

134 FERC ¶ 61,037
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, John R. Norris,
and Cheryl A. LaFleur.

Golden Pass Pipeline LLC

Docket No. CP11-34-000

ORDER AMENDING CERTIFICATE

(Issued January 20, 2011)

1. On November 16, 2010, Golden Pass Pipeline LLC (Golden Pass Pipeline) filed an application pursuant to section 7(c) of the Natural Gas Act (NGA) to amend the certificate of public convenience and necessity issued on July 6, 2005, as amended on October 4 and December 22, 2006.¹ Those orders authorized Golden Pass Pipeline, among other things, to construct and operate pipeline facilities. Golden Pass Pipeline requests authorization to revise its initial transportation rates to reflect increases in actual construction and other related costs, as well as make revisions to several components of its cost of service so that it can mitigate the rate increases that would otherwise result from the increase in construction and related costs. This order grants the requested authorization, as discussed below.

Background and Proposal

2. Golden Pass Pipeline is a Delaware limited liability company jointly owned by subsidiaries of Qatar Petroleum (70.0 percent), Exxon Mobil Corporation (17.6 percent), and ConocoPhillips Company (ConocoPhillips) (12.4 percent).

3. The Golden Pass Pipeline Orders, among other things, authorized Golden Pass Pipeline to construct and operate approximately 120 miles of 36-inch diameter and 2 miles of 24-inch diameter pipeline and related facilities to transport up to 2.5 billion cubic feet of natural gas per day on an open-access basis from Golden Pass LNG

¹*Golden Pass LNG Terminal LP*, 112 FERC ¶ 61,041 (2005), *amended*, 117 FERC ¶ 61,015 and 117 FERC ¶ 61,332 (2006) (Golden Pass Pipeline Orders).

Terminal LP's (Golden Pass LNG) liquefied natural gas terminal to various interstate and intrastate pipelines in Orange County, Texas, and Calcasieu Parish, Louisiana.² The orders also approved Golden Pass Pipeline's initial transportation rates.

4. Golden Pass Pipeline seeks to amend its transportation rates to reflect a decrease of \$4,321,198 in its first-year average cost of service. Golden Pass Pipeline states that it has incurred significantly higher construction costs than previously projected and, to mitigate the cost increase, is proposing several changes to its underlying methodology for developing initial recourse rates. Specifically, Golden Pass Pipeline proposes to: (1) convert its initially proposed cost of service to a 25-year levelized one by varying its depreciation expense for rate purposes, rather than using a straight-line depreciation rate of 4.0 percent; (2) reduce its cost of debt from 7.5 to 6.0 percent, to reflect current market conditions; and (3) forego the accrual of allowance of funds used during construction (AFUDC) during the period of time that construction of the pipeline was essentially complete, but the commencement of service by the Golden Pass LNG terminal was delayed due to damage from Hurricane Ike. Golden Pass Pipeline contends that these proposed changes will reduce its initial rates from a maximum monthly reservation rate under Rate Schedule FT of \$3.11 per dekatherm (Dth)³ to a maximum rate of \$2.9671 per Dth and its maximum volumetric rate under Rate Schedule IT of \$0.1022 per Dth to \$0.0975 per Dth.

5. Golden Pass Pipeline states that Golden Pass LNG has assigned 1,152,000 Dth per day of Golden Pass Pipeline's capacity to ExxonMobil LNG Supply Inc. (ExxonMobil) (44.3 percent of Golden Pass Pipeline's total capacity)⁴ and 812,300 Dth per day of Golden Pass Pipeline's capacity to ConocoPhillips (31.2 percent of Golden Pass Pipeline's total capacity) at the maximum rate for 25 years. Golden Pass LNG states that it has retained the remaining Golden Pass Pipeline capacity for the full 25-year term of the current contract at the maximum rate, but that it fully intends to actively market (on a

² The Golden Pass Pipeline Orders also authorized Golden Pass LNG to construct and operate a liquefied natural gas import terminal. Currently, the Golden Pass LNG terminal is under construction. On December 6, 2009, the Commission granted Golden Pass LNG and Golden Pass Pipeline a two-year extension of their in-service deadline until July 6, 2012, due to construction delays at the terminal caused by Hurricane Ike in September 2008.

³ The reservation rate was approved in *Golden Pass Pipeline LP*, 117 FERC ¶ 61,332.

⁴ Initially, ExxonMobil contracted for 100 percent of the capacity of the Golden Pass Pipeline system. On September 5, 2007, ExxonMobil assigned Golden Pass LNG all of the rights to the full mainline pipeline capacity of Golden Pass Pipeline.

permanent basis) the capacity it has retained.⁵ Further, Golden Pass LNG states it will advise the Commission within 12 months of service commencement of the status of its marketing of the Golden Pass Pipeline capacity.⁶

Notice and Interventions

6. Notice of Golden Pass Pipeline's application was published in the *Federal Register* on December 9, 2010 (75 Fed. Reg. 76,719). ConocoPhillips filed a timely, unopposed motion to intervene.⁷

Discussion

7. Because revising the initial transportation rates requires amending the authorization granted to Golden Pass Pipeline, the proposals herein are subject to the jurisdiction of the Commission and the requirements of sections 7(c) and 7(e) of the NGA.

8. The Golden Pass Pipeline Orders authorized the construction of pipeline facilities in light of the Commission's Certificate Policy Statement⁸ and found that the proposal was in the public convenience and necessity. Specifically, the order found that, since Golden Pass Pipeline was a new company with no existing customers, there would be no subsidization of costs of the project by existing customers.⁹ The order also found that there were no or minimal identified adverse effects on existing pipelines or their customers, landowners, or communities.¹⁰

⁵ Golden Pass Pipeline Application at 13.

⁶ *Id.* 14.

⁷ Timely unopposed motions to intervene are granted by operation of Rule 214 of the Commission's regulations.

⁸ *Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227 (1999), *order on clarification*, 90 FERC ¶ 61,128, *order on clarification*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement).

⁹ Golden Pass Pipeline Orders 112 FERC ¶ 61,041 at P 23.

¹⁰ *Id.* P 25.

Rate Treatment

9. Golden Pass Pipeline's proposed revised recourse rates for service under Rate Schedules FT and IT are cost-based rates that fully recover the costs of the construction and are based on the actual design capacity of the pipeline. The proposed modifications here will serve to mitigate the cost increases that have occurred since the original rates were approved. Golden Pass Pipeline's proposals do not change the basis for any of our findings in the Golden Pass Pipeline Orders. Thus, consistent with the public convenience and necessity, we will accept Golden Pass Pipeline's proposed revised recourse rates.

Regulatory Asset

10. Golden Pass Pipeline proposes to base its initial rates on a levelized cost of service over 25 years for its initial rates. The rate levelization is achieved by varying Golden Pass Pipeline's depreciation expense for rate purposes to recover 100 percent of its investment over 25 years. Golden Pass Pipeline's depreciation rates will vary from -0.47 percent in year one to 9.91 percent in year 25. Golden Pass Pipeline proposes to defer the difference between its 4.0 percent straight-line book depreciation amount and its variable cost of service depreciation amount as a regulatory asset by debiting Account 182.3, Other Regulatory Assets, with an offsetting entry to Account 407.3, Regulatory Debits, or Account 407.4, Regulatory Credits.

11. Under the Uniform System of Accounts, it is appropriate to record a regulatory asset for costs that would otherwise be chargeable to expense only when it is probable that the costs will be recovered in future rates.¹¹ We have previously concluded for similar rate levelization plans that the probability test is met to the extent that a pipeline's capacity is subscribed at certification.¹² Golden Pass Pipeline's capacity is fully subscribed under long-term transportation service agreements and the regulatory asset is

¹¹ The term "probable," as used in the definition of regulatory assets, refers to that which can reasonably be expected or believed on the basis of available evidence or logic but is neither certain nor proved. *Revisions to Uniform Systems of Accounts to Account for Allowances under the Clean Air Amendments of 1990 and Regulatory-Created Assets and Liabilities and to Form Nos. 1, 1-F, 2 and 2-A*, Order No. 552, FERC Stats. & Regs., Regulations Preambles January 1991- June 1996 ¶ 30,967 (1993).

¹² See, e.g., *Southern Natural Gas Co.*, 128 FERC ¶ 61,198 (2009); *TransColorado Gas Transmission Co.*, 67 FERC ¶ 61,301, at 62,064, *order on reh'g*, 69 FERC ¶ 61,066 (1994); *Mojave Pipeline Co.*, 69 FERC ¶ 61,244 (1994), *order issuing certificate and denying reh'g*, 72 FERC ¶ 61,167 (1995), *order vacating prior orders and dismissing motions*, 75 FERC ¶ 61,108 (1996).

expected to be extinguished at the end of the 25 year levelization period. Accordingly, we conclude that Golden Pass Pipeline may defer the difference between its straight-line book depreciation amount and its variable cost of service depreciation amount as a regulatory asset by debiting Account 182.3 and crediting Account 407.4. This regulatory asset must then be amortized by debiting Account 407.3 and crediting Account 182.3, as the amounts are recovered in rates.

12. At a hearing held on January 20, 2011, 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) Golden Pass Pipeline's certificate of public convenience and necessity is amended to authorize the proposed revisions to its initial rates, as discussed in the application and the body of this order.

(B) Golden Pass Pipeline shall submit actual tariff sheets that comply with the requirements contained in the body of this order no less than 30 days, or more than 60 days, prior to the commencement of service.

(C) Golden Pass Pipeline shall adhere to the accounting requirements, as discussed more fully in the order.

(D) In all other respects, the Golden Pass Pipeline Orders shall remain in full force and effect.

(E) Within 12 months of service commencement, Golden Pass LNG shall advise the Commission of the status of its effort to market the remaining Golden Pass Pipeline capacity it has under contract.

By the Commission. Commissioner Moeller is not participating.

(S E A L)

Kimberly D. Bose,
Secretary.