



# FEDERAL ENERGY REGULATORY COMMISSION

September 18, 2008

Commissioner Philip D. Moeller

**Docket Nos.** CP06-365-000, CP06-366-000, CP06-376-000  
and CP06-377-000

**Item No.** C-1

## Statement of Commissioner Philip D. Moeller on Bradwood Landing LNG Project

"As the first member of this commission who hails from the Pacific Northwest, today's action is of special significance to me. In our action today, it is necessary to first point out what we are not doing: we are not granting final approval for the construction and operation of the Bradwood LNG facility. Approval for construction will only be given once all the applicable conditions are satisfied, some of which are quite extensive. Of the 109 conditions included in this order, 75 require the submission of information prior to construction. Similarly, operation of the plant is subject to another 6 mandatory conditions. Of course, the Commission can require the submission of any additional information it finds necessary prior to granting these final approvals.

In addition to the conditions we require, various permits from state and federal agencies are still necessary before the project can move forward. If this process is compared to a baseball game, we are in the early innings.

The primary consideration when reviewing a project such as this is health and safety of citizens. Like all industries, nearly all activity related to the energy industry involves some level of risk. Although the American public may not be as familiar with LNG facilities as they are with other types of infrastructure, the LNG industry has a long and admirable record of safe operations. Many people are surprised to find out there are LNG storage facilities in many states, but because they are not import facilities they often go unnoticed. In fact, currently there are five LNG storage facilities in the Pacific Northwest that serve as peak shaving facilities. More importantly, I believe the record shows that this facility can be operated safely and in the public interest.

It is also important to recognize that the Columbia River is a major transportation waterway already, and has been for decades. Hundreds of commercial ships navigate the river system every year, many carrying cargo without incident that is classified as hazardous, such as liquid petroleum products.

The second issue that has been raised as part of this decision is whether the Pacific Northwest needs additional natural gas supplies. I believe the unequivocal answer to this question is "yes" for several reasons.

The economy of the Pacific Northwest will continue to grow, and it will continue to need the opportunity to grow. As its population base grows so will its energy consumption. It is imperative to meet this growth but it is only prudent to do so with diverse energy sources. The region should start with a major emphasis on conservation, energy efficiency, and demand response. I strongly support all of these options and have worked to promote them throughout my career, but there is an interdependency to them. Let us take energy efficiency: although much more needs to be done, the Pacific Northwest is already a leader in regional energy efficiency and conservation efforts. Regarding demand response: unlike other areas of the nation, these programs in the Pacific Northwest are hindered by the lack of a regional wholesale





market that would allow these resources to be bid and properly compensated.

As for new fuel sources of electricity, the region is reluctant in the short term to expand its usage of nuclear and coal, while the potential for major hydroelectric development has been essentially exhausted.

This leaves renewables to fill the void. Although the potential of geothermal and hydrokinetics is great and there is some limited application for solar power, these sources are years away from being major contributors to the region's electricity supply mix. On the other hand, this proposed LNG project is expected to be operational in three years.

This brings us to wind energy. The facts clearly indicate that if the region is going to rely on additional wind resources, this source of electricity must be accompanied by other generation, which by default is natural-gas powered generation. The growth in regional wind power is very significant and very promising, but as the Bonneville Power Administration has publicly stated, the unpredictable nature of northwest wind patterns is contributing to increasingly serious operational challenges in the region. Simply put, more natural gas-fired plants will be needed to balance the operation of the system. This is a manageable situation. But more gas is needed.

The Western Electric Industry Leaders Group, in their April 18, 2008 letter confirmed their view of this when they stated "Some renewable resources, such as wind and solar, are not available at certain times of the day.... In the interim, new natural gas and other state-of-the-art resources must be developed as a bridge to the new (renewable) technologies. This also will require the development of adequate natural gas infrastructure."

The Oregon Department of Energy verifies this need throughout its May 7, 2008 report in response to Governor Kulongoski's Request for LNG and Natural Gas Review. This report clearly states that natural gas-fueled electric generation is needed to back up wind generation.

In addition to this, the Final Environmental Impact System and today's order sufficiently describe the need for the project. There is no shortage of data describing the need for this project.

Having established that there is a need for more natural gas, the next question is how the Pacific Northwest can secure additional supplies of natural gas? Unfortunately, those additional supplies will not be coming from its traditional source: Western Canada. These supplies are dwindling because of declining fields and because of increased demands from the oil sands projects in Alberta. So Canada is out. How about locally? Unfortunately, there is minimal production of natural gas from resources in the Pacific Northwest. What about reserves from the Rockies? These are definitely promising, but it is not as if the West has exclusive domain over shut-in Rockies natural gas: billions of dollars are being expended to send this gas to the East through new pipelines that are already being built.

As with all aspects of energy policy, it is my belief that we need to focus on diversity and balance. LNG provides both. International supplies of LNG may be priced higher this month relative to domestically-produced natural gas, but three years from now--or even three months from now--it may be a completely different situation.

Ultimately it is uncertain whether this facility will be constructed or not. The "market" - an all-encompassing word that includes tangible risk, intangible risk, capital costs, commodity costs, regulatory risk, consumer demand and probably scores of other factors, will determine if Bradwood Landing is operational after we as a Commission are convinced that its construction and operation satisfies our criteria, primarily in the realm of safety. That is a decision that I am confident making today. "