

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

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BG LNG Services, LLC

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FE Docket Nos. 06-02-LNG
04-40-LNG

APPLICATION FOR LONG-TERM AUTHORIZATION
TO IMPORT LIQUEFIED NATURAL GAS
FROM VARIOUS INTERNATIONAL SOURCES AND
MOTION TO VACATE EXISTING IMPORT AUTHORIZATION OF
BG LNG SERVICES, LLC

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January 5, 2006

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BEFORE THE
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OFFICE OF FOSSIL ENERGY**

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BG LNG SERVICES, LLC**

Pursuant to Section 3 of the Natural Gas Act (“NGA”), as amended,¹ Department of Energy (“DOE”) Delegation Order Nos. 0204-111 and 0204-127,² and Part 590 of the Regulations of the DOE, Office of Fossil Energy (“OFE”),³ BG LNG Services, LLC (“BGLS”) hereby submits this application for long-term authorization to import liquefied natural gas (“LNG”) from various international sources pursuant to an executed Master LNG Sale and Purchase Agreement (the “Master Agreement”) and a Memorandum to the Master Agreement (the “Confirmation Memorandum”) between BGLS and BG LNG Trading, LLC (“BGLT”), as well as a motion to vacate a prior import authorization granted by the DOE.

In support of this application, BGLS respectfully shows as follows:

¹ 15 U.S.C. § 717b (2000).

² DOE Delegation Order No. 0204-111, Administrator of the Economic Regulatory Administration (Feb. 22, 1984); DOE Delegation Order No. 0204-127, Assistant Secretary for Fossil Energy (Feb. 7, 1989).

³ 10 C.F.R. Pt. 590 (2005).

I.

CORRESPONDENCE AND COMMUNICATIONS

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II.

BACKGROUND

BGLS is a limited liability company organized under the laws of the State of Delaware, having its principal place of business at 5444 Westheimer, Suite 1775, Houston, Texas 77056. BGLS is a wholly-owned subsidiary of BG Group plc, which has its principal place of business at 100 Thames Valley Park Drive, Reading, Berkshire, RG6 1PT, England. Pursuant to the authorization previously granted to BGLS, BGLS engages in the business of importing LNG purchased from Mitsubishi International Corporation ("Mitsubishi") pursuant to a Sale and Purchase Agreement with Mitsubishi dated July 20, 2003 (the "LNG Sales Agreement").⁴

(25.09 BCP) On March 26, 2004, BGLS filed an application with the OFE for authorization to import up to 25.6 trillion British Thermal Units ("TBtu") per year of LNG over a five year term pursuant to the terms of the LNG Sales Agreement. On April 16, 2004, in DOE/FE Order No. 1975, the OFE approved BGLS's application and granted it long-term authorization to import up

⁴ BGLS also imports LNG pursuant to the following authorizations: DOE/FE Order No. 1977 (April 19, 2004), DOE/FE Order No. 1947 (February 18, 2004), DOE/FE Order No. 1932 (December 30, 2003), and DOE/FE Order No. 1926 (December 8, 2003).

to the equivalent of 25.6 TBtu of LNG per year primarily to the LNG terminal and related facilities at Lake Charles, Louisiana.

III. LONG-TERM AUTHORIZATION REQUESTED

EGLS is seeking to vacate and replace its current import authorization by terminating the LNG Sales Agreement upon which it currently imports LNG and replacing it with the Master Agreement and Confirmation Memorandum. As part of a general corporate restructuring, BG Group plc desired to replace the many agreements between BGLS and its affiliates with a single Master Agreement between BGLS and BGLT that contained general terms and conditions applicable to all contracts for the importation of LNG into the United States. BGLS filed the Master Agreement with the OFE on December 9, 2005 in DOE/FE Docket No. 05-114-LNG and the Master Agreement is hereby incorporated by reference. The Confirmation Memorandum filed herewith contains the terms specific to the particular transaction, including: identification of the agreement under which the LNG is being obtained; the source of the supply; the name of the supplier; and the term and quantity of the contract.

Pursuant to the terms of the Master Agreement and Confirmation Memorandum, BGLS will purchase LNG from BGLT for importation into the United States. Upon importation, BGLS will sell the LNG and the natural gas resulting from vaporization of the LNG to various third parties in the regular course of business. Subject to the terms of the Confirmation Memorandum, BGLT will acquire the LNG from Mitsubishi. The LNG will come from various international sources. The point of entry for the importation of LNG into the United States will primarily be the LNG terminalling, storage and vaporization facilities located at the Lake Charles Terminal in Lake Charles, Louisiana (the "LNG Terminal").

The Confirmation Memorandum is effective from the date of execution, August 2, 2005, to November 1, 2008. BGLS will purchase LNG from BGLT in an amount up to the annual contract quantity of 25.6 TBtu per year of LNG or LNG equivalent pursuant to the Confirmation Memorandum.

BGLT will acquire the LNG subject to the terms of a Master LNG Sale and Purchase Agreement (EX SHIP) with Mitsubishi. The Master Agreement requires BGLS to take any LNG provided by BGLT under the Confirmation Memorandum or pay damages incurred by BGLT for a failure to accept delivery.

The price BGLS will pay BGLT for the LNG it purchases under the Master Agreement⁵ is a formula based on sales proceeds received by BGLS and published price indices for natural gas. BGLS will pay a price for LNG delivered pursuant to either (i) the final settlement price for the New York Mercantile Exchange's Henry Hub natural gas futures contract for delivery during such month; or (ii) the average price for "Daily Price Survey ... Louisiana-Onshore-South ... Henry Hub ... Midpoint" as published in *Platts Gas Daily*. Because the contract price for LNG under the Agreement is linked to published natural gas price indices, the price of LNG supplied during the term of the Confirmation Notice will remain competitive.

IV. MOTION TO VACATE EXISTING IMPORT AUTHORIZATION

As noted above, in the course of a general corporate restructuring BG Group plc has made a business decision to replace BGGM as the entity making sales to BGLS. Subject to the acceptance of the instant application, BGLS will be receiving LNG through the Master Agreement executed with BGLT and will, therefore, no longer have a need for the long-term

⁵ The pricing formula is included in the general terms of the Master Agreement and not in the Confirmation Memorandum.

import authorization granted by the OFE in DOE/FE Order No. 1975 to import LNG acquired from Mitsubishi.⁶ BGLS, therefore, moves for an order vacating the long-term authorization granted to it in DOE/FE Order No. 1975, and further requests such an order be made contingent upon any OFE order approving the long-term import authorization requested in the instant application, and be made effective as of the effective date of such order.

V. ENVIRONMENTAL IMPACT

BGLS intends to continue to use existing facilities for importing LNG as requested herein. This application therefore neither contemplates nor requires the construction of new facilities. Consequently, granting this application will not involve a federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act.⁷ Accordingly, neither an environmental impact statement, nor an environmental assessment, is required.

VI. THE PUBLIC INTEREST

Section 3 of the NGA provides that an import or export of natural gas must be authorized unless there is a finding that it “will not be consistent with the public interest.”⁸ Under Section 3(c), the importation of LNG “is deemed to be consistent with the public interest and must be granted without modification or delay.”⁹ The amendment to its import authorization sought by BGLS herein meets the Section 3(c) criterion and, therefore, is consistent with the public interest.

⁶ DOE/FE Order No. 1975 was issued on April 16, 2004.

⁷ 42 U.S.C. § 431, *et seq.* (2000).

⁸ 15 U.S.C. § 717b(a) (2000).

⁹ *Sonat Energy Services Co.*, Order Granting Long-Term Authorization to Import Liquefied Natural Gas From Trinidad and Tobago, DOE/FE Order No. 1549, FE Docket No. 99-93-LNG (Dec. 8, 1999).

**VII.
REQUEST FOR WAIVER OF 10 C.F.R. § 590.201(b)**

BGLS requests waiver of the requirement that applications for import authorization be filed at least 90 days in advance of the proposed import. Pursuant to section 590.201(b) of DOE's regulations, 10 C.F.R. §590.201(b) (2005), good cause exists to permit the proposed importation to commence promptly upon the issuance of the authorization requested herein. As noted above, BGLS has already received long-term authorization to import into the United States up to 25.6 TBtu equivalent of LNG per year in DOE/FE Order No. 1975 from Mitsubishi. This application does not alter the quantity to be imported, it merely substitutes and simplifies the document which controls the terms of the importation between BGLS and BGLT. BGLS requests that the amendment to its long-term import authorization requested herein become effective upon the issuance of an order by DOE, or in any event, no later than February 5, 2006.

**VIII.
REPORTING REQUIREMENTS**

BGLS, in its original application, proposed the following reporting requirements, all of which are still followed by BGLS and will not be affected by the proposed amendment to the original application:

- A. Within two weeks after deliveries begin, BGLS must provide written notification to OFE of the date on which the first import of LNG occurred pursuant to the authorization requested herein.
- B. With respect to the LNG imports authorized in this docket, BGLS will file within 30 days following each calendar quarter, reports indicating, by month: (1) the country of origin; (2) total monthly volumes of LNG imported; (3) the monthly volumes taken by each of BGLS's customers; (4) the name of the seller(s), (5) the

point(s) of entry; (6) the name(s) of the LNG tankers used; (7) the estimated or actual duration of agreements; (8) the geographic market(s) served; (9) the average landed cost per MMBtu at the point of import; and (10) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price.

- C. The first quarterly report required by paragraph B will be due within 30 days following the first complete calendar quarter that follows the commencement of deliveries under this authorization.

**IX.
CORPORATE POWER OF COMPANY**

The opinion of counsel, required by 10 C.F.R. § 590.202(c) (2005), showing that the proposed importation of LNG is within the corporate powers of BGLS, is attached as Exhibit A.

**X.
RELATED REGULATORY PROCEEDINGS**

BGLS's request for long-term import authorization is not being considered by any other part of DOE, including the Federal Energy Regulatory Commission, or any other federal agency or department. BGLS currently has two other pending import applications on file with the DOE in DOE/FE Docket Nos. 05-114-LNG and 05-115-LNG.

**XI.
CONCLUSION**

WHEREFORE, for the foregoing reasons, BGLS respectfully requests that OFE grant the instant application to for a long-term import authorization and concurrently accept the motion to cancel the existing authorization granted to BGLS by the OFE in DOE/FE Order No. 1975. BGLS submits that a grant of such authorization would be consistent with the public interest.

Respectfully submitted,



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VINSON & ELKINS L.L.P.

Attorneys for BG LNG Services, LLC

Dated: January 5, 2006

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

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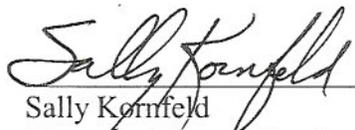
ORDER AMENDING LONG-TERM AUTHORITY TO
IMPORT LIQUEFIED NATURAL GAS

DOE/FE ORDER NO. 1975-A

On April 16, 2004, the Office of Fossil Energy of the Department of Energy granted to BG LNG Services, LLC in DOE/FE Order No. 1975 (Order 1975) authority to import up to the equivalent of 58 billion cubic feet per year of liquefied natural gas over a 5-year term under a LNG Sale and Purchase Agreement Term Sheet with Mitsubishi International Corporation dated July 20, 2003.

In Ordering Paragraph C, the requirement to provide the country of origin was omitted. Accordingly, pursuant to section 3 of the Natural Gas Act, DOE/FE Order No. 1975 is amended to add the requirement to provide the country of origin under Ordering Paragraph C. All terms and conditions in Order 1975 remain in full force and effect.

Issued in Washington, D.C., on August 16, 2004.



Sally Kornfeld
Manager, Natural Gas Regulation
Office of Natural Gas & Petroleum
Import & Export Activities
Office of Fossil Energy

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY



BG LNG SERVICES, LLC

FE DOCKET NO. 04-40-LNG

ORDER VACATING LONG-TERM AUTHORIZATION
TO IMPORT LIQUEFIED NATURAL GAS
FROM VARIOUS INTERNATIONAL SOURCES

DOE/FE ORDER NO. 1975-B

On April 16, 2004, the Office of Fossil Energy (FE) of the Department of Energy (DOE) granted long-term authorization to BG LNG Services, LLC (BGLS) in DOE/FE Order No. 1975 (Order 1975) to import up to 25,600,000 million British thermal units (MMBtu) per year of liquefied natural gas from various international sources over 5-year term which began November 3, 2003 under the terms of its July 20, 2003 LNG Sales and Purchase Agreement with Mitsubishi International Corporation.¹

On January 1, 2006, DOE was notified that BGLS applied for a new authorization terminating the LNG Sales Agreement upon which it currently imports LNG and seeks to replace it with the Master Agreement and Confirmation Memorandum. Since the new authorization will

¹/ See Order No. 1975 issued on April 16, 2004 (2 FE ¶ 70,971), as amended by Order No. 1975-A on August 16, 2004 (2 FE ¶ 71,010).

supersede the current authorization, BGLS has requested that DOE vacate Order 1975.

Accordingly, pursuant to section 3 of the Natural Gas Act, Order 1975, authorizing the import of LNG from various international sources, is hereby vacated.

Issued in Washington, D.C., on November 22, 2006.



R. F. Corbin
Manager, Natural Gas Regulatory Activities
Office of Oil and Gas Global Security and Supply
Office of Fossil Energy