

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.

Ingleside Energy Center LLC

Docket No. CP05-13-001

ORDER AMENDING AUTHORIZATION UNDER SECTION 3
OF THE NATURAL GAS ACT

(Issued January 31, 2007)

1. On September 26, 2006, Ingleside Energy Center LLC (Ingleside)¹ filed an application under section 3 of the Natural Gas Act (NGA) to amend the Commission's previous NGA section 3 authorization, issued July 22, 2005 (July 2005 Order), for the siting, construction, and operation of a liquefied natural gas (LNG) terminal to be located near Ingleside, Texas.² As pertinent, the July 2005 Order authorized Ingleside to construct two double-containment type LNG storage tanks. By this application Ingleside seeks Commission approval to substitute full-containment design for the double-containment design authorized in the July 2005 Order for Ingleside's two LNG storage tanks. Ingleside also seeks approval for the construction of an off-loading dock that will be used during construction. For the reasons discussed herein, we will approve the requested modifications to Ingleside's previous NGA section 3 authorization.

Background and Proposal

2. In the July 2005 Order, the Commission authorized Ingleside to site, construct and operate LNG terminal facilities, including marine terminal and transfer lines, two double-containment LNG storage tanks, each with a nominal working gas volume of approximately 160,000 m³ (1,006,000 barrels) equivalent to 3.5 Bcf of natural gas, and vaporization and gas processing facilities. The Commission found that the Ingleside terminal would be a source of much needed supplies of natural gas. The Commission

¹ Ingleside is a subsidiary of Occidental Energy Ventures Corp., which, in turn, is a wholly-owned subsidiary of Occidental Petroleum.

² 112 FERC ¶ 61,101 (2005).

explained that Ingleside has no existing customers that might be adversely affected by the costs or risk of recovery of the costs associated with the proposed LNG terminal, that Ingleside would bear the economic risks of the project, and that the environmental conditions adopted by the Commission would ensure that adverse environmental impacts will be limited. In view of these considerations, the Commission found under NGA section 3 that the Ingleside LNG terminal would not be inconsistent with the public interest.³

3. By this application, Ingleside requests authorization to modify the LNG storage tank design by substituting full-containment tank structure for the double-containment tank structure authorized in the July 2005 Order for Ingleside's two LNG storage tanks. Most key features of Ingleside's terminal previously approved by the Commission would not change, including the number and working volumes of the tanks, the approximate diameter of the inner tank, the approximate overall height of the tank, the foundation, the water deluge fire protection, and the siting and spacing between the tanks. There would be no change in the location of the tanks.

4. Ingleside states that the full-containment structure will enhance its project by eliminating space between the tank wall and the impoundment wall, thereby eliminating unnecessary inner space areas and associated inspections. The new design will also enhance operating flexibility because the full-containment tank will operate at a higher pressure and reduce boil-off gas generated from the tank during unloading. Ingleside states that the proposed full-containment design change will not result in any additional onshore or offshore environmental impacts, but will instead provide environmental benefits by reducing energy consumption and noise emissions, among other things.

5. Ingleside states that the construction contractor has requested that it be allowed to install an off-loading dock to facilitate construction of the LNG terminal. In connection with construction of the dock, the contractor will excavate an approximately 1,000 foot long trench with a depth of approximately 12 feet below mean sea level within the proposed slip area from the north end of the slip area toward the shore line. The trench will not initially be open to water so no dredging is involved, only excavation of dry land.

³ The July 2005 Order also, under section 7 of the NGA, authorized San Patricio Pipeline, LLC, an affiliate of Ingleside, to construct and operate a 26.4-mile long, 26-inch diameter pipeline from the outlet of Ingleside's LNG terminal to interconnections with several interstate and intrastate pipelines. The amendment under consideration here does not affect the authorized pipeline.

The trench will be flooded when excavation is complete. The construction dock will be built as soon as the trench excavation begins. Ingleside avers that no additional environmental impact will result from construction of the trench and dock.

Interventions

6. Notice of the Ingleside application was published in the *Federal Register* on October 11, 2006 (71 *Fed. Reg.* 59758). The Commission received no intervention requests or comments regarding the application.

Discussion

7. Ingleside's proposed modification of the type of tank structure to be used for storing LNG and the addition of the described construction dock do not affect our NGA section 3 determination in the July 2005 Order that the project is not inconsistent with the public interest. Further, as explained in the July 2005 Order authorizing Ingleside's LNG terminal project, the Commission has chosen to exercise a less intrusive degree of economic regulation for new LNG import terminals and does not require applicants to offer open-access service or to maintain tariffs or rate schedules for their terminal services.⁴ Therefore, the only issues before us here involve potential impacts of the modified project on public safety and on the environment.

8. Commission staff prepared an environmental assessment (EA) for Ingleside's proposed amendment to its project. The EA addresses geology, soils, water resources, fisheries, wetlands, vegetation, wildlife, endangered and threatened species, land use, cultural resources, air and noise quality, safety and reliability, and alternatives. Based on the discussion in the EA, we conclude that if constructed in accordance with Ingleside's application and supplements, approval of the proposed amendment would not constitute a major federal action significantly affecting the quality of the human environment.

9. In the July 2005 Order we concluded that the project would be environmentally acceptable, safe, and secure if constructed and operated in accordance with the application and the conditions made a part of the order. The proposed storage tank design change and the construction dock will not result in any onshore or offshore environmental impacts additional to those already addressed in the July 2005 Order. In fact, the EA for this application concludes that the new design should result in minor

⁴ 112 FERC ¶ 61,101 at P 15. The Commission, however, has reserved its authority under section 3 of the NGA to take any necessary and appropriate action if it receives complaints of undue discrimination or anticompetitive behavior. *Id.*

decreases in both noise and operational emissions. Further, the proposed construction dock is included within the scope of the permit the U.S. Army Corps of Engineers has already issued for the project. The EA discusses the design of the full-containment tanks and concludes that that, like the double-containment tanks approved in the July 2005 Order, the full-containment storage tanks will meet or exceed applicable federal safety standards. Accordingly, we will approve substitution of the full-containment storage tanks for the double-containment tank design already approved.

10. The July 2005 Order included a number of conditions related to the design of the terminal storage tanks. The proposed design for the full-containment tanks satisfies Conditions 47 and 48 regarding details of the boil-off gas flow measurement system provided for each tank and details of the LNG flow measurement system provided for the top and bottom fill to each tank. The other conditions concerning the LNG storage tanks are not yet satisfied, and, with one exception, remain equally applicable to the full-containment tanks now to be employed. The exception is the condition set forth in the second sentence of Condition 52 in the appendix to the July 2005 Order that the outlet from vent piping be designed to discharge beyond the outer containment wall. That language relates solely to the double-containment tank design and is now unnecessary for the full-containment tank design which eliminates the space between tank wall and impoundment wall. Condition 52 is modified accordingly and now reads as follows:

52. The **final** design shall include a discretionary vent for each tank, to be operated through the distributed control system (DCS).

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

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

The Commission orders:

(A) Ingleside's authorization under section 3 of the NGA, issued July 22, 2005, for its approved LNG terminal is amended as set forth in the body of this order.

(B) Except as noted in the body of this order, the authorization issued July 22, 2005, remains unchanged and Ingleside must comply with all the conditions applicable to the approved LNG terminal set forth in the appendix to the July 22, 2005 Order.

(C) Ingleside shall notify the Commission's environmental staff by telephone and/or facsimile of any environmental noncompliance identified by other federal, state, or local agencies on the same day that such agency notifies Ingleside. Ingleside shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.