

THEODORE R. KULONGOSKI
Governor



Memo

Date: January 17, 2006
To: Natural Resources Cabinet
From: Michael Carrier, Natural Resources Policy Director
Re: Liquefied Natural Gas Facilities

There are at least five active proposals for development of Liquefied Natural Gas (LNG) facilities under consideration in Oregon. Four are proposed for the Columbia River and one for Coos Bay.

Until 2005, the siting, and all pertinent environmental analysis and permitting of these facilities would have been conducted under the authority of Oregon's Energy Facility Siting Council (EFSC) as well as the authority of the Federal Energy Regulatory Commission (FERC). The federal Energy Policy Act of 2005 overrides states' siting authorities like EFSC and confines most authority for siting decisions to FERC. The 2005 Act specifies that states retain authority to certify water quality under Section 401 of the Clean Water Act, authority to determine that LNGs are consistent with a state's adopted program under the Coastal Zone Management Act, and authority to issue permits for air emissions. Other state authorities and interests are apparently now intended to be addressed through the FERC process.

To assure that all of Oregon's interests relative to LNGs are addressed, the Governor has directed that state natural resource and environmental agencies assert their interests and concerns through the FERC process. Of special importance is the issue scoping phase in which your agency will identify and comment on the pertinent environmental issues you will want the FERC process to address. The Governor has designated the Oregon Department of Energy (ODOE) as the lead state agency to work with FERC to assure that Oregon's interests are represented. This means that ODOE will be FERC's primary contact for Oregon related to LNG's and that each state agency with interests and issues to be addressed in LNG siting decisions must designate staff to work with ODOE and FERC in the federal process. As FERC licensing processes for LNGs begin, ODOE will contact your agency.

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Along with loss of the EFSC process, Oregon also may have lost its ability to recover the costs agencies incur in LNG siting and licensing processes. While the fiscal impact of your agency's involvement in the FERC process will be determined by the issues you identify in the scoping process, the Governor is directing state agencies to participate in the scoping process, and hence, the licensing process, in a manner that fully asserts and assures protection of Oregon's interests. Because there currently is a limited number of proposed LNG projects in Oregon, and not all of them may undergo the FERC process, it is not expected that your agency's participation will result in an unmanageable financial strain. However, in the event your agency experiences unexpected and unmanageable costs associated with LNGs, you are encouraged to discuss this with my office and your Budget and Management analyst as early as possible.

As our knowledge of the effects of the 2005 Energy Policy Act increases, and as we develop a clearer understanding of the environmental, social and economic issues associated with the introduction of LNGs to Oregon, we will strive to keep you informed and offer appropriate direction. In the meantime, do not hesitate to contact me to discuss any aspect of this memo or the LNG issue in general.

cc: Richard Whitman, Natural Resources General Counsel
Peter Cogswell, Deputy Chief of Staff
Teresa Miller, Legislative Director