

## **Statement of Chairman Joseph T. Kelliher on Weaver's Cove and KeySpan LNG Cases**

Today, the Commission acts on rehearing on two proposed liquefied natural gas import projects, the Weaver's Cove and KeySpan projects. With few exceptions, we deny the requests for rehearing from the project developers and other parties.

The Commission's primary role in reviewing LNG import facility authorizations is to ensure public safety. The Commission has high safety standards, and rigorously applies them in its project review. In the case of Weaver's Cove, the Commission imposed 44 conditions designed to improve the safety and security of the project. Because of these conditions, the project we approved was safer than the application that was submitted. With these conditions, the Weaver's Cove project meets our high safety standards, and for that reason we authorize it.

By contrast, we do not authorize the KeySpan project, because it does not meet our safety standards. The existing project facilities do not comply with current LNG safety standards. Specifically, the impoundment site is undersized, the thermal radiation and flammable vapor exclusion zones extend offsite, and the existing tank may not comply with current seismic standards.

In *Weaver's Cove*, various arguments were raised on rehearing that are addressed in the order. For example, some parties argued that the recent highway law compelled the Commission to dismiss the authorization as moot. Since the Commission's authorization was not conditioned on removal of the bridge, we decline to revoke authorization.

There were also concerns about whether operation of Weaver's Cove would impair operations of a Navy lab operating a research and development facility for testing and evaluating submarines, unmanned underwater devices, and other systems associated with undersea warfare. The Navy lab was concerned that these Coast Guard safety and security

zones will negatively impact its in-water testing. The Coast Guard is responsible for the safety of LNG shipments, and will address these concerns as part of its safety and security review. Moreover, the Coast Guard has explained to the Commission that it expects it can coordinate LNG vessel movement and enforcement of safety and security zones in a manner that would have little or no impact on Navy lab operations. Navy lab operations have coexisted and are currently performed with no apparent impact from other commercial traffic in the vicinity of the current testing area. In fact, the Navy lab has filed a letter with the Commission acknowledging that its concerns have been addressed in negotiations with the Coast Guard and withdrawing its motions.

We deny Keyspan and BG LNG Services' joint request for rehearing, as well as other rehearing requests. We also deny their request for conditional authorization of the project, for various reasons. Among them are the consistent representations by the project developer that conditional authorization was impossible from both a practical and economic standpoint. For example, in order to meet current seismic criteria for storage tanks, Keyspan would have to take the existing tank out of service for at least three heating seasons. Keyspan has stated that was legally and contractually impossible. To conditionally authorize the project, the Commission would have to determine, among other things, that it is in the public interest to take the existing facilities out of service and reduce the region's gas storage capacity for at least three heating seasons.

A proposal to upgrade KeySpan's existing LNG facilities in conjunction with construction of the facilities proposed in the instant application would constitute a significantly different project than that which the Commission has reviewed. Any such proposal would have to be reviewed by the Commission as well. For these reasons, while we are denying the request for conditional authorization of the project, we do so without prejudice to KeySpan filing an amended application addressing

these issues.

I want to emphasize that the actions we take today demonstrate our commitment to the high safety standards. New England is facing a winter of very high natural gas prices. The region sorely needs additional gas supplies, and a stronger energy infrastructure. Both of these projects are needed, yet we approve only one, the one that meets our high safety standards.

I support the orders.