



California Public Utilities Commission

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News Release

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PUC ACTS TO ENSURE RELIABLE, LONG-TERM SUPPLIES OF NATURAL GAS FOR CALIFORNIA

SAN FRANCISCO, September 2, 2004 – The California Public Utilities Commission (PUC) acted today to immediately increase the availability of natural gas supplies in California for this winter.

By streamlining the contract approval process for California utilities, the PUC immediately increased California's access to natural gas supplies by as much as 500 million cubic feet per day. In addition, the PUC's Decision designated receipt points for access to imported Liquefied Natural Gas (LNG) – a key step in locking in contracts now for natural gas that will come on-line in the next few years.

“The time to act is now,” said Commissioner Susan P. Kennedy, in voting for the decision sponsored by her and Commission President Michael R. Peevey. Commissioner Kennedy added, “The decisions we make today and in the coming months will determine whether there will be another energy crisis in California, and I'm going to do everything I can to prevent that crisis from happening.”

The Commission took three major actions in today's decision:

1) Authorized the utilities to purchase natural gas from a wider range of supply basins. Until now, the utilities were locked into specific Interstate Pipelines. For example, there is excess gas available on the new Kern River pipeline that accesses gas from the Rocky Mountains, but California utilities were unable to access it – even if the price is lower – because the Commission had only authorized them to commit to El Paso. Today's decision allows the utilities to diversify their supply.

2) Put in place up-front standards for capacity acquisition – similar to Assembly Bill 57 requirements on electricity. By giving utilities up-front standards for contract approval, the Commission streamlined the contract approval process, cutting months out of the process.

3) Established receipt points for LNG and ordered the utilities to interconnect with LNG facilities when they are built. LNG is not expected to come on-line until 2006-2007, but the contracts for those supplies are being negotiated now. By establishing the receipt points now, the Commission sent the signal that LNG suppliers will be able to deliver their gas to California.

Commissioner Kennedy explained that states will be competing to meet their natural gas requirements with LNG, “If we don’t create the market for natural gas here in California today, that gas will go elsewhere.”

For more information on the PUC, please visit www.cpuc.ca.gov.

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