Oregon
Theodore R. Kulongoski, Governor

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Governor Ted Kulongoski
Room 254 State Capitol
900 Court Street
Salem, OR 97301-4047

Dear Governor Kulongoski:

On May 7, 2008 we issued a report you requested on liquefied natural gas (LNG). That report addressed the following issues:

1) an evaluation of the demand for future natural gas in Oregon; 2) an evaluation of alternatives to providing natural gas to the region; and 3) an assessment of the life cycle carbon emissions of liquefied natural gas, compared to coal and to non-LNG sources of natural gas.

In our report we made the following conclusions:

1) Oregon will continue to need increased supplies of natural gas for the foreseeable future, in part because of population growth;
2) natural gas sources in North America, mainly from western Canada and the Rocky Mountains, are likely to provide natural gas at less cost than natural gas from any of the Liquefied Natural Gas terminals (LNG) currently proposed in Oregon; and
3) natural gas from North America has less life-cycle carbon dioxide impacts than LNG.

We received many reactions to the conclusions in the report. We have met with a number of interested parties since issuing the report. These have included LNG terminal developers, natural gas utility officials, natural gas pipeline developers, suppliers of natural gas produced in North America, natural gas industry consultants, environmental organizations, and citizens opposed to LNG terminals. We have received additional information from these meetings which we have reviewed. We have also reviewed the information contained in the June 3, 2008 PUC memo. We continue to monitor the national and international natural gas supply situation through trade media and other sources.

Based upon our evaluation of this additional information, I would not change any of the three conclusions in our report. If anything, our report may have understated the amount of Canadian natural gas which could serve Oregon and other West Coast markets. For example, it is likely that greater amounts of natural gas will be available from British Columbia than our report anticipated. New natural gas wells being developed in British Columbia may provide increased amounts of natural gas to West Coast markets using existing pipelines from Canada.

We will continue to meet with interested persons and evaluate any further information that they provide about the natural gas supply situation. We welcome the opportunity to meet with any interested parties on these important issues, and to receive feedback and comments on our report. We also welcome any information they wish to provide for our evaluation.

I will continue to keep you informed if we decide that there is reason to change any of our conclusions. Please contact me if you need additional information.

Sincerely,

Michael W. Grainey
Director