UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Cameron LNG, LLC — Docket No. CP02-378-004

Cameron Interstate Pipeline, LLC — Docket Nos. CP05-119-001 and CP05-121-001

ORDER AMENDING CERTIFICATES AND SECTION 3 AUTHORIZATION

(Issued May 22, 2006)

1. On October 7, 2005, Cameron Interstate Pipeline, LLC (Cameron Interstate) filed in Docket Nos. CP05-119-001 and CP05-121-001 an application to amend its certificate authority issued on June 27, 2005 (June 27, 2005 Order).[1] In Docket No. CP05-119-001, Cameron Interstate is seeking to amend its certificate to construct and operate its pipeline and in Docket No. CP05-121-001 it is seeking to amend its Part 284 blanket certificate to transport natural gas.[2] Specifically, Cameron Interstate requests that the Commission (i) authorize modifications to the original pipeline design; (ii) confirm or expressly authorize the previously certificated capacity of the facilities at 1.5 Bcf per day; (iii) approve a replacement *pro forma* tariff; and (iv) approve updated rates. This order grants the requested authorizations, as discussed and conditioned below.

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[1] Cameron LNG, LLC, Cameron Interstate Pipeline, LLC, 111 FERC ¶ 61,490 (2005).

[2] Cameron Interstate's application also referred to Docket No. CP05-120-000 in which we issued a blanket construction certificate pursuant to Part 157, Subpart F of the Commission's regulations; however, since the requested amendment does not effect the Part 157 blanket certificate, we have not included the related docket number in this amendment proceeding.

2. On January 26, 2006, Cameron LNG, LLC (Cameron LNG) filed in Docket No. CP02-378-004 an application to amend the authorization issued on September 11, 2003[3] to site, construct, and operate a liquefied natural gas (LNG) terminal near Hackberry, Louisiana under section 3 of the Natural Gas Act (NGA). Cameron LNG proposes to modify piping, pressure controls, pile supports, electricity, and spill containment facilities to accommodate its planned Terminal Expansion Project now in the Commission's prefiling process in Docket No. PF06-10-000. Cameron LNG states that this amendment would allow the proposed expansion to be better integrated into the base terminal design with minimal interruption of send-out service. Cameron LNG further states that this amendment would not increase the previously certificated send-out capacity, and that construction of proposed facilities would be within the existing authorized footprint. We will grant the requested authorization because modifying the facilities as proposed is not inconsistent with the public interest.

I. Background

3. Cameron Interstate is a limited liability company and wholly-owned subsidiary of Sempra Pipelines and Storage Corporation (Sempra Pipelines and Storage). Sempra Pipelines and Storage, a wholly-owned subsidiary of Sempra Global, was formed for the purpose of developing, owning, and operating interstate pipeline and storage facilities.

4. Cameron LNG is a wholly-owned subsidiary of Sempra LNG. Sempra LNG, a wholly-owned subsidiary of Sempra Global, was formed for the purpose of developing, owning and operating LNG terminal facilities. Sempra Global is a wholly-owned subsidiary of Sempra Energy.

5. On May 30, 2002, Hackberry LNG Terminal, L.L.C. (Hackberry LNG) filed in Docket No. CP02-374-000, *et al*. an application requesting: authorization to construct and operate an LNG terminal under market-based rate authority; authorization to construct and operate a 35.4-mile long, 36-inch diameter pipeline from the tailgate of the LNG terminal to Transcontinental Gas Pipe Line Corporation's (Transco) compressor station in Beauregard Parish, Louisiana; a Part 284 Subpart G blanket transportation certificate; and a Part 157 Subpart F blanket construction certificate. On December 18, 2002, the Commission issued a preliminary determination on non-environmental issues in that

[3] *Cameron LNG, LLC*, 104 FERC ¶ 61,269 (2003). The Commission issued a preliminary determination in this proceeding to Cameron LNG's predecessor in interest in *Hackberry LNG Terminal, L.L.C.*, Docket No. CP02-374-000, *et al.*, 101 FERC ¶ 61,294 (2002).

proceeding (December 18 Order),[4] finding that, subject to the conditions imposed therein, Hackberry LNG's proposal was in the public interest.

6. After issuance of the December 18 Order, Sempra Energy acquired all of the membership interests of Hackberry LNG and changed the name of the company to Cameron LNG.[5] By acquiring the interests of Hackberry LNG, Cameron LNG succeeded as project sponsor of both the pipeline and LNG terminal development projects, and Cameron LNG became the applicant in that proceeding.

7. In an order issued on September 11, 2003 (September 11 Order),[6] the Commission, pursuant to section 3 of the NGA, authorized Cameron LNG to site, construct, and operate the LNG terminal and, pursuant to section 7(c) of the NGA, authorized Cameron LNG to construct own and operate the 35.4-mile long, 36-inch diameter takeaway pipeline.[7] The September 11 Order also issued a Part 284 Subpart G blanket transportation certificate and a Part 157 Subpart F blanket construction certificate to Cameron LNG.

8. The June 27, 2005 Order authorized the intra-corporate transfer of the pipeline certificate authority originally issued to Cameron LNG in Docket Nos. CP02-374-000, *et al.* to Cameron Interstate. As a result, Cameron Interstate was authorized to construct, own, operate and maintain the 35.4-mile long, 36-inch diameter pipeline facility (Project) and to provide interstate pipeline transportation services subject to the same rates, terms and conditions as were contained in the original Cameron LNG certificate authorizations. The June 27, 2005 Order also granted Cameron Interstate blanket certificates pursuant to Part 157 and Part 284 of the Commission's regulations.

9. On April 13, 2005, in Docket No. CP02-378-002, the Commission issued an order amending Cameron LNG's authorization allowing it to modify the configuration of the terminal berthing facilities so that the facilities could handle larger LNG tankers.[8]

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[4] *Hackberry LNG Terminal, L.L.C*., 101 FERC ¶ 61,294 (2002).

[5] On May 12, 2003, Cameron LNG filed a letter with the Commission's Secretary explaining the change in ownership.

[6] *Cameron LNG, LLC*, 104 FERC ¶ 61,269 (2003).

[7] *See Hackberry LNG Terminal, L.L.C*., 101 FERC ¶ 61,294 (2002) at P 4-6 for a complete description of the Project facilities.

[8] *Cameron LNG, LLC*, 111 FERC ¶ 61,018 (2005).

II. **Proposals**

A. **Cameron Interstate - Docket Nos. CP05-119-001 and CP05-121-001**

1. **Facilities**

10. As a result of an open season and discussions with various interested parties, Cameron Interstate's engineers have determined that thicker-walled pipeline would be appropriate to meet both the near- and expected long-term needs of the Project's shippers. Therefore, Cameron Interstate proposes to incorporate thicker-walled pipe along the entire length of the Project's 36-inch diameter pipeline from the tailgate of the LNG terminal to Transco's compressor station in Beauregard Parish, Louisiana. Cameron Interstate has determined that this increase in wall thickness is the most appropriate and cost effective solution to serve Project shippers' near- and long-term capacity needs. Cameron Interstate states that none of the requested changes involve a realignment of the pipeline. Accordingly, it submits, there are no environmental or land-use related impacts involved in its proposal.

11. Cameron Interstate has determined that the proposed wall thickness will enable it to pre-invest in the pipeline so that it will be able to increase its certificated capacity later, if shippers desire additional capacity. Cameron Interstate states that this pre-investment makes sense because it will minimize the cost of such an expansion with no environmental impacts whatsoever. By pre-investing in thicker walled pipe at this time, Cameron Interstate states it will avoid the additional looping or compression that would be required if the pipeline were built under the existing design criteria and then expanded at a later date.

12. Cameron Interstate states that the wall-thickness design modification will result in no significant environmental or landowner related impacts. Because there will be no routing change or pipeline looping, there will be no adverse impacts to existing landowners and no new landowners will be impacted by the proposed modification. To the contrary, Cameron Interstate states that the proposed design modification would effectively and substantially reduce any such impacts inherent in any alternative proposal, such as pipeline looping or additional compression. In addition, Cameron Interstate states that the proposed design change will not involve any additional ground disturbance and will not adversely affect the Project's operational air or noise emission impacts.

13. Cameron Interstate states that it is not seeking an increase in the certificated capacity of the pipeline and that it will continue to operate the pipeline at the capacity level previously certificated by the Commission. Cameron Interstate has determined that it will not seek to increase its rates due to the costs associated with the increased pipe

wall thickness. Consequently, Cameron Interstate states that there will be no rate impacts to Project shippers arising from the requested design change since Cameron Interstate will bear any such rate risk.

2. Tariff

14. Cameron Interstate filed an entirely new *pro forma* tariff to supersede the previously filed tariff because of the substantial changes in Commission regulation and policy that have occurred since the time that Cameron Interstate's predecessor filed the original tariff. Cameron Interstate states that the replacement tariff includes numerous changes and provisions that incorporate the Commission's orders and regulations promulgated since the time of the original certification of the Project, including policy changes associated with the Commission's Order Nos. 636, 637, and 2004. Further, Cameron Interstate states that the replacement tariff has been reviewed and agreed to by Cameron Interstate's current customer, ENI USA Gas Marketing LLC (ENI).

3. Initial Rates

15. Cameron Interstate asserts that the costs and resulting rate schedules originally filed by Hackberry LNG over three years ago do not reflect current market conditions. Therefore, the replacement tariff includes proposed rate schedules which reflect the updated costs of the Project but do not reflect costs associated with the design change proposed herein. The proposed rate schedules include the updated costs of project and construction management; development and permitting; environmental services and studies; pipeline and materials; and, right-of-way costs. Cameron Interstate states that the increase in pipeline and materials costs is based on vendor quotations and imputed sales taxes and transportation costs. The Project assumes a return on equity of 14 percent, which reflects an increase relative to the 13.25 percent that was approved for Hackberry LNG.

4. Design Capacity

16. Cameron Interstate believes that the Commission may have intended to certificate the pipeline at 1.5 Bcf per day; however the order originally approving the project instead authorized a heating value based maximum design capacity of "1,500,000 Dth per day."[9] Because the heat content of the upstream LNG supply may vary, Cameron Interstate states that a volumetrically based unit of capacity is more appropriate, and accordingly hereby requests express certification of the facilities at 1.5 Bcf per day.

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[9] *Hackberry LNG*, 101 FERC at 62,183 (2002).

B. Cameron LNG - Docket No. CP02-378-004

17. In Docket No. PF06-10-000, Cameron LNG is undergoing the Commission's pre-filing process for a proposed expansion of its LNG terminal allowing for a higher LNG unloading rate of 17,500 cubic meters per hour (m3/hr) and a higher natural gas send-out rate of 2.65 billion standard cubic feet per day (Bscfd). Therefore, Cameron LNG seeks approval for certain modifications to the approved LNG terminal facilities to allow the proposed expansion to be fully integrated into the approved LNG terminal design in as safe a manner as possible with a minimum of downtime and interruption of send out service. Cameron LNG says that it is not now seeking an increase in the physical offload or send out capabilities of the LNG terminal using the proposed modifications. Cameron LNG states that the requested pre-investment modifications will enable it to better accommodate both the base terminal and expansion construction in the safest and most cost and resources efficient manner.

18. Specifically, Cameron LNG is requesting amendment of its section 3 authority allowing it to:

- install the piping and instrumentation for a future fourth unloading arm during base terminal construction;
- install a larger LNG tank bottom fill downcomer during the base terminal construction;
- increase the allowable discharge pressure of the base terminal send-out pumps from 1267 psig to 1643 psig to handle a future higher head requirement;
- increase the capacity of the three boil-off gas compressors to 15,780 lb/hr each;
- install the larger boil-off gas recondenser to prevent shutting down the terminal to replace the recondenser during expansion construction;
- move the high pressure shutdown point and HIPS valves to the inlet of the pipeline and to upgrade the piping from the previous HIPS valves location to the new location from 600 # ANSI to 900 # ANSI;
- increase the design differential head of the vapor return blowers from 5.8 psi to 8.5 psi;

- increase the heat duty of the two fuel gas exchangers from 2.55 MMBtu/hr each to 3.44 MMBtu/hr each;

- increase the size of those base terminal lines that will see an increase in flow due to the proposed expansion;

- install the required piling during base terminal construction;

- upgrade certain transformers to a nominal 50MVA to handle the increased electrical load associated with the proposed expansion and to install equipped spaces in the powerhouse for additional electrical breakers required for the expansion;

- install two 1500 KW standby generators during the base terminal construction;

- increase the size of the spill containment troughs and impoundment basin during the base terminal construction;

- install the expansion tie-in points during base terminal construction.

19. All of the requested pre-investment activities will occur on the same footprint as the original design. Cameron LNG certifies that there are no adverse environmental, land-use, or project impacts associated with the requested authorizations.

III. **<u>Notices and Interventions</u>**

20. Notice of Cameron Interstate's petition to amend in Docket Nos. CP05-119-001 and CP05-121-001 was published in the *Federal Register* on October 21, 2005 (70 *Fed. Reg.* 61,268). ExxonMobil Gas & Power Marketing Company, a Division of Exxon Mobil Corporation and ENI filed timely motions to intervene.[10] Notice of Cameron LNG's petition to amend in Docket No. CP02-378-004 was published in the *Federal Register* on March 1, 2006 (71 *Fed. Reg.* 10,487). No interventions or comments were filed.

[10] Timely unopposed motions to intervene and timely notices of intervention are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure. 18 CFR § 385.214 (2005).

IV. Discussion

A. Cameron Interstate - Docket Nos. CP05-119-001, CP05-121-001

21. Cameron Interstate's proposal involves the construction and operation of facilities that will be used in interstate commerce and thus the proposal is subject to sections 7(b) and 7(c) of the NGA.

1. Facilities

22. The Commission has previously found the Project to be in the public interest.[11] In doing so, the Commission evaluated the proposed pipeline under the criteria of the Certificate Policy Statement.[12] Because no changes to the siting, operation, or maintenance of the interstate pipeline will result from our granting the authorization to increase the pipeline thickness, there will be no adverse impacts to the environment, or any affected stakeholders identified during the certification process.[13] Furthermore, there are no existing shippers on the pipeline system and no harm to prospective shippers will arise from the requested authorizations. We find that Cameron Interstate's proposal meets the requirements of the Certificate Policy Statement and is in the public convenience and necessity. We will therefore approve the proposal, as modified and conditioned below.

2. Initial Rates

23. Cameron Interstate proposes to offer Part 284 firm and interruptible open access transportation services and authorized overrun service under Rate Schedules FTS, ITS and AOS.[14] Cameron Interstate states that the proposed cost-based rates for the new FTS, ITS and AOS services reflect a straight-fixed variable (SFV) rate design.

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[11] *See Hackberry LNG Terminal, L.L.C.*, 101 FERC ¶ 61,294 at P 3, 42 (2002); *Cameron LNG, LLC*, 104 FERC ¶ 61,269 at P 32 (2003).

[12] Certification of New Interstate Natural Gas Pipeline Facilities (Certificate Policy Statement), 88 FERC ¶ 61,227 (1999), order clarifying statement of policy, 90 FERC ¶ 61,128, order further clarifying statement of policy, 92 FERC ¶ 61,094 (2000).

[13] The authorization sought in Docket No. CP05-121-001 qualifies as a categorical exclusion under section 380.4(a)(22).

[14] *See* Cameron Interstate's *Pro Forma* FERC Gas Tariff, Original Volume No. 1 (*pro forma* tariff).

24. Cameron Interstate derived the proposed FTS rates using an estimated $28,600,026 annual cost of service[15] and annual reservation billing determinants of 18,720,000 Dth (1,560,000 Dth times 12). Cameron Interstate states that the reservation billing determinants represent the projected operating capacity of the single 36-inch diameter pipeline from the outlet of Cameron LNG's proposed terminal to an interconnection with Transco's Compressor Station 45. The annual FTS usage billing determinants total 569,400,000 Dth per year (1,560,000 Dth/day times 365 days). The proposed maximum cost-based FTS reservation rate is $1.53 per Dth. Cameron Interstate expects no identifiable variable costs associated with the pipeline, so the proposed FTS usage rate is $0 per Dth.

25. Cameron Interstate derived a $0.0502 per Dth ITS rate at 100 percent load factor of the FTS rates. Cameron Interstate did not identify any usage determinants associated with its proposed ITS interruptible service and does not propose to allocate costs to the ITS interruptible service. Cameron Interstate proposes to credit 90 percent of the revenue received from interruptible transportation service and authorized overrun service to its firm shippers. For both its firm and interruptible services, Cameron Interstate proposes 0.2 percent retainage for fuel and lost and unaccounted for gas.

26. The Commission generally finds Cameron Interstate's proposed cost of service and initial rates reasonable for a new pipeline entity, such as Cameron Interstate, subject to the modifications and conditions imposed below.

a. Interruptible Services Revenue Crediting

27. The Commission's policy regarding new interruptible services requires either a 100 percent credit of the interruptible revenues, net of variable costs, to firm and interruptible shippers or an allocation of costs and volumes to these services.[16] Instead of allocating costs to interruptible services, Cameron Interstate proposes to credit 90 percent of revenues from IT and AOS services to firm shippers. Cameron Interstate requests that the Commission grant an exception to its policies with respect to revenue crediting so that Cameron Interstate may credit to firm shippers 90 percent of any IT/AOS revenues.

[15] Cameron Interstate's proposed year 1 $28,600,026 cost of service includes a $901,995 operation and maintenance expense, a $1,648,357 administrative and general expense, a $5,263,494 depreciation expenses (at a 5 percent depreciation rate), a $11,126,285 return allowance, a combined $4,974,410 in federal and state income taxes (calculated at a tax rate of 35 percent for federal taxes and 8 percent for Louisiana state taxes), and $4,685,484 in taxes other than income taxes. The cost of service does not include costs associated with Cameron Interstate's proposed increase in the pipe wall thickness.

[16] *See, e.g.* Tractebel Calypso Pipeline, LLC, 106 FERC ¶ 61,273 (2004).

Cameron Interstate claims that it has no expectation of selling IT service and has designed its pipeline to serve a single source of supply which is LNG. Cameron Interstate states that unlike other pipelines which are interconnected to producing fields, it does not face the same possibility of securing new customers or incremental production volumes. Cameron Interstate asserts that the LNG business cannot rely on interruptible pipeline services and therefore Cameron Interstate cannot risk allocating costs to IT service. Finally, Cameron Interstate asks the Commission to allow Cameron Interstate at least a small incentive to seek potential IT customers over time and, in particular, to facilitate the potential for spot LNG cargoes. Thus, Cameron Interstate argues that by allowing Cameron Interstate to credit only 90 percent of IT revenues, the Commission will afford Cameron Interstate an incentive should an opportunity to sell IT services presents itself in the future.

28. The Commission's policy requires pipelines to credit 100 percent of the IT and AOS revenues, net of variable costs, to firm and interruptible shippers. Cameron Interstate's argument that its pipeline will solely carry LNG fails to convince us to change our policy regarding the crediting of 100 percent of IT and AOS revenues. The Commission will require Cameron Interstate to revise its tariff to provide for a mechanism to credit 100 percent of the IT and AOS revenues, net of variable costs, to its firm and interruptible shippers.

b. Return on Equity and Capital Structure

29. Cameron Interstate states that arrangements have not been finalized to fund the construction of the proposed project. Cameron Interstate will consider project financing during construction and anticipates that its parent company's equity will finance the project during construction and the initial years of operation. Cameron Interstate states that it has used a capital structure for the project that consists of 50 percent debt and 50 percent equity based on the debt/equity structure of its parent, Sempra Energy. Cameron Interstate proposes a 7.44 percent interest rate for debt, a 14 percent return on equity (ROE), and an overall after-tax rate of return of 10.72 percent.

30. Cameron Interstate states that its proposal reflects the Commission's current policy of recognizing the risk associated with developing pipelines associated with LNG terminals and the Commission's interest in encouraging new infrastructure.[17] Cameron Interstate asserts that a 14 percent ROE is appropriate because it is a new project needed

[17] Citing Mill River Pipeline, LLC, 112 FERC ¶ 61,070 (2005); Cheniere Sabine Pass Pipeline Company, 109 FERC ¶ 61,324 (2004). *See* also, San Patricio Pipeline, LLC, 112 FERC ¶ 61,101 (2005).

in the Gulf to serve the country's need for LNG. Cameron Interstate states that the LNG supply chain involves significant risks, including dependence on foreign sources of supply, and its pipeline is subject to those risks.

31. The Commission has approved ROEs for new pipelines up to 14 percent. Accordingly, the Commission will approve Cameron Interstate's proposed 14 percent ROE consistent with our ROE determinations for recently approved greenfield pipelines related to new LNG projects.[18]

c. Rate Changes and Three-Year Filing Requirement

32. If Cameron Interstate desires to make any other changes not specifically authorized by this order prior to placing its facilities into service, it must file an application under NGA section 7(c) to amend its certificate authorization. In that filing, Cameron Interstate must provide cost data and the required exhibits supporting any revised rates. In order to change its rates to reflect any revised construction and operating costs as a result of any further amendments after the facilities are constructed and placed in service, Cameron Interstate must make an NGA section 4 filing. While we are approving Cameron Interstate's proposed revision to its initial rates, we will not authorize a further revision to the initial rates for this project.

33. With respect to the instant proceeding and consistent with Commission precedent, the Commission will require Cameron Interstate to file a cost and revenue study at the end of its first three years of actual operation to justify its existing cost-based firm and interruptible recourse rates.[19] In its filing, the projected units of service should be no lower than those upon which Cameron Interstate's approved initial rates are based. The filing must include a cost and revenue study in the form specified in section 154.313 of the regulations to update cost of service data. After reviewing the data, we will determine whether to exercise our authority under NGA section 5 to establish just and reasonable rates. In the alternative, in lieu of this filing, Cameron Interstate may make an NGA section 4 filing to propose alternative rates to be effective no later than three years after the in-service date for its proposed facilities.

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[18] *See, e.g.*, *Corpus Christi LNG, L.P.*, 111 FERC ¶ 61,081 at P 33 (2005) (approving 14 percent ROE based on 50 percent debt and 50 percent equity ratios), *San Patricio Pipeline, LLC.*, 112 FERC ¶ 61,101 at P 33 (2005) (approving 14 percent ROE based on a capital structure comprised of at least 50 percent debt).

[19] *See, e.g.*, *Trunkline LNG Co.*, 82 FERC ¶ 61,198 at 61,780 (1998), *aff'd sub nom, Trunkline LNG Co. v. FERC*, 194 F.3d 68 (D.C. Cir. 1999); *Horizon Pipeline Co., L.L.C.*, 92 FERC ¶ 61,205 at 61,687 (2000); *Vector Pipeline Co.*, 85 FERC ¶ 61,083 (1998).

3. ***Pro Forma* Tariff Issues**

34. Cameron Interstate proposes to offer firm and interruptible transportation services on an open-access basis under the terms and conditions set forth in the *pro forma* tariff attached as Exhibit P to the application. We find Cameron Interstate's proposed tariff generally complies with Part 284 of the Commission's regulations,[20] with the exceptions discussed below and specified in Appendix B attached to this order. The Commission will require Cameron Interstate to file actual tariff sheets consistent with the directives in this order at least 30 days but no more than 60 days prior to the commencement of service.

a. **Disposition of Penalties**

35. Order No. 637 requires that pipelines must credit to shippers all revenues from all penalties net of cost.[21] Cameron Interstate proposes in section 7.10 on Sheet No. 89 and section 10.4(c) on Sheet No. 99 to provide that "…[i]n the event that there are no Non-Offending Shippers, as set forth in GT&C section 25, in a given month, 50% of such overrun and underdeliveries penalties shall be donated to a charity that is located in a parish or county in which Pipeline is located, and the remaining 50% of such overrun and underdeliveries penalties shall be carried forward to the next month." The Commission finds that Cameron Interstate's *pro forma* sections 7.10 and 10.4 (c), concerning penalty revenue crediting does not fully comply with Order No. 637, which relies on the principle that a pipeline must credit to shippers all revenues from all penalties net of costs. The Commission directs Cameron Interstate to revise sections 7.10 and 10.4 (c) to read, "[i]n the event that there are no Non-Offending Shippers in a given Month, 100% of such overrun and underdeliveries penalties shall be carried forward to the next month."

b. **NAESB Standards**

36. Cameron Interstate states that its tariff proposal complies with Version 1.7 of the North American Energy Standards Board (NAESB) Standards, and the recommendations of NAESB's Wholesale Gas Quadrant (WGQ) adopted by the Commission in Order No. 587-S.[22] Standard 1.7 includes standards regarding implementation of Order No. 2004

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[20] 18 C.F.R. Part 284 (2005).

[21] Regulation of Short-Term Natural Gas Transportation Services, and Regulation of Interstate Natural Gas Transportation Services, Order No. 637-A, FERC Stats. & Regs., Reg. Preambles [1996-2000] ¶ 31,099 at 31,609-31,611 (2000).

[22] Standards for Business Practices of Interstate Natural Gas Pipelines, Order No. 587-S, FERC Stats. & Regs. ¶ 31,179 (2005).

and gas quality reporting standards.[23] Therefore, when Cameron Interstate files actual tariff sheets in this proceeding, it must revise its tariff to conform to the standards adopted in Order No. 587-S, as modified by any future NAESB requirements in effect at the time of filing. The filing must include a cross-reference showing each NAESB standard number, the tariff section containing the standard, and whether Cameron Interstate incorporated the standard verbatim or by reference. Cameron Interstate should file any information it believes relevant to its compliance with the NAESB Standards.

c. Gross Negligence

37. Section 18 of the GT&Cs addresses the situation when the pipeline will indemnify a shipper against claims by third parties. To the extent that these third-party claims against the shipper seek incidental or consequential damages, Cameron seeks to limit its liability to instances of gross negligence. The Commission has consistently held that a simple negligence standard is appropriate for the liability and indemnification provisions of open access tariffs on the ground that all parties, including the pipeline, should be liable for their negligent acts.[24] Specifically, Cameron must remove the word "gross" from the term "gross negligence" and change it to read "negligence." This will prevent Cameron from being insulated from loss or damages attributable to its own simple or ordinary negligence.

4. Facility Design and Flexibility and Reliability

38. We have reviewed and analyzed the submitted data and confirmed that the proposed increase in pipeline thickness would not adversely impact the ability of the proposed facilities to provide the proposed services.

39. Our engineering review of the project indicates that the proposed pipeline can accommodate the proposed 1.5 Bcf/d of vaporization capacity along its entire length to its terminus with Transco's system at Compressor Station No. 45. The June 27, 2005 Order

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[23] *Standards of Conduct for Transmission Providers*, Order No. 2004, FERC Stats. & Regs. Vol. III, Regs. Preambles ¶ 31,155 (2003), 68 Fed. Reg. 69134 (Dec. 11, 2003); Order No. 2004-A, FERC Stats & Regs., Regs. Preambles ¶ 31,161 (2004), 69 Fed. Reg. 23562 (Apr. 29, 2004); Order No. 2004-B, FERC Stats. & Regs., Regs. Preambles ¶ 31,166 (2004), 69 Fed. Reg. 48371 (Aug.10, 2004); Order No. 2004-C, FERC Stats. & Regs., Regs. Preambles ¶ 31,172(2005), 70 Fed. Reg. 284 (Jan. 4, 2005); Order No. 2004-D, 110 FERC ¶ 61,320 (2005).

[24] *See, e.g., Gulf South Pipeline Co.*, 98 FERC ¶ 61,278 at 62,182 & n.56 (2002); *Williams Pipe Line Co.*, 88 FERC ¶ 61,014 at 61,040 & n.31 (1999); *Natural Gas Pipeline Co.*, 39 FERC ¶ 61,153 at 61,599 (1987).

is hereby clarified such that Cameron Interstate is certificated to contract for up to 1.5 Bcf/d of firm forward haul capacity, although its transportation rates will be stated in Dth as described above.

40. Our analysis also shows that operating pressures on the proposed pipeline meet the current maximum allowable operating pressure at the possible future interconnects with Sabine Pipe Line, Liberty Gas Pipeline, Florida Gas Transmission, Tennessee Gas Pipeline, Gulf South Pipeline Company, and Texas Eastern Transmission. This indicates that Cameron Interstate could potentially provide future service to these pipelines without additional pipeline facilities.

B. Cameron LNG – Docket No. CP02-378-004

41. Our review indicates that the proposed amendment to Cameron LNG's Hackberry Project would not cause additional ground disturbance or air emissions; therefore, the following resources either do not occur in the project area or would not be affected:

- potential geologic hazards or mineral resources;
- soils;
- groundwater resources;
- wetlands, surface waters, or fisheries;
- vegetation, wildlife, or threatened or endangered species;
- environmentally sensitive areas;
- public lands;
- residential areas within 50 feet of the project;
- cultural resources; and
- air and noise impacts.

42. Cameron LNG states that the proposed modifications would not alter the basis of design or applicable codes used in the current terminal design authorized for the original Hackberry Project. Commission staff has evaluated the proposed modifications in regard to the originally authorized terminal operating and process flow conditions and believes the proposed modifications would be consistent with the reliability, operability, and safety of the original terminal design. Although the proposed modifications would be made to accommodate the Project's operating and process flow conditions, Cameron LNG is not authorized to operate the modified terminal design at process flow conditions greater than those currently authorized by the September 11, 2003 Order.

43. The design and specifications submitted to date are considered to be preliminary but would be the basis for any detailed design to follow. Portions of the design involving final selection of equipment manufacturers, process conditions, and resolution of some safety related issues would be completed in the next phase of the project development if

authorization is granted by the Commission. This information would need to be submitted to Commission staff for review and approval. Accordingly, prior to construction of the final design, Cameron LNG must file with the Secretary for review and approval by the Director of OEP, up-to-date piping and instrumentation diagrams for the entire previously authorized Cameron LNG Terminal, including all modifications. This information should be submitted a minimum of 30 days before approval to proceed is required.

44. In addition**,** prior to construction of the previously authorized Cameron LNG Terminal final design, Cameron LNG must file with the Secretary for review and approval by the Director of OEP any hazard design reviews and the final hazard and operability review finalizing the design as "Issued for Construction." This information should be submitted a minimum of 30 days before approval to proceed is required.

45. The LNG facilities proposed in this project must comply with the siting requirements of 49 CFR 193, Subpart B. As approved in the original authorization, the impoundment basin was 60 feet wide by 60 feet long by 20 feet deep. The revised impoundment basin would be 60 feet by 86 feet by 20 feet deep, with a usable volume of 771,990 gallons. The larger basin would still contain a 10-minute, full flow spill from the ship unloading line. The total flow rate from this spill would be 52,834 gallons per minute, corresponding to a 10-minute spill volume of 528,340 gallons. The vapor dispersion exclusion zone determined in the original Hackberry EIS for the impoundment basin was based on the full flow from the unloading line as the design spill. As described in that EIS, this zone remained completely within the property of the terminal site. Using the same spill volume for the revised impoundment basin, Cameron LNG found the vapor dispersion exclusion zone to extend 712 feet to the edge of the 1/2 lower flammability limit concentration envelope. Therefore, the exclusion zone based on the revised impoundment design would not extend beyond the terminal property line.

46. Exclusion distances for thermal radiation flux levels from the revised impoundment sump were also calculated. For its analysis, Cameron LNG selected the following ambient conditions to produce the maximum distances: wind speed of 19 mph; ambient temperature of 32°F; and 45 percent relative humidity. These conditions yield longer distances than the 0 mph wind speed, 70°F ambient temperature, and 50 percent relative humidity specified in NFPA 59A. Cameron LNG determined the thermal radiation distance for the 1,600 Btu/ft^2-hr incident flux level to extend 359 feet from the revised impoundment sump. We agree with Cameron LNG's selection of atmospheric conditions and its thermal calculations.

47. There are no prohibited activities within the modeled flammable vapor and thermal radiation exclusion zones, which remain completely on the proposed plant site. We believe the proposed modifications would meet the siting requirements of 49 CFR 193, Subpart B.

48. The current spill containment troughs are 3 feet wide with a minimum depth of 2.5 feet. Cameron LNG is proposing to revise the spill containment troughs by varying sizes. The unloading line trough would be changed to 4 feet wide by 3 feet deep at the unloading jetties and 5 feet wide by 2.5 feet deep along the storage tank area. The process area trough would be altered to 2.5 feet wide by 2 feet deep.

49. Environmental condition number 24 of the Appendix to the September 11, 2003 order required Cameron LNG to design the spill containment and spill control to drain the spill away from piping and equipment and not channel the spill under the pipe. While Cameron LNG has provided drawings showing the cross sections of the modified spill containment, the location of these troughs in relation to the piperacks has not been shown. Therefore, Cameron LNG must provide drawings of the piperacks and spill containment trenches, including dimensioned cross sections, which show that the containment would be designed to drain any spills away from piping and equipment and not channel the spill under the pipe. This information should be filed with the Secretary for review and approval by the Director of OEP prior to construction of the previously authorized Cameron LNG Terminal final design. This information shall be submitted a minimum of 30 days before approval to proceed is required.

50. As revised by section 311 of the Energy Policy Act of 2005, section 3A(e)(1) of the NGA specifies that in any order authorizing an LNG terminal, the Commission shall require the LNG terminal operator to develop an Emergency Response Plan in consultation with the Coast Guard and state and local agencies to be approved by the Commission prior to any final approval to begin construction. Approval to construct the previously authorized terminal was issued April 1, 2004, and construction of these facilities is currently underway. In accordance with the above recommendation, the proposed modifications would not alter the currently authorized operation of the facility. In addition, Cameron LNG submitted pre-filing materials for its proposed Project in Docket No. PF06-10-000. Authorization, if granted, would include a requirement for Cameron to obtain written approval of an Emergency Response Plan and associated cost-sharing plan prior to initial site preparation.

51. In addition, we conclude that if the proposed facilities are constructed and operated in accordance with Cameron LNG's application, subsequent filings, and our mitigation measures listed in this order, approval of this project would not constitute a major federal action significantly affecting the quality of the human environment. For all these reasons, we find that Cameron LNG's proposals as conditioned herein are not inconsistent with the public interest under section 3 and we will issue the authorizations requested herein.

52. Any state or local permits issued with respect to the jurisdictional facilities authorized herein must be consistent with the conditions of this authorization. We encourage 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 approved by this Commission.[25]

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

<u>The Commission orders:</u>

(A) The authorization issued in the September 11, 2003 Order to site, construct, and operate an LNG terminal is amended to authorize Cameron LNG to modify the facilities appurtenant to its LNG terminal, as more fully described in the order and in the petition to amend. In all other respects, the September 11, 2003 Order shall remain in full force and effect.

(B) The authorization in Ordering Paragraph (A) is conditioned upon Cameron LNG's compliance with the environmental conditions set forth in Appendix A to this order and the other orders in this docket.

(C) Construction of Cameron LNG's facilities authorized as amended herein, shall be completed within three years from the date of a final order in this proceeding in accordance with section 157.20(b) of the Commission's regulations.

(D) The certificate issued in these dockets pursuant to section 7(c) of the NGA authorizing Cameron Interstate to construct, and operate pipeline facilities is amended as described and conditioned herein and as more fully described in the application. In all other respects the certificate order shall remain in full force and effect.

(E) Cameron Interstate must comply with the environmental conditions of the June 27, 2005 Order.

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

(F) The request for clarification that Cameron Interstate is certificated to contract for up to 1.5 Bcf/d of firm forward haul capacity, is granted.

(G) The new tariff and initial rates proposed by Cameron Interstate are approved, as conditioned and modified herein.

(H) Within three years after its in-service date, as discussed herein, Cameron Interstate must make a filing to justify its existing cost-based firm and interruptible recourse rates. In its filing, the projected units of service should be no lower than those upon which Cameron Interstate's approved initial rates are based. The cost and revenue study must be in the form specified in section 154.313 of the regulations to update cost-of-service data. In the alternative, in lieu of this filing, Cameron Interstate may make an NGA section 4 filing to propose alternative rates to be effective no later than 3 years after the in-service date for its proposed facilities.

(I) Cameron Interstate shall file tariff sheets 60 days prior to placing the pipeline facilities in service and bring its tariff in compliance with the revisions specified in the body of this order and any future orders issued in this proceeding.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

Appendix A

Environmental Conditions for Cameron LNG's Proposals in Docket No. CP02-378-004

1. Cameron LNG shall follow the construction procedures and mitigation measures described in its application and supplements (including responses to staff data requests), and as identified in the EA, unless modified by this order. In addition, unless superceded by this order, all environmental conditions attached to the September 11, 2003 Order shall remain in effect. Cameron LNG must:

    a. request any modification to these procedures, measures, or conditions in a filing with the Secretary of the Commission (Secretary);
    b. justify each modification relative to site-specific conditions;
    c. explain how that modification provides an equal or greater level of environmental protection than the original measure; and
    d. receive approval in writing from the Director of the Office of Energy Projects (OEP) before using that modification.

2. The Director of OEP has delegated authority to take all steps necessary to ensure the protection of life, health, property, and the environment during construction and operation of the project. This authority shall include:

    a. stop-work authority and authority to cease operation; and
    b. the design and implementation of any additional measures deemed necessary to assure continued compliance with the intent of the conditions of this order.

3. Cameron LNG shall not operate the modified terminal design at process flow conditions greater than those currently authorized by the Commission's September 11, 2003 Order.

4. Prior to construction of the final design for the previously authorized Cameron LNG Terminal, the following information shall be filed with the Secretary for review and approval by the Director of OEP. Items relating to Resource Report 13 (Engineering and Design Material) and security must be submitted as critical energy infrastructure information (CEII) pursuant to 18 CFR § 388.112 and PL01-1. This information must be submitted a minimum of 30 days before approval to proceed is required:

a. up-to-date piping and instrumentation diagrams for the entire facility, including all modifications;

b. any hazard design reviews and the final hazard and operability review finalizing the design as "Issued for Construction;" and

c. drawings of the piperacks and spill containment trenches, including dimensioned cross sections, which show that the containment would be designed to drain any spills away from piping and equipment and not channel the spill under the pipe.

Appendix B
Cameron Interstate Pipeline, LLC

***Pro Forma* FERC Gas Tariff**
Original Volume No. 1

Cameron Interstate must make the following tariff revisions when it files the actual tariff sheets required in the body of this order.

General Terms and Conditions (GT&C)

Original Sheet No. 84

Section 7.1(d), Operation Balancing Agreement refunds, provides that to the extent the difference between such revenues and costs during any calendar year is less than $400,000, Cameron Interstate shall carry forward the difference to the next calendar year. Cameron Interstate must add language to this section that states, "Any penalty revenue collected and retained by Pipeline shall accrue interest calculated pursuant to the regulations of the Commission."

Original Sheet No. 128

Section 12.8, Transportation Cash-Out Revenue, provides that to the extent the difference between such revenues and costs during any calendar year is less than $400,000, Cameron Interstate shall carry forward the difference to the next calendar year. Cameron should add language to this section that states, "Any penalty revenue collected and retained by Pipeline shall accrue interest calculated pursuant to the regulations of the Commission."

Original Sheet No. 148

In section 19.6, Over or Under charges, Cameron Interstate must clarify this section so that Cameron Interstate pays interest on overcharges, and shippers pay interest on undercharges.

Original Sheet No. 166

In section 37.2, Flowing Gas Related Standards, Cameron Interstate must change the reference to "flow" to "flowing."

In section 37.3, Invoicing Related Standards, Cameron must change the reference to "involving" to "invoicing."

Original Sheet No. 170

This sheet reserves pages 169 to page 199 for future use. Cameron Interstate must change the sheet to read “ pages 170 to page 199 reserved for future use.”