

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;  
Richard Glick, Bernard L. McNamee,  
and James P. Danly.

Freeport LNG Development, L.P.

Docket No. CP14-57-000

ORDER TERMINATING AUTHORIZATION UNDER SECTION 3  
OF THE NATURAL GAS ACT

(Issued April 16, 2020)

1. On March 28, 2014, the Commission authorized Freeport LNG Development L.P. (Freeport), under section 3 of the Natural Gas Act (NGA),<sup>1</sup> to integrate and operate a boil-off gas (BOG) chiller at its liquefied natural gas (LNG) terminal on Quintana Island, near Freeport, Texas, to stabilize and augment system operations.<sup>2</sup> On December 18, 2019, Freeport filed a pleading explaining that the BOG chiller is no longer needed and requesting termination of the March 28, 2014 authorization. As discussed below, the Commission will terminate Freeport's authorization.

**I. Background**

2. In 2004, the Commission authorized Freeport to site, construct, and operate an LNG terminal on Quintana Island near Freeport, Texas, to import, store, and vaporize LNG,<sup>3</sup> and Freeport placed the terminal into service in July 2008. However, in December 2008, Freeport, concerned that it would not receive sufficient LNG deliveries to ensure that the terminal's two storage tanks would continuously contain enough LNG (known as a "heel") to keep the tanks in a constant cryogenic state, filed an application proposing to construct a BOG liquefaction system, which would allow it to capture BOG from the tanks and pipes and to convert it back into liquid for return to the tanks, thus ensuring a constant heel. In 2009, the Commission amended Freeport's original

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<sup>1</sup> 15 U.S.C. § 717b (2018).

<sup>2</sup> *Freeport LNG Dev., L.P.*, 146 FERC ¶ 61,234 (2014).

<sup>3</sup> *Freeport LNG Dev., L.P.*, 107 FERC ¶ 61,278 (2004).

authorization to authorize construction and operation of the BOG liquefaction system,<sup>4</sup> and Freeport placed the BOG liquefaction system into service in November 2009.

3. On April 19, 2013, Freeport filed an Emergency Notification Report pursuant to 18 C.F.R. § 153.13, stating that it would install a BOG chiller, for temporary use, to offset increased boil-off losses during the summer. Freeport stated that operational problems with the BOG liquefaction system's compressor engines had resulted in a 25% downtime, and Freeport could no longer re-liquefy BOG as efficiently as needed to maintain a sufficient heel.

4. The BOG chiller consists of the following: one skid-mounted refrigeration unit; one skid with two gas/solution heat exchangers; and aboveground, three-inch, four-inch, and six-inch-diameter piping. By pre-chilling the BOG from about 130 degrees Fahrenheit to 85 degrees Fahrenheit before the BOG entered the BOG liquefaction system, Freeport could operate the BOG liquefaction system as a closed loop to maintain the storage tanks' cryogenic operating state without relying on new imports of LNG.

5. Freeport used the BOG chiller for one season before decommissioning it in place at the end of October 2013. On March 28, 2014, the Commission granted Freeport section 3 authorization to integrate and operate the BOG chiller permanently.<sup>5</sup>

6. On July 30, 2014, the Commission issued an order in Docket Nos. CP12-509-000 and CP12-29-000 approving the siting, construction and operation of three liquefaction trains and associated facilities at the terminal to export LNG (Liquefaction Project).<sup>6</sup> On May 17, 2019, the Commission approved the addition of a fourth liquefaction train and associated facilities.<sup>7</sup> While construction of the overall project is ongoing, construction of Train 1 has been completed, and it was placed into service on December 8, 2019.

7. Freeport states that because Train 1 of the Liquefaction Project is fully operational and capable of producing LNG, the BOG chiller, which was last used in July 2019, is no longer needed. Freeport seeks to terminate its lease of the BOG chiller and remove it. The crane used to remove the BOG chiller will be driven to the site or transported on a flatbed trailer. The chiller's components will be loaded by crane onto one to two flatbed

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<sup>4</sup> *Freeport LNG Dev., L.P.*, 127 FERC ¶ 61,105 (2009).

<sup>5</sup> *Freeport LNG Dev., L.P.*, 146 FERC ¶ 61,234.

<sup>6</sup> *Freeport LNG Dev., L.P.*, 148 FERC ¶ 61,076 (2014).

<sup>7</sup> *Freeport LNG Dev., L.P.*, 167 FERC ¶ 61,155 (2019).

trailers and will be transported away from the site. The removal process is estimated to take eight days.

## II. Discussion

8. Because Freeport's request involves LNG terminal facilities that are used to import and export natural gas from foreign countries, it requires Commission approval under section 3 of the NGA.<sup>8</sup>

9. The Commission's authority over facilities constructed and operated under section 3 of the NGA includes the authority to apply terms and conditions as necessary and appropriate to ensure that the proposals are in the public interest.<sup>9</sup> Section 3 provides that the Commission "shall issue such order on application" unless it finds that the proposal "will not be consistent with the public interest."<sup>10</sup>

10. Terminating the March 28, 2014 authorization will allow Freeport to terminate lease payments for facilities that are no longer needed. Freeport's requested termination will not have a significant impact on landowners since the BOG chiller is located entirely within the existing footprint of the terminal. Further, Freeport's export operations will not be adversely affected because the Train 1 liquefaction facilities are now fully operational and will ensure reliable operation of the LNG storage facilities. Staff's environmental review confirmed that the removal of the BOG chiller will involve no ground disturbance or land use impacts and that the use of the crane and trucks will result

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<sup>8</sup> The regulatory functions of section 3 of the NGA were transferred to the Secretary of the U.S. Department of Energy (DOE) in 1977 pursuant to section 301(b) of the Department of Energy Organization Act (Pub. L. No. 95-91, 42 U.S.C. §§ 7101 et seq.). The Secretary of Energy subsequently delegated to the Commission the authority to approve or disapprove the construction and operation of natural gas import and export facilities and the site at which such facilities shall be located. The most recent delegation is in DOE Delegation Order No. 000-004.00A, effective May 16, 2006. The Commission does not authorize importation or exportation of the commodity itself. Rather, applications for authorization to import or export natural gas must be submitted to the DOE. *See EarthReports, Inc. v. FERC*, 828 F. 3d 949, 952-53 (D.C. Cir. 2016) (detailing how regulatory oversight for the export of LNG and supporting facilities is divided between the Commission and DOE).

<sup>9</sup> *See* 15 U.S.C. § 717b(e)(3)(A). *See also Distrigas Corp. v. FPC*, 495 F.2d 1057, 1063-64 (D.C. Cir. 1974), *cert. denied*, 419 U.S. 834 (1974) and *Dynegy LNG Production Terminal, L.P.*, 97 FERC ¶ 61,231 (2001).

<sup>10</sup> 15 U.S.C. § 717b(a).

in negligible emissions and noise impacts during removal and transport.<sup>11</sup> Therefore, we confirm here that Freeport's proposed action will not constitute a major federal action significantly affecting the quality of the human environment.

11. We therefore find that Freeport's proposal is not inconsistent with the public interest. Accordingly, the Commission will terminate the March 28, 2014 authorization.

The Commission orders:

The NGA section 3 authorization issued to Freeport on March 28, 2014 in Docket No. CP14-57-000 is terminated, as discussed above.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.

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<sup>11</sup> Environmental Assessment Report for Freeport Section 3 Termination of Authorization (March 31, 2020).