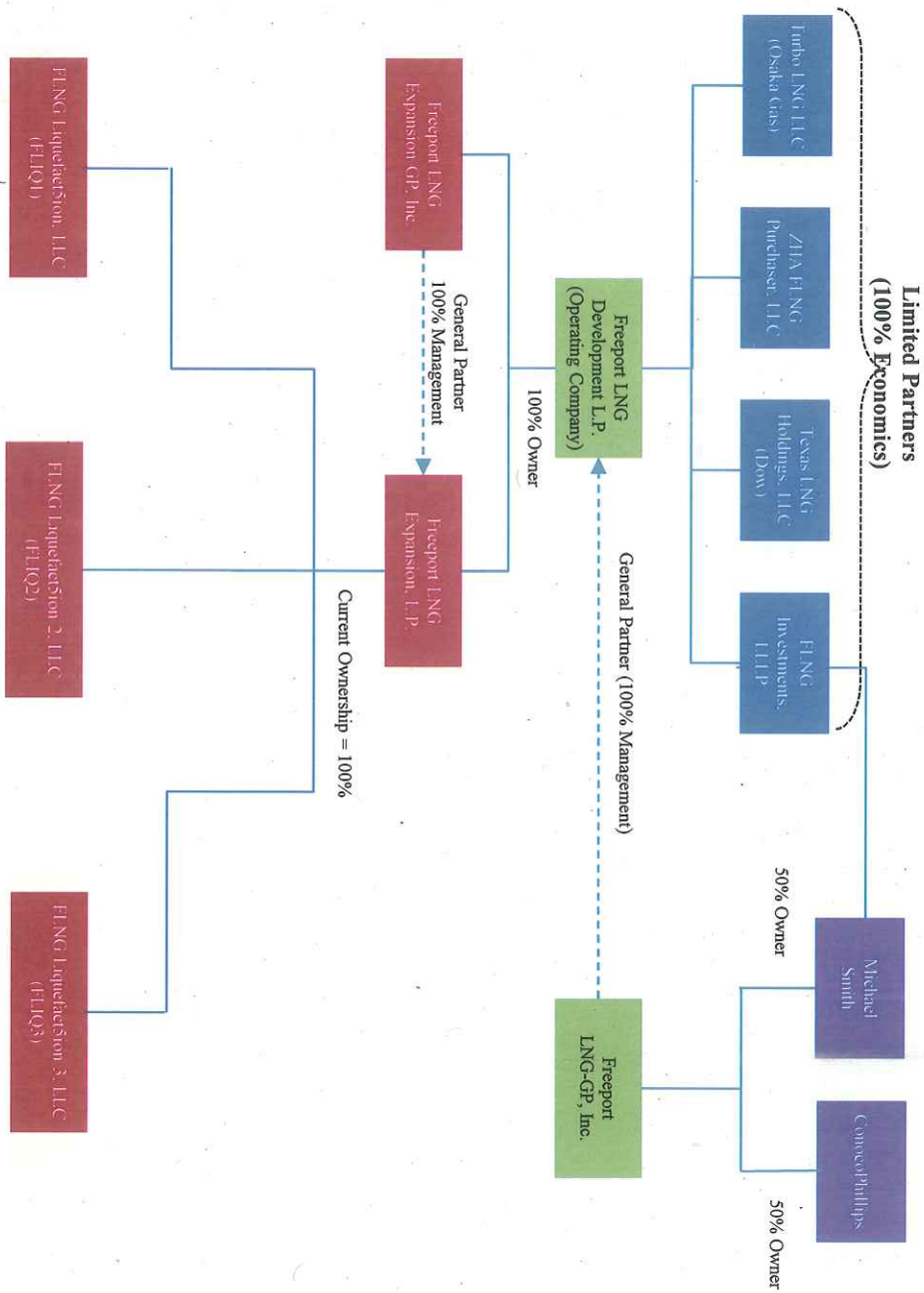


Les Lo Baugh  
Brownstein Hyatt Farber Schreck, LLP  
Attorneys for  
Freeport LNG Expansion, L.P.  
FLNG Liquefaction, LLC

September 18, 2013



# Freeport LNG Corporate Structure as of September 2013



VERIFICATION

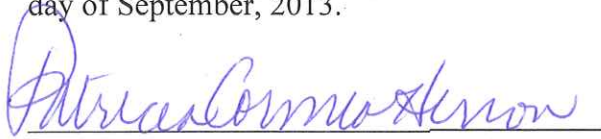
County of Los Angeles

State of California

I, Leslie Lo Baugh, being duly sworn on his oath, do hereby affirm that I am familiar with the contents of this Amendment and Supplement and that the matters set forth therein are true and correct to the best of my knowledge, information and belief.

  
Leslie Lo Baugh

Sworn to and subscribed before me, a Notary Public, in and for the State of California, this 18th day of September, 2013.

  
Patricia Cormier Herron, Notary Public

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