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By email at 10:59 am, Oct 14, 2014

October 13, 2014

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**VIA E-MAIL AND OVERNIGHT MAIL**

John A. Anderson  
U.S. Department of Energy  
Division of Natural Gas Regulatory Activities  
Director of the Office for Oil and Gas  
Global Security and Supply  
1000 Independence Ave, SW, FE-34, Rm 3E-042  
Washington, D.C. 20585

**NOTICE, AMENDMENT, AND STATEMENT OF CHANGE  
Filed Pursuant to DOE/FE September 26, 2014, Notice of Procedures Change**

**In re DOE/FE Order Nos. 2913, 2913-A, 3066, 3066-A, 3282, 3282-A, 3282-B, 3357, and 3357-A  
and  
DOE/FE Docket Nos. 10-160-LNG, 10-161-LNG, 11-161-LNG, and 12-06-LNG**

Dear Mr. Anderson:

Enclosed please find the Notice, Amendment, and Statement of FREEPORT LNG EXPANSION, L.P., FLNG LIQUEFACTION, LLC, FLNG LIQUEFACTION 2, LLC, and FLNG LIQUEFACTION 3, LLC, which are the applicants in the above-referenced DOE/FE dockets. Please lodge this Notice in all four of the above-referenced dockets. In addition this Notice is applicable to each of the above-referenced DOE/FE orders. The required Certificate of Service and a Verification are attached to the Notice.

Although this is being filed electronically, an original hard copy is being mailed to the DOE today.

Sincerely,



Les Lo Baugh

LEL:mld  
Enclosures

cc: Edward B. Myers

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2049 Century Park East, Suite 3550  
Los Angeles, CA 90067  
main 310.500.4600

**RECEIVED**

By [REDACTED] email at 10:56 am, Oct 14, 2014

October 13, 2014

**NOTICE, AMENDMENT, AND STATEMENT OF CHANGE**

**PURSUANT TO DOE/FE SEPTEMBER 26, 2014 NOTICE OF PROCEDURES CHANGE**

**REFERENCE: DOE/FE ORDER NOS.  
2913, 2913-A, 3066, 3066-A, 3282, 3282-A, 3282-B, 3357 and 3357-A**

**AND**

**DOE/FE DOCKET NOS. 10-160-LNG, 10-161-LNG, 11-161-LNG and 12-06-LNG**

**BY**

**FREEPORT LNG EXPANSION, L.P., FLNG LIQUEFACTION, LLC, FLNG  
LIQUEFACTION 2, LLC, and FLNG LIQUEFACTION 3, LLC**

**INTRODUCTION**

Pursuant to the DOE/FE Notice of Procedures issued September 26, 2014, FLEX respectfully provides this "Notice" of anticipated changes of ownership upstream of Applicants.<sup>1</sup> This filing describes two separate, but related, prospective transactions which will occur upstream of the Applicants in the above-referenced dockets.

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<sup>1</sup> To facilitate timely closing of the transactions described herein, the Applicants assume that the filing of this Notice is required, but also reserve their right to contest the need for such filing in a future proceeding.

**1. Description of the Applications of the Freeport LNG Export Project.**

Freeport LNG Expansion, L.P. ("Freeport Expansion"), FLNG Liquefaction, LLC ("FLIQ1"), FLNG Liquefaction 2, LLC ("FLIQ2") and FLNG Liquefaction 3, LLC ("FLIQ3") (collectively, "FLEX") have filed four applications with the Department of Energy, Fossil Energy ("DOE/FE") for long-term export of domestically sourced liquefied natural gas ("LNG") from the Freeport LNG Terminal at Quintana Island, Texas. Two of the applications, namely those filed in DOE/FE Docket Nos. 10-160-LNG and 12-06-LNG, are for long-term LNG exports to countries with which the United States has Free Trade Agreements ("FTA") providing for national treatment for trade in natural gas. The two FTA applications were approved by DOE/FE in DOE/FE Order Nos. 2913 and 3066.<sup>2</sup> The other two applications, in DOE/FE Docket Nos. 10-161-LNG and 11-161-LNG, are for long-term LNG exports to countries with which the United States does not have an FTA requiring the national treatment of natural gas ("non-FTA"). The two non-FTA applications were conditionally granted on May 17, 2013, in DOE/FE Order No. 3282, and on November 15, 2013, in DOE/FE Order No. 3357. DOE/FE subsequently amended the foregoing FTA orders and non-FTA conditional orders in DOE/FE Order Nos. 2913-A, 3066-A, 3282-A, 3282-B, and 3357-A.<sup>3</sup> As a result of these amendments, each of the FLEX entities holds an undivided interest in the two FTA authorizations and in the two conditional non-FTA authorizations.

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<sup>2</sup> *Order Granting Long-Term Authorization to Export Liquefied Natural Gas from Freeport LNG Terminal to Free Trade Nations*, DOE/FE Order No. 2913 (FE Docket No. 10-160-LNG), February 10, 2011; DOE/FE Order No. 2913-A, February 7, 2014; *Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Freeport LNG Terminal to Free Trade Agreement Nations*, DOE/FE Order No. 3066 (FE Docket No. 12-06-LNG), February 10, 2012; DOE/FE Order No. 3066-A, February 7, 2014.

<sup>3</sup> *Application of Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC for Long-Term Authorization to Export Liquefied Natural Gas to Non-Free Trade Agreement Countries*, DOE/FE Order No. 3282 (FE Docket No. 10-161-LNG), December 17, 2010. *Application of Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC for Long-Term Authorization to Export Liquefied Natural Gas to Non-Free Trade Countries*, DOE/FE Order No. 3357 (FE Docket No. 11-161-LNG), December 19, 2011. DOE/FE Order No. 3282-A, February 7, 2014; DOE/FE Order No. 3282-B, June 6, 2014, and DOE/FE Order No. 3357-A, June 6, 2014.

On July 3, 2014, FLEX filed a Request for Approval of Change in Control with regard to indirect changes in control of the upstream ownership of FLIQ1 and FLIQ2. This was assigned to FE Docket No. 14-005-CIC. That request was granted by DOE on September 23, 2014.

On September 26, 2014, FLEX filed a Notice of Change with DOE/FE. As stated in that Notice, FLNG-GP is currently owned 50% by each of Michael Smith, indirectly, and ConocoPhillips Company ("COP"). As discussed in the Notice, prior to financial close, COP will transfer to Michael Smith all of COP's interest in FLNG-GP, Inc. By contractual agreement, COP continues to be excluded from decision making with respect to the management, operations, or other activities of FLNG or FLEX related to the FLEX LNG export project, including with respect to the Export Authorizations. COP has no managerial or operational control over FLNG or FLEX, the FLEX LNG export project or the FLEX Export Authorizations. Michael Smith is already the only person who may direct any action on the part of the FLNG-GP, Inc. as it relates to the FLEX LNG export project. This transfer from COP to Michael Smith does not involve the transfer of any direct or indirect power to control management or policy of FLEX, the FLEX Export Authorizations, or the export project.<sup>4</sup>

## **2. Description of the Two Prospective Transactions.**

As noted above, two separate, but related, transactions are anticipated to occur. First, we have been advised that GIP II FLNG Holding Partnership, L. P. ("GIP II FLNG") has agreed to acquire an indirect limited partnership interest in Freeport Development LNG Development, L.P. ("Freeport Development") from a consortium of institutional investors managed by Hasting

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<sup>4</sup> After the financial close for Train 1 and Train 2, as described more fully in FLEX's "Notification and Statement of Change," filed in DOE/FE Docket Nos. 10-160-LNG, 10-161-LNG, 11-161-LNG, and 12-06-LNG on September 26, 2014, (the "September 26 Notice"), Michael S. Smith and his family trusts will own and control 100% of the member interests in MS-GP Holdco, LLC, which in turn will own 100% of the stock of Freeport LNG-GP, Inc. Freeport LNG-GP, Inc. is the general partner in Freeport Development. Presently, Mr. Smith and his family trusts own and control 50% of such stock. Following the prospective transaction described in the September 26 Notice, Mr. Smith and his family trusts will indirectly own and control 100% of the common stock in the general partner of Freeport Development (as compared to 50% of such stock that he currently holds).

Funds Management (USA) Inc. and Zachary American Infrastructure LLC ("ZHA")<sup>5</sup>, (collectively the "Sellers"). The interest to be acquired by GIP II FLNG is anticipated to be in excess of 10%, but less than a majority of the limited partner interests of Freeport Development.

Second, the balance of the Seller's interest would be acquired by Mr. Smith and his family trusts. As a consequence of these two upstream transactions, Sellers would have no further ownership interest at closing.

Specifically concerning this first transaction, we have been advised that: (1) GIP II FLNG will acquire ZHA FLNG, LLC from the Sellers; (2) ZHA FLNG, LLC owns and controls 100% of the Class A membership and voting interests in ZHA FLNG Purchaser, LLC; and (3) ZHA FLNG Purchaser, LLC currently owns and controls 55% of the limited partner interests in Freeport Development. After the conclusion of the transactions described above, ZHA Purchaser, LLC will own a minority limited partner interest in Freeport Development.<sup>6</sup>

In reference to the second transaction, Michael Smith and his family trusts currently own 100% of the Class B membership interests in ZHA FLNG Purchaser, LLC, together with an option to acquire from ZHA LNG Purchaser, LLC, five percent (5%) of the limited partner interests in Freeport Development. Shortly after the financial close of Train 1 and Train 2, it is expected that: (1) Mr. Smith's Class B membership interests in ZHA Purchaser, LLC will be

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<sup>5</sup> It is our understanding that the current owners of the membership interests in ZHA FLNG, LLC are as follows: UTA FLNG, LLC (37.5%); TIF LNG, LLC (25%); and Zachary Hastings Infrastructure Partners, L.P. (37.5%) ("ZHA FLNG Owners"). UTA FLNG, LLC and TIF LNG, LLC are affiliates of Australian pension funds, and Zachary Hastings Infrastructure Partners, L.P. is a Texas-based infrastructure fund.

<sup>6</sup> Freeport Development owns and controls 100% of the member interests in FLEX Holdco, LLC, which, in turn, owns and controls 100% of the equity and voting interests in Freeport Expansion. Freeport Expansion owns and controls 100% of the equity and voting interests in each of FLIQ1 Holdings, LLC, FLIQ2 Holdings, LLC, and FLIQ3 Holdings, LLC, which, in turn, own and control 100% of the equity and voting interests in FLIQ1, FLIQ2, and FLIQ3, respectively. As described in FE Docket No. 14-005-CIC and the DOE/FE order approving the described change in control, the ownership will change in reference to FLIQ1 and FLIQ2.

exchanged for limited partner interests in Freeport Development; and (2) Mr. Smith will exercise his option to acquire 5% of the limited partner interests in Freeport Development.<sup>7</sup>

As a result of the above described transactions: (1) Mr. Smith and his family trusts will then own and control a majority of the limited partner interests in Freeport Development; and (2) ZHA FLNG Purchaser, LLC will retain a minority, but greater than 10%, of the limited partner interests in Freeport Development with GIP II FLNG having acquired ZHA FLNG, LLC from the Sellers. Thus, GIP II FLNG will then indirectly hold a minority limited partner interest in Freeport Development.

### **3. Description of GIP II FLNG.**

GIP II FLNG is a Delaware limited partnership that is ultimately owned by Global Infrastructure Partners II, the second fund of Global Infrastructure Partners ("GIP"), a leading independent global infrastructure investor, focusing on the energy, power and utilities, transportation, and water/waste sectors. Headquartered in New York, GIP manages \$15 billion for its investors. To date, GIP has invested approximately \$6 billion in core infrastructure assets in the midstream energy and power sectors, with a focus on large strategic partnerships. GIP was formed in 2006 by principals from General Electric Corporation and Credit Suisse.

### **4. Operation and Maintenance Status Post Closing.**

After completion of the above described transactions, the operation and maintenance of the Freeport LNG facilities (both regasification and liquefaction) will continue to be under the control of the existing owner/operator of the facility, Freeport Development, through various

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<sup>7</sup> The conversion of Mr. Smith's Class B interests in ZHA FLNG Purchaser, LLC to limited partner interests in Freeport Development is expected to occur shortly after the financial closing of Train 1 and Train 2. In the unlikely event that such conversion does not occur at such time, it could occur at a later time. As with all of the requested transactions, Freeport Expansion will promptly notify DOE upon the occurrence of the transfer of voting and/or economic interests that are the subject of this Notice.

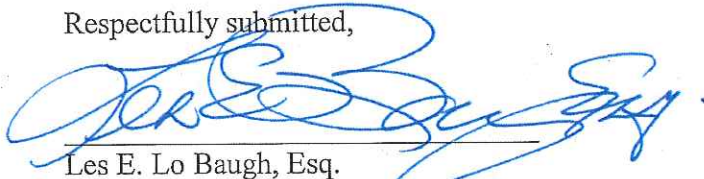
contractual arrangements with and among FLIQ1, FLIQ2 and FLIQ3. (As discussed above, Freeport Development is the ultimate, indirect, 100% parent of Freeport Expansion.) It is intended that FLEX will continue as the single point of contact with DOE/FE with respect to reporting and administration under the FTA and non-FTA export authorizations for the FLEX LNG Export Project.

### CONCLUSION

We will promptly notify you when the anticipated transactions are completed. At that point, please amend, as appropriate, your records and relevant documents, including the FLEX applications and DOE/FE Orders in both of FLEX's two FTA and two non-FTA dockets as noted above.

Thank you for your assistance.

Respectfully submitted,



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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 Notification, Amendment, and Statement of Change 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 13 day of October, 2014.

  
Shelly Marie Warris, Notary Public  
Print Name



## CERTIFICATE OF SERVICE

I hereby certify that I have this day, October 13, 2014, served the foregoing document entitled **Notification, Amendment, and Statement of Change** upon the parties as listed below in Docket Nos. 10-160-LNG, 10-161-LNG, 12-06 LNG and 11-161-LNG and DOE/FE for inclusion in the FE dockets in the above-referenced proceedings in accordance with 10 C.F.R. § 590.107(b)(2011).

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Dated at Los Angeles, California, this 13<sup>th</sup> day of October, 2014.

By: \_\_\_\_\_

  
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