

112 FERC ¶ 61,140
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Nora Mead Brownell, and Suedeen G. Kelly.

Trunkline LNG Company, LLC

Docket Nos. CP02-60-005 and
CP02-60-006

ORDER AMENDING SECTION 3 AUTHORIZATION

(Issued July 26, 2005)

1. On June 16, 2005, Trunkline LNG Company, LLC (Trunkline LNG) filed applications requesting authorization to commence interim vaporization services from a portion of its previously approved Liquefied Natural Gas (LNG) terminal expansion in Calcasieu Parish, Louisiana¹ prior to the completion of the entire project and to charge an interim initial rate for the services.² As discussed below, we will amend Trunkline LNG's terminal expansion authorization so that it can provide the proposed vaporization services on an interim basis at the proposed interim rates.

¹ In Docket Nos. CP02-60-000, -001, and -003 the Commission authorized Trunkline LNG to expand the storage capacity and sendout deliverability of its LNG terminal and to provide new terminal services under Rate Schedule FTS-2 and ITS-2. *See Trunkline LNG Co.*, 100 FERC ¶ 61,217 (2002); *order denying reh'g and granting authorization under NGA section 3*, 101 FERC ¶ 61,300 (2002), *order denying reh'g*, 102 FERC ¶ 61,306 (2003) and *order amending authorization*, 105 FERC ¶ 61,137 (2003).

² Trunkline LNG made a related filing in Docket Nos. CP02-60-000, 001 and 003, seeking authorization from the Director of the Office of Energy Projects (OEP) to place various vaporization and appurtenant facilities at its LNG terminal into service as soon as their completion will allow. Trunkline LNG also filed a new negotiated rate for the subject interim service in Docket No. RP01-229-002. These related filings are addressed in separate orders.

Background and Proposal

2. In the previous orders in this proceeding, the Commission authorized Trunkline LNG, under section 3 of the Natural Gas Act (NGA), to expand storage capacity and sendout deliverability of its LNG terminal in Calcasieu Parish Louisiana. In addition, the orders approved Trunkline LNG's *pro forma* tariff sheets that, among other things, provide for new terminal services to be provided under Rate Schedules FTS-2 (Firm Terminal Service) and ITS-2 (Interruptible Terminal Service). Trunkline LNG began construction of its terminal expansion on September 16, 2003, with services projected to commence at the end of 2005.

3. However, Trunkline LNG states that construction of the authorized facilities is progressing ahead of schedule. Further, BG LNG Services, LLC (BG LNG), Trunkline LNG's firm customer for the expanded terminal service, has indicated that its supplier's liquefaction plant in Egypt is nearing completion and will be ready to begin cargo lifting in August 2005. As Trunkline LNG's new vaporization facilities are also expected to be ready for operation in August 2005, BG LNG requested that Trunkline LNG seek Commission authorization to place these facilities into service as soon as their completion will allow. Access to the additional vaporization capacity will permit BG LNG to increase its sendout at the LNG terminal from 630,000 Mcf/Day to 1,200,000 Mcf/Day, pending the year-end completion of the remainder of Trunkline LNG's expansion. This increased sendout will allow BG LNG additional flexibility to schedule its LNG cargoes for the remainder of 2005.

4. Therefore, in Docket No. CP02-60-005, Trunkline LNG seeks to commence interim service for BG LNG on a portion of its expansion capacity as soon as construction, completion and testing will allow and to establish interim initial rates under Rate Schedules FTS-2 and ITS-2. In Docket No. CP02-60-006, Trunkline LNG tendered for filing as part of its FERC Gas Tariff, Second Revised Volume No.1-A, certain original and revised tariff sheets to become effective July 20, 2005.³

³ See Appendix for List of Tariff Sheets.

Notices and Intervention

5. Notice of Trunkline LNG's application in Docket No. CP02-60-005 was published in the *Federal Register* on June 30, 2005, 70 Fed. Reg. 37,808. Notice of Trunkline's application in Docket No. CP02-60-006 was published in the *Federal Register* on June 30, 2005 (70 Fed. Reg. 37807). BG LNG filed timely motions to intervene in both dockets.⁴ No adverse comments or protests were filed.

Discussion

6. Because Trunkline LNG's proposal involves facilities that will be used to import gas from foreign countries, the operation of the facilities require approval by the Commission under NGA section 3.⁵

7. Trunkline LNG seeks authorization to place certain LNG vaporization facilities into service as soon as their successful construction, completion and testing will allow. The additional vaporization capacity made available will provide BG LNG with additional flexibility to schedule its LNG cargoes for the remainder of 2005, pending completion of the remainder of Trunkline LNG's expansion facilities as originally contemplated. The proposed interim rates are based on the cost-of-service approved in the preliminary determination in this proceeding wherein we found that there would be no subsidy by existing shippers.⁶ The requested amendment will have no impact on the construction previously authorized and currently underway and will not change the level of expansion capacity or the deliverability of the terminal. Since there will be no subsidy

⁴ Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure.

⁵ The regulatory functions of section 3 were transferred to the Secretary of Energy in 1977 pursuant to section 301(b) of the Department of Energy Organization Act (Pub. L. No. 95-91, 42 U.S.C. §§7101, *et seq.*). In reference to regulating the imports or exports of natural gas, the Secretary subsequently delegated to the Commission the authority to approve or disapprove the construction and operation of particular facilities, the site at which facilities shall be located, and with respect to natural gas that involves the construction of new domestic facilities, the place of entry or exit for exports. DOE Delegation Order No. 00-44.00, 67 Fed. Reg. 8,946 (2002). However, applications for authority to import natural gas must be submitted to the Department of Energy. The Commission does not authorize importation of the commodity itself.

⁶ *Trunkline LNG*, 100 FERC ¶ 61,217 at P 25 (2002).

by existing shippers and approval of the proposed amendment does not reduce the public benefits underlying the Commission's approval in the previous orders in this proceeding, we find the proposed amendment to be in the public interest. However, Trunkline LNG must receive written permission from the Director of the Office of Energy Projects (OEP) before commencing service using the subject vaporization and appurtenant facilities.

Recourse Rates

8. Trunkline LNG will place in service only the vaporization facilities constructed as part of the authorized Expansion Project to provide additional vaporization under Rate Schedules FTS-2 and ITS-2 until the rest of the Expansion Project is placed in service. Therefore, Trunkline LNG proposes in Docket No. CP02-60-005 to implement incremental interim recourse rates (Interim Rates) that are based on the cost-of-service approved in Docket No. CP02-60-003, revised to include only costs associated with the vaporization process. Consistent with previous orders in this proceeding, the Interim Rates are based on a traditional cost-of-service, using a straight-fixed variable rate design. Trunkline LNG's rate derivation is based on the capital structure (75 percent equity and 25 percent debt) and overall rate of return (11.42 per cent) approved in Docket No. CP02-60-003.

9. Specifically, the Interim Rates are based on an annual cost estimate of \$26,523,097 and billing determinants of 208,050,000 Dth (the incremental annual sendout capability of the Expansion Project approved in Docket No. CP02-60-003). The proposed Daily FTS-2 Reservation Rate is \$0.2691 per Dth and the Usage Charge is \$0.0000 per Dth. The ITS-2 Monthly Inventory Rate is \$1.6372.⁷ Trunkline LNG also proposes the previously approved fuel reimbursement percentage of 1.61 percent and Electric Power Cost Adjustment of \$0.0019 per Dth. We find Trunkline LNG's proposed Interim Rates to be appropriate. However, except as provided herein, the rate conditions imposed in the previous orders issued in this proceeding remain in effect.

Tariff Provisions

10. In Docket No. CP02-60-006, Trunkline LNG proposes tariff sheets implementing provisions and interim rates related to vaporization service under Rate Schedules FTS-2 and ITS-2.⁸ The proposed tariff sheets are filed in compliance with the Commission's

⁷ Although Trunkline LNG styles this rate as an Inventory Rate, it is based on the revised cost-of-service reflecting only vaporization costs and service.

⁸ See Appendix for List of Tariff Sheets.

August 27, 2002 Preliminary Determination on Non-Environmental Issues in Docket No. CP02-60-000 that required Trunkline LNG to file actual tariff sheets reflecting FTS-2 and ITS-2 service.⁹ According to Trunkline LNG, the tariff sheets filed in this docket reflect only those *pro forma* tariff provisions approved in the underlying docket that relate to vaporization service, and the remaining tariff provisions related to the Expansion Project will be filed prior to the in-service date of the completed facilities. The tariff sheets filed herein are consistent with the *pro forma* tariff provisions as approved in Docket No. CP02-60-000, and are therefore accepted to be effective on the in-service date of the subject facilities.

Environmental Analysis

11. The environmental assessment (EA) of the original application in Docket No. CP02-60-000 included an analysis of public safety issues associated with the Trunkline LNG Expansion Project. The analysis identified the principal properties and hazards associated with LNG; presented a summary of the design and technical review of the cryogenic aspects of the LNG terminal; analyzed the thermal radiation and flammable vapor cloud hazards resulting from credible land-based LNG spills; analyzed the safety aspects of LNG transportation by ship; and reviewed issues related to security and terrorism. Several recommendations were made in the EA and were included as conditions in the certificate order. In addition, the Commission also prepared an EA for Trunkline LNG's amended proposal in Docket No. CP02-60-003. That EA addressed geology, soils, water resources, wetlands, fisheries, dredging, vegetation, wildlife, land use, socioeconomics, threatened and endangered species, cultural resources, air quality, noise quality, reliability and safety, and alternatives. Additional recommendations were made in the EA and were included as conditions in that order.

12. Trunkline LNG must comply with all applicable remaining terms and conditions of the prior orders in these dockets. Accordingly, we conclude that beginning service from a portion of the amended expansion project would not constitute a major federal action significantly affecting the quality of the human environment.

13. Any state or local permits issued with respect to the jurisdictional facilities authorized herein must be consistent with the conditions of this certificate. The Commission encourages cooperation between interstate pipelines and local authorities. However, this does not mean that state and local agencies, through application of state or local laws, may prohibit or unreasonably delay the construction or operation of facilities

⁹ See *Trunkline LNG Co.*, 100 FERC ¶ 61,217 (2002).

approved by this Commission.¹⁰ Trunkline LNG shall notify the Commission's environmental staff by telephone or facsimile of any environmental noncompliance identified by other federal, state, or local agencies on the same day that such agency notifies Trunkline LNG. Trunkline LNG shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

14. The Commission on its own motion has received and made a part of the record in this proceeding all evidence, including the application, supplements, and exhibits thereto, submitted in support of the authorization sought herein, and upon consideration of the record.

The Commission orders:

(A) The authorization granted Trunkline LNG under NGA section 3 to construct and operate the subject facilities is further amended to authorize Trunkline LNG to place certain of the previously authorized vaporization and appurtenant facilities into service prior to the completion of the entire project and to provide an interim vaporization service utilizing those facilities, as described in this order. Specifically, Trunkline LNG is authorized, in Docket No. CP02-60-005, to provide service under the interim initial rate, and in Docket No. CP02-60-006, to place tariff sheets into effect implementing the vaporization service under Rate Schedules FTS-2 and ITS-2.

(B) Trunkline LNG must receive written permission from the Director of the Office of Energy Projects before actually commencing service using the subject vaporization and appurtenant facilities.

(C) The tariff sheets listed in the Appendix are accepted effective on the in-service date of the subject facilities.

¹⁰See, e.g., *Schneidewind v. ANR Pipeline Co.*, 485 U.S. 293 (1988); *Eastern Shore Gas Supply v. Public Service Commission*, 894 F.2d 571 (2d Cir. 1990); and *Iroquois Gas Transmission System, L.P.*, 52 FERC ¶ 61,091 (1990) and 59 FERC ¶ 61,094 (1992).

(D) Except as provided herein, all the terms and conditions of the prior orders in this proceeding remain in effect.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

APPENDIX

Trunkline LNG Company, LLC
Tariff Sheets Accepted Effective on the In Service Date of the Subject Facilities
All to FERC Gas Tariff, Second Revised Volume No. 1-A

First Revised Sheet No. 1
Third Revised Sheet No. 2
Fifth Revised Sheet No. 5
Original Sheet No. 30
Original Sheet No. 31
Original Sheet No. 32
Original Sheet No. 33
Original Sheet No. 34
Original Sheet No. 35
Original Sheet No. 36
Sheet Nos. 37-49
First Revised Sheet No. 70
First Revised Sheet No. 71
First Revised Sheet No. 78
First Revised Sheet No. 89
First Revised Sheet No. 123
First Revised Sheet No. 125
First Revised Sheet No. 166
Original Sheet No. 182
Original Sheet No. 183
Original Sheet No. 184
Original Sheet No. 185
Original Sheet No. 186
Original Sheet No. 187
Original Sheet No. 188
Original Sheet No. 189
Original Sheet No. 190
Original Sheet No. 191
Original Sheet No. 192
Original Sheet No. 193
Original Sheet No. 194
Original Sheet No. 195
Original Sheet No. 196