

**REMARKS OF W. ROBERT KEATING
COMMISSIONER
MASSACHUSETTS DEPARTMENT OF TELECOMMUNICATIONS
AND ENERGY
To the
LNG COMMUNITY AWARENESS WORKSHOP
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Good Morning.

I am Bob Keating, Commissioner with the Massachusetts Department of Telecommunications and Energy and Chairman of the DOE/NARUC LNG Partnership.

First, I want to thank Stacey Gerard, Jeff Weiss, and Sam Bonasso, for inviting me to be here and speak with you today.

Now I realize I stand between you and lunch, not an enviable position, so I shall try to do my job quickly and accurately.

The title of this session is “What are DOE/NARUC Doing to Create Credible LNG Information.”

In this context, I am going to discuss the DOE/NARUC LNG Partnership.

Before I get to that I do want to recognize and thank several people from DOE upfront who helped make this collaboration possible.

- Mark Maddox, Jim Slutz and Chris Frietas.

- Also former Assistant Secretary for DoE Bob Card

The genesis of this Partnership had its beginning as a result of a meeting Secretary Card had with a number of NARUC Chairs at the February 2005 Winter Meeting. Former Secretary Card, along with Secretary Maddox and Slutz and myself were all involved in the NPC Natural Gas Study—along with many others—including Hal Chapelle who were heard from this morning. As a result of that on-going work it was apparent that LNG was going to play a more prominent role in the country's supply mix.

At that February meeting, Secretary Card, recognizing the challenges that lay ahead in developing and siting a new facility, asked if NARUC could support a resolution on LNG.

As the Chair of NARUC Gas at that time (Don Mason, Ohio current chair), I said to Secretary Card that although I would not have a personal problem with supporting a LNG resolution, I would not want to put such a resolution before the Gas Committee at this time without first educating the membership a little more to the breadth and depth of the issues. In fact, I think I may have said, with all due respect to any fellow Commissioners, “It's not that they don't know how to spell LNG. It is more that they haven't had to spell LNG.”

Let's face it, LNG has been a product that the New England Region has used consistently for the past 34 years – but it was of limited use in other parts of the country. And, thus as an economic utility regulator, your plate is pretty full with other priorities

In any event from this point on the people at DOE, staff at NARUC and I started the work to put this effort in place.

In September 2003, Secretary of Energy Spencer Abraham announced the DOE/NARUC LNG Partnership, to assist in the education of critical energy decisions in areas on the opportunities as well as the impediments related to the increased development of LNG resources. Interest on LNG continues to grow and the Partnership continues to work towards its goal of education and outreach to energy stakeholders. Today the Partnership consists of actual participation of both the Federal and State energy officials.

To date the Partnership has been able to assist States better understand important technological and policy issues associated with expanded LNG delivery and use. The *Partnership* has become a cornerstone of NARUC discussions on the relationship between high natural gas prices, the need to expand natural gas exploration and the need to increase LNG import capacity. Here is a summary of recent *Partnership* activities:

A critical element of the *Partnership*, involves state regulatory dialogues at existing LNG facilities to encourage “hands on” understanding of LNG delivery and use. By understanding the LNG technology, State officials are better equipped to efficiently consider LNG-related policy issues. The first three dialogues completed under the Partnership including tours of Dominion Cove Point in Maryland, Elba Island in Georgia and Lake Charles in Louisiana.

The members of the *DOE/NARUC LNG Partnership* toured Dominion Cove Point LNG, LP prior to the start of the NARUC Winter Committee Meetings on Saturday, March 6, 2004. This was the first tour representing the Partnership dialogues. Meeting among the participants and others with expertise were held as part of these tours.

Members of the *DOE/NARUC LNG Partnership* toured the Elba Island LNG facility near Savannah, Georgia on Friday, April 23, 2004, the second in the series of dialogues conducted under the Partnership. Elba Island LNG Receiving Terminal, located near Savannah, Georgia.

The third dialogue conducted under the coordination of the *DOE/NARUC LNG Partnership* was a tour of the Trunkline LNG Company facility in Lake Charles, Louisiana on Tuesday, November 9, 2004. Located in Lake Charles, Louisiana, Trunkline LNG Company owns and operates

North America's largest liquefied natural gas (LNG) receiving terminal with sendout capacity of 630 million cubic feet per day and 6.3 billion cubic feet of above ground LNG storage facilities.

Another element of the Partnership is stakeholder education. Since its inception, the Partnership has overseen the development of two policy documents geared toward public utility commissioners. The Partnership research enables State officials to better consider the policy implications of LNG development, delivery and use. These are still a work in progress but we hope to have them available for release very shortly.

Partnership LNG Reports

In mid-2004, NARUC (through the *Partnership*) awarded ICF Consulting, Inc. a contract to develop a "LNG White Paper for State Public Utility Commissions". The White Paper summarizes why LNG is an important issue to State Regulators and defines policy opportunities and barriers. A draft version of the white paper is currently under review by members of the Partnership.

- Comprehensive LNG White Paper

The white paper provides an overview of the policy issues associated with optimizing LNG development and use within States and regions. The

white paper will also assist State public utility commissions and other State officials in understanding the importance of LNG.

Also in mid-2004, NARUC (through the *Partnership*) awarded a separate contract to ICF Consulting, Inc. to examine a LNG communication plan for effective stakeholder involvement, to provide report that could in part serve as a checklist for state regulators. The LNG communication plan report will serve to complement the dialogues conducted. A critical goal of the communication plan includes encouraging better stakeholder involvement (and early resolution of stakeholder issues) in relation to LNG facility siting and operation. The communication plan is based on a *case study approach* involving appropriate States where new LNG facilities are currently being proposed. The *Partnership* anticipates a release date prior to the 2005 NARUC Winter Meetings in February.

- LNG Communications Plan

The LNG communication plan provides an overview of issues related to LNG siting and effective stakeholder engagement. The document contains several communication case studies that examine lessons from recent LNG siting and expansion proposals. The document also provides an explanation

of activities that commissions should expect from LNG proponents for appropriate public engagement. The case studies examined include:

- Learning from a failed siting: lessons from Harpswell, Maine
- Learning from success: Cheniere energy's approach to siting
- Lessons from a proposed expansion at Cove Point, Maryland
- Turbulence at Fall River, Massachusetts
- Examining opposition in California

Partnership Coordination: Enabling Stakeholders to Consider LNG Policy Implications

State Public Utility Commissions (PUCs) have a major role in the national debate over LNG terminals and imports. PUCs have oversight of gas purchasing practices of local distribution companies (LDCs); they approve the expansion of state regulated pipelines and distribution facilities; and they exercise considerable influence over energy siting decisions at both the state and federal levels. Moreover, they have an obligation to ensure reliable gas and power utility services for their states. By conducting monthly conference calls and tri-annual workshops, the Partnership is able to better coordinate technical, environmental and economic issues relating to LNG delivery and use. Below is a summary of Partnership coordination efforts:

- Routine conference calls among the *Partnership* to discuss LNG issues of interest with appropriate experts;
- Governor Murkowski Presentation during the joint session on “North America’s Natural Gas Situation”
(General Session: Summer Committee Meetings in Salt Lake City, Utah, July 2004);
- LNG – How safe is it? What is the story behind the story?
(Gas Committee: Winter Committee Meetings in Washington DC, March 2004); and
- LNG Workshop – what you as a Commissioner will need to know about LNG in its new and more prominent role in natural gas supply
(Gas Committee: Summer Committee Meetings in Denver, Colorado, July 2004).

With continued funding, the Partnership will have the capacity to expand coordination efforts to include other State and Federal officials. In addition, NARUC can use the platform of existing National and regional forums to “get the word out” about ongoing Partnership dialogues and research.

Future efforts will build upon previous Partnership dialogues. Instead of focusing exclusively on PUC-focused issues, future dialogues could focus

on broader state policy issues that affect State legislators, State energy offices, State environmental regulators and public interest groups. NARUC proposes to conduct a single dialogue in the early spring of 2005. NARUC will host the dialogue at an existing LNG facility. Dialogue participants will be from coastal States that may be faced with siting and/or building an LNG terminal within the next 5 years. The dialogue will focus on the following issues:

- What are the safety risks of LNG terminals and how can we ensure that potential safety risks to the public are minimized while also assuring a reliable gas supply?
- How can we ensure that the location of LNG terminals meets local environmental concerns?
- What is the best way to resolve the question of the interchangeability of LNG with current pipeline gas supply standards?
- What are the implications for pipeline system upgrades (and costs) necessary to accommodate large amounts of regasified LNG entering these systems downstream of the traditional supply centers?
- How do the economics of LNG conform to the gas market, and what new forms of contracts and commercial arrangements may be

necessary, particularly a reliance on long term take or pay contracts,
to support the investment needed in capital-intensive LNG facilities?

- How reliable will the sources of LNG supply be in the future?

In addition, the dialogue will provide a platform for discussions based on *Partnership* research. Thank you for your attention and I will be happy to try to answer questions