

122 FERC ¶ 61,301
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. CP05-357-008

ORDER AMENDING CERTIFICATE

(Issued March 31, 2008)

1. On February 26, 2008, Cheniere Creole Trail Pipeline, L.P. (Creole Trail Pipeline) filed an application seeking authorization under section 7(c) of the Natural Gas Act (NGA) to revise the initial section 7 transportation rates for services using its Zone 1 facilities to reflect an increase in cost of service. For the reasons stated below, we will grant the request.

I. Background and Proposal

2. On June 15, 2006, the Commission granted Creole Trail LNG, L.P. authority, under section 3 of the NGA, to site, construct, and operate a liquefied natural gas (LNG) facility in Cameron Parish, Louisiana.¹ The June 2006 Order also granted Creole Trail Pipeline a certificate under NGA section 7 to construct and operate pipeline facilities extending northeastward from the LNG terminal to a terminus in Acadia Parish, Louisiana. Creole Trail Pipeline's certificate was subsequently amended several times to reflect modifications to its pipeline facilities, most recently in an order issued on October 19, 2007.²

3. The October 2007 Order granted authorization for Cheniere Sabine Pass Pipeline, L.P. (Sabine Pass Pipeline) to merge into Creole Trail Pipeline. As a result, Creole Trail Pipeline's previously approved facilities will be integrated with the approximately 16-mile long, 42-inch diameter pipeline acquired from Sabine Pass Pipeline (Sabine Pass Segment). The Sabine Pass Segment originates at the affiliated Sabine Pass LNG, L.P. LNG terminal located in Cameron Parish, Louisiana and extends to an interconnection at

¹ *Creole Trail LNG, L.P. and Cheniere Creole Trail Pipeline, L.P.*, 115 FERC ¶ 61,331 (2006) (June 2006 Order).

² *Cheniere Creole Trail Pipeline, L.P. and Cheniere Sabine Pass Pipeline, L.P.*, 121 FERC ¶ 61,071 (2007) (October 2007 Order).

Johnsons Bayou, also in Cameron Parish, with Creole Trail Pipeline's previously certificated facilities. Thus, Creole Trail Pipeline's system will consist of approximately 151 miles of 42-inch diameter pipeline with a capacity of 2.0 Bcfd.

4. Creole Trail Pipeline's cost of service is allocated between Zone 1 and Zone 2. Zone 1 of Creole Trail Pipeline's system consists of approximately 93.7 miles of 42-inch diameter pipeline, including the Sabine Pass Segment.³ The Zone 1 facilities will extend from an interconnection with the Sabine Pass LNG terminal located in Cameron Parish, Louisiana, to an interconnection with Texas Eastern Transmission Corporation in Beauregard Parish, Louisiana. The Zone 2 facilities will extend 58.8 miles from the interconnection with Texas Eastern to an interconnection with Columbia Gulf Transmission Company in Acadia Parish, Louisiana.

5. On February 8, 2008, the Commission issued an order granting Creole Trail Pipeline authorization to revise the initial section 7 transportation rates for services using its Zone 1 facilities to reflect revised capital costs.⁴ The resulting revised rates represented an approximate one percent increase. On the same date, the Commission issued a letter order accepting Creole Trail Pipeline's tariff, reflecting the revised Zone 1 rates, to be effective on the later of February 15, 2008, or the in-service date.⁵ Due to a delay in commissioning activities at the Sabine Pass LNG terminal, the Sabine Pass Segment has not yet been placed in service.⁶ In a letter dated February 28, 2008, Creole Trail Pipeline requests that the Commission grant authorization no later than March 14, 2008, to place the Sabine Pass Segment in service in conjunction with the receipt of commissioning cargoes at the Sabine Pass LNG terminal expected in late March to early April 2008.⁷

6. In this proceeding, Creole Trail Pipeline requests authorization to further revise its initial transportation rates on the Zone 1 facilities to reflect increases in cost of service, as described below. No changes to the capital costs of construction are proposed. Creole

³ As originally certificated, the Zone 1 facilities were approximately 92.1 miles long. As the result of certain minor route variances approved during the construction process, the Zone 1 facilities are now approximately 93.7 miles long.

⁴ *Cheniere Creole Trail Pipeline, L.P.*, 122 FERC ¶ 61,116 (2008) (February 8, 2008 Certificate Order).

⁵ *Cheniere Creole Trail Pipeline, L.P.*, 122 FERC ¶ 61,117 (2008).

⁶ See, Creole Trail Pipeline's letter dated February 7, 2008.

⁷ On March 18, 2008, the Acting Director, Division of Gas – Environment and Engineering approved the February 28, 2008 request.

Trail Pipeline also proposes no change to the transportation rates for its Zone 2 facilities. Finally, Creole Trail Pipeline requests no modification of previously authorized facilities or authorization to construct any new facilities.

7. The proposed revisions reflect an increase of \$17,268,443 in the three-year average cost of service of the Zone 1 facilities, from \$94,813,432 to \$112,081,874. Creole Trail Pipeline attributes the bulk of the increased cost of service to: (1) an increase in *ad valorem* taxes resulting from an overall increase in pipeline valuation imposed by the various parishes in Louisiana through which Creole Trail Pipeline Zone 1 facilities traverse (an increase of \$11,015,780); and (2) an increase in operation and maintenance (O&M) and administrative and general (A&G) expenses for the Zone 1 facilities resulting from more detailed actual and estimated costs of staffing and business system requirements expected to be incurred by Creole Trail as it approaches its in-service date (an increase of \$6,474,860).

8. The requested increase in the cost of service would result in an increase in transportation rates of approximately eighteen percent, increasing the maximum Rate Schedule FTS daily reservation rate by \$0.0225 per Dth, from \$0.1237 per Dth to \$0.1462 per Dth. Creole Trail Pipeline has not identified any variable costs, and, accordingly, proposes an FTS usage rate of \$0.0000 per Dth. Creole Trail Pipeline proposes a \$0.1462 per Dth usage rate for Rate Schedule ITS interruptible transportation, calculated as a 100 percent load factor derivative of the Rate Schedule FTS rates.

9. Creole Trail Pipeline states in its March 7, 2008 data response that its proposed *ad valorem* tax expense conforms to the Louisiana Tax Commission's recent guidance for establishing fair market value for assets of Commission-regulated pipelines. Creole Trail Pipeline states that this revised amount was not included in Creole Trail Pipeline's December 20, 2007 amendment because the issue was then pending resolution with the Louisiana Tax Commission.

10. Creole Trail Pipeline asserts that the increased O&M and A&G costs in the instant filing reflect its current 2008 operating budget and represent its most accurate estimate of actual Zone 1 expenditures. Creole Trail Pipeline also states that prior A&G estimates reflected an assumption that allocations for fixed cost support services would be shared among multiple affiliated pipeline projects which are presently under development. However, given that the other pipeline projects, including Creole Trail Pipeline Zone 2 service and the Cheniere Corpus Christi Pipeline, remain in the development phase, Creole Trail Pipeline argues that these increased costs are incurred solely as a cost of service for Creole Trail Pipeline Zone 1.

II. Notice and Intervention

11. Notice of Creole Trail Pipeline's application was published in the *Federal Register* on March 6, 2008.⁸ No motions to intervene or protests were filed.

III. Discussion

12. Creole Trail Pipeline proposes revisions to the Zone 1 initial transportation rates set forth in the Commission's October 2007 Order and amended in the Commission's February 8, 2008 Certificate Order. As noted, the revised cost of service will result in an approximate 18 percent increase in transportation rates.

13. The revised cost of service and the revised rates have been reviewed, and we find that they are generally reasonable. Therefore, we find that it is in the public convenience and necessity to grant Creole Trail Pipeline's request for authority to revise its Zone 1 initial transportation rates to reflect its updated estimate of cost of service. We note that after the Zone 1 facilities are constructed and placed in service, Creole Trail Pipeline will need to make a NGA section 4 filing if it desires to change the rates for either its Zone 1 or Zone 2 service.

14. The Commission on its own motion, received and made a part of the record all evidence, including the application (s), as supplemented, and exhibits thereto, submitted in this proceeding and upon consideration of the record,

The Commission orders:

(A) Creole Trail Pipeline's certificate of public convenience and necessity, issued on June 15, 2006, in Docket No. CP05-357-000, as amended, is further amended to authorize revised initial Zone 1 transportation rates to reflect an updated estimate of the cost of service, as more fully described in this order and in the application.

(B) The authorization in Ordering Paragraph (A) is conditioned on Creole Trail Pipeline's filing actual tariff sheets reflecting the revised rates, consistent with the discussion of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁸ 73 Fed. Reg. 13,537.