



# California Public Utilities Commission

505 Van Ness Avenue, San Francisco, CA 94102

## News Release

FOR IMMEDIATE RELEASE

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### **PUC PRESIDENT RESPONDS TO FERC COMMISSIONER ASSERTIONS, REAFFIRMS COMMITMENT TO ENSURE SAFETY OF LNG FACILITIES**

SAN FRANCISCO, June 3, 2004 – Michael R. Peevey, President of the California Public Utilities Commission (PUC), today sent a letter to Joseph T. Kelliher, Commissioner at the Federal Energy Regulatory Commission (FERC), to reiterate the PUC's position regarding the safety and jurisdiction of liquefied natural gas (LNG) facilities and to respond to Commissioner Kelliher's recent comments in the media contending that the growth of LNG imports hinges on the resolution of the jurisdictional conflict between FERC and the PUC.

In the letter, President Peevey says that the PUC tried to avoid conflict with FERC over jurisdiction of LNG facilities in California and offered to work cooperatively by conducting joint and concurrent hearings with FERC, as FERC and the PUC did in the late 1970s, when both agencies approved the site for LNG facilities in California at Point Conception. "While the Point Conception facilities were not constructed due to changes in the market, the PUC's decision approving the site at Point Conception belies your contention that LNG facilities would not be built if state regulators have jurisdiction over LNG projects," President Peevey says in the letter.

A copy of President Peevey's letter is below.

For more information on the PUC, please visit [www.cpuc.ca.gov](http://www.cpuc.ca.gov).

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**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298

June 3, 2004

Honorable Joseph T. Kelliher  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20002

Re: Sound Energy Solutions, FERC Docket No. CP04-58-000

Dear Commissioner Kelliher:

This letter is in response to your recent statements, which were reported during the past two weeks in the newswires and natural gas trade press, in which you contend that the growth of liquefied natural gas (LNG) imports hinges on the resolution of the present jurisdictional conflict between the Federal Energy Regulatory Commission (FERC) and the California Public Utilities Commission (CPUC). I must respectfully disagree with your statements in this matter. In the present case, the CPUC tried to avoid this conflict and offered to work cooperatively by conducting joint and concurrent hearings with the FERC, just like the FERC and CPUC did in the late 1970s, when both agencies approved the site for LNG facilities in California at Point Conception. While the Point Conception facilities were not constructed due to changes in the market, the CPUC's decision approving the site at Point Conception belies your contention that LNG facilities would not be built if state regulators have jurisdiction over LNG projects. The FERC, however, has chosen to create the present jurisdictional conflict by asserting exclusive jurisdiction and attempting to preclude the CPUC and other state agencies from having any decision-making authority in this matter. Your action has forced us to respond by challenging the FERC's claim of exclusive jurisdiction.

Consideration of the facts in the present case establishes how unique it is and why the CPUC's expertise and familiarity with the local conditions and jurisdiction over the interconnecting intrastate pipeline justify the CPUC's decision-making role in this particular matter. In contrast to most of the currently proposed LNG projects around the United States and Mexico, Sound Energy Solutions (SES) has proposed LNG facilities in a densely populated area at the Port of Long Beach, California. Moreover, the proposed site would be on landfill, which could potentially cause the foundation of the LNG facilities to collapse in the event of a major earthquake on one of the numerous active earthquake faults within approximately 100 miles of the facilities. In addition, there are no interstate pipelines in the vicinity. The only pipelines, which are proposed to transport

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natural gas from SES's proposed LNG facilities, are intrastate pipelines that are exempt from FERC jurisdiction. This is very different from most proposed sites for LNG facilities.

With all due respect, your attempt to extrapolate from SES's unique case to forecast serious trouble for all LNG facilities proposed around the country if the FERC did not have exclusive jurisdiction, does not present a complete picture. A majority of CPUC Commissioners and many state agencies recognize the need for LNG. Indeed, the CPUC has a pending rulemaking proceeding, which will, among other things, adopt rules to facilitate access on the CPUC-regulated intrastate pipelines to LNG supplies. The CPUC also regularly participates in an LNG interagency working group designed to coordinate state and local agencies in California involved in LNG projects.

The LNG industry and the consumers of natural gas would benefit much more if there were cooperation between the FERC and state agencies rather than the FERC's assertion of exclusive jurisdiction. If the FERC were to exclude state agencies from deciding where in California LNG facilities should be located, this would be counterproductive and would, in all likelihood, contribute to much more opposition to proposed LNG projects. It is far better to site and construct LNG facilities in California (onshore or offshore) with due consideration for the safety and environmental concerns of the nearby communities than it is to ignore their concerns and risk that LNG facilities will not be constructed along the California coast.

For these reasons, I respectfully disagree with your public statements using the current jurisdictional conflict between the FERC and the CPUC (which the CPUC had tried to avoid) to suggest that state jurisdiction would be a major obstacle to all proposed LNG facilities. There is no logical reason why LNG facilities cannot be sited by state agencies in safe locations with due regard for environmental concerns.

Attached is a recent editorial from the *Los Angeles Times* that you may find useful, as it discusses LNG jurisdictional issues between the CPUC and the FERC.

Sincerely,

Michael R. Peevey

President

Public Utilities Commission of the State of California

cc: FERC Chairman Wood  
FERC Commissioner Brownell  
FERC Commissioner Kelly  
The Honorable Dianne Feinstein, United States Senate  
The Honorable Barbara Boxer, United States Senate

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The Honorable Nancy Pelosi, United States House of Representatives

CPUC Commissioners

All parties of record in FERC Docket No. CP04-58-000



May 28, 2004

## Los Angeles Times

**It's hard to believe that a private company might be allowed to build a massive and potentially hazardous liquefied natural gas terminal at the Port of Long Beach without state regulators blessing the deal. Yet that could happen if the Federal Energy Regulatory Commission - the same agency that left California dangling in the wind during the state's 2001 energy crisis - wins a battle among agencies over a proposed project to bring badly needed natural gas into California.**

**The terminal would process natural gas carried in liquid form to Long Beach on special tankers. The battle is over who decides whether it should be built, and under what conditions. State and federal regulators all agree that new sources of natural gas need to be tapped. There are also good reasons to settle the turf fights that slow down every energy project in the state. Speeding up permitting, though, shouldn't mean freezing out the California Public Utilities Commission. And that's what FERC, the Bush administration and some in Congress are trying to do.**

**Sound Energy Solutions, a Mitsubishi Corp. subsidiary that proposed building the Long Beach terminal, sparked the conflict by filing permit applications with FERC, thereby bypassing the PUC. The federal agency promptly tried to squash the PUC's regulatory authority over safety and environmental matters. The dispute now seems destined for the courts.**

**FERC should have accepted PUC President Michael R. Peevey's March 1 offer to stage joint hearings. That's what occurred in the 1970s, the last time a natural gas terminal was proposed in California. The federal agency, though, wants to eliminate as many state and local agencies from the review process as possible. Regional air quality officials and the California Coastal Commission were worried enough to ask the federal agency to clarify what their role would be in the review.**

**FERC also has been open about making the Southern California proposal a test case that would solidify its role as the dominant regulator for dozens of liquefied natural gas terminals proposed in California and across the country. Not by coincidence, Rep. Lee Terry (R-Neb.) recently introduced legislation that threatens to knock many state and local regulatory agencies out of the box.**

**FERC Commissioner Joseph Kelliher claims that the natural gas future of the United States will be "bleak" if California prevails in the anticipated court fight. Kelliher wrongly assumes that California regulators already have decided to sink the Long Beach proposal. What commissioners are fighting for is the right to defend Californians, who still carry bitter memories and big electric bills from the last time FERC promised to protect their interests.**