

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Cheniere Creole Trail Pipeline, L.P.

Docket No. CP05-357-005

ORDER VACATING, IN PART, CERTIFICATE AUTHORIZATION

(Issued December 26, 2006)

1. On November 16, 2006, Cheniere Creole Trail Pipeline, L.P. (Creole Trail) filed a motion to partially vacate a certificate issued by the Commission on June 15, 2006 (June 15 Order).¹ The June 15 Order authorized Creole Trail to construct two parallel, 116.8-mile long, 42-inch pipelines (Lines 1 and 2). Creole Trail seeks to vacate its certificate authorization with respect to Line 2, stating that Line 2 will not be required for Creole Trail to fulfill its service obligations. We will grant Creole Trail's request to partially vacate the certificate authorization granted in the June 15 Order, as discussed below.

I. Background and Proposal

2. As certificated by the Commission's June 15 order, parallel Lines 1 and 2 would extend from the Creole Trail LNG terminal to a terminus in Acadia Parish, Louisiana. Lines 1 and 2 would each comprise two interconnected segments -- Segment 2, extending from the Creole Trail LNG terminal northward for 25.3 miles to an interconnection with Sabine Pipeline Company's system, and Segment 3 extending from that interconnection in a northeastward direction to the terminus at an interconnection with Columbia Gulf Transmission Company. The system as certificated is designed to transport up to 3.3 Bcfd of regasified LNG originating from Creole Trail LNG's terminal.

3. On August 4, 2006, Creole Trail, at the request of its sole shipper, affiliated Cheniere Marketing, Inc., filed an application in Docket No. CP05-357-003 to construct

¹ 115 FERC ¶ 61,331 (2006).

an additional 18.1 miles of 42-inch pipeline (referred to as Segment 1) to extend its certificated system westward from the Creole Trail LNG terminal to interconnect with the Cheniere Sabine Pass Pipeline system in order to access and transport up to 2.0 Bcf/d of regasified LNG originating from the Sabine Pass LNG terminal.² In the August 4, 2006 application for the westward Segment 1 pipeline facilities, Creole Trail proposes to place its pipeline system into service in 2008, concurrent with the anticipated in-service dates of the Sabine Pass LNG terminal and Cheniere Sabine Pass Pipeline system, but prior to the anticipated in-service date of the Creole Trail LNG terminal.

4. Creole Trail states that deteriorating LNG market conditions related to the commercial development of the Creole Trail LNG terminal have delayed the in-service date for the terminal. In an effort to better align the capacity of the Creole Trail Pipeline system with current demand for LNG, Creole Trail is seeking in this docket to vacate the June 15 Order's certificate authorization for Line 2. Creole Trail states that elimination of Line 2 and construction of only Line 1 will result in a change in the maximum design capacity of its system from the currently certificated level of 3.3 Bcf/d to 2.0 Bcf/d. Thus, Creole Trail avers that Line 1, along with the westward Segment 1 proposed in Docket No. CP05-357-003, will be sufficient for Creole Trail to satisfy its obligation to transport up to 2.0 Bcf/d of regasified LNG, originating from Sabine Pass LNG's terminal, for its affiliate Cheniere Marketing.

5. Creole Trail further states that, should market demand increase after Creole Trail LNG's terminal is in service, Creole Trail will seek additional Commission authorization to modify its receipt pattern and/or increase its pipeline capacity as necessary to satisfy such demand. Creole Trail further states that once Creole Trail LNG's terminal becomes operational, the flow of gas on Creole Trail's pipeline system may be modified, with volumes moving both west from the Creole Trail LNG terminal (on Segment 1) and north/northeast (on Segments 2 and 3) to accommodate the Creole Trail LNG terminal's 3.3 Bcf/d sendout capacity.

6. Creole Trail wants to commence construction of its pipeline facilities in April 2007. However, before construction clearance can be granted, Creole Trail must file its environmental mitigation Implementation Plan in accordance with Environmental Condition No. 7 of the Commission's June 15 Order and obtain approval of the Implementation Plan by the Director of the Commission's Office of Energy Projects (OEP). Since Creole Trail's Implementation Plan must be consistent with its project as

² See 109 FERC ¶ 61,324 (2004) (authorizing construction of LNG terminal and pipeline facilities by Sabine Pass LNG and Cheniere Sabine Pass Pipeline, respectively).

certificated and Creole Trail has concluded that Line 2 will not be needed, Creole Trail seeks expedited Commission action to vacate the certificate authority for Line 2, so that an Implementation Plan covering only Line 1 can be deemed in compliance with Environmental Condition No. 7 of the Commission's June 15 Order.

II. Notice and Interventions

7. Notice of Creole Trail's motion was published in the *Federal Register* on November 30, 2006 (71 Fed. Reg. 69,205). No motions to intervene or objections to the proposal were filed.

III. Discussion

8. The Commission's June 15 Order authorized the construction of parallel Lines 1 and 2. Creole Trail now asks the Commission to vacate its authorization for Line 2 because current LNG market conditions no longer warrant construction of both lines. Thus, Creole Trail proposes to construct a single 116.8-mile long, 42-inch diameter pipeline, rather than the certificated dual, 42-inch diameter pipelines.

9. Elimination of Line 2 will reduce the capacity of Creole Trail's pipeline system from 3.3 Bcf/d to 2.0 Bcf/d. However, Creole Trail states that Line 1 and the additional 18.1 miles of pipeline proposed in its August 4, 2006 application in Docket No. CP05-357-003 will be sufficient to meet its initial service obligation to transport up to 2.0 Bcf/d of regasified LNG for Cheniere Marketing from Sabine Pass LNG's terminal. Since this service for Cheniere Marketing will reserve all of Line 1's firm capacity, Creole Trail states that it will continue to assess the need for additional capacity following the completion of Creole Trail LNG's terminal and will seek any additional Commission authorizations needed to satisfy additional demand.

10. The Commission has not yet acted on Creole Trail's pending application in Docket No. CP05-357-003 for the additional 18.1-miles of pipeline needed to access Cheniere Marketing's LNG supplies at Sabine Pass LNG's terminal. However, Creole Trail is seeking approval to commence construction in April 2007 of all necessary facilities to transport Cheniere Marketing's regasified LNG from Sabine Pass LNG's terminal. As discussed above, before construction clearance can be granted, Creole Trail must file its environmental mitigation Implementation Plan as required by Environmental Condition No. 7 of the Commission's June 15 Order, and the Implementation Plan must be reviewed and approved by the Director of OEP. When Creole Trail files its Implementation Plan, it must accurately reflect the facilities to be constructed in order to be deemed in compliance with Environmental Condition No. 7 of the Commission's June 15 Order.

11. In view of the above considerations, the Commission is granting Creole Trail's application by vacating its certificate authority for Line 2.³

The Commission orders:

The certificate issued to Creole Trail on June 15, 2006, in Docket Nos. CP05-357-000 *et al.* is vacated, in part, to eliminate Creole Trail's certificate authority to construct and operate Line 2 (Segments 2 and 3), as described herein and in Creole Trail's application and to amend Creole Trail's certificate authority to reduce its system's certificated capacity from 3.3 Bcf/d to 2.0 Bcf/d.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

³ In addition to Creole Trail's August 4, 2006 application in Docket No. CP05-357-003 proposing an additional 18.1 miles of pipeline westward from the Creole Trail LNG in order to access regasified LNG at Sabine Pass LNG's terminal, Creole Trail filed on November 16, 2006, in Docket No. CP05-357-004 to revise its approved initial rates to reflect the elimination of Line 2 and construction of the proposed additional 18.1 miles of westward pipeline.