
FEDERAL ENERGY REGULATORY COMMISSION



WASHINGTON, D.C. 20426

NEWS RELEASE

NEWS MEDIA CONTACT:

Tamara Young-Allen
(202) 502-8680

FOR IMMEDIATE RELEASE

January 19, 2006
Docket Nos. CP04-36-001, CP04-41-000, CP04-42-000 & CP04-43-000; and Docket Nos. CP04-223-000; CP04-293-000; & CP04-358

FERC AFFIRMS ITS APPROVAL OF WEAVER'S COVE LNG; STANDS BY ITS REJECTION OF KEYSpan LNG IN PROVIDENCE

The Federal Energy Regulatory Commission today affirmed its July 2005 decisions to approve the construction and operation of a new import liquefied natural gas (LNG) terminal and associated facilities in Fall River, Massachusetts, proposed by Weaver's Cove LNG, and to reject for safety reasons a proposal submitted by KeySpan LNG to convert an existing liquefied natural gas (LNG) storage facility into an import terminal that would serve gas to the northeast United States.

"The Commission's primary role in reviewing LNG import facility authorizations is to ensure public safety. Our actions today demonstrate our commitment to high safety standards," Chairman Joseph T. Kelliher said. "New England is facing a winter of very high natural gas prices. The region sorely needs additional gas supplies and a stronger gas infrastructure. While both of these projects are needed, we only approve one."

The Commission's decision in the Weaver's Cove proceeding denies appeals filed by several parties who challenged the July 15, 2005, Commission order authorizing the facility, and responds to arguments or issues the parties raised. The Commission denied petitions for rehearing filed jointly by the City of Fall River, the Rhode Island Attorney General, and the Massachusetts Energy Facilities Siting Board. In addition, the Commission denied separate petitions for rehearing filed by the Conservation Law Foundation and Mr. Michael L. Miozza.

Citing increasing need for imported natural gas to meet growing demand, the Commission's July 15, 2005, order granted authority to Weaver's Cove to site, construct, and operate a new LNG terminal in Fall River that would bring up to 800 million cubic of

gas per day of new service to customers in New England. The Commission also approved a proposal by Mill River Pipeline to construct and operate new lateral pipelines to connect the Weaver's Cove terminal supply to interconnections with the Algonquin Gas Transmission System and intrastate pipelines.

With the mitigation measures it imposed, the Commission said the project would be constructed in a safe, secure and environmentally acceptable manner.

The Commission denied pleadings from Fall River and Mr. Miozza who sought dismissal of the Weaver's Cove LNG application on a number of issues including recent legislation that prohibits federal funding for the demolition of the nearly 100 year old Brightman Street Bridge. The petitioners asserted that the bridge, which spans the Taunton River downstream from the proposed facility, would not be able to accommodate the passage of certain LNG tankers to serve the new terminal. The Commission noted its July 15 order did not condition its approval of the project on the demolition of the old bridge and that it would be premature to dismiss the case as moot.

The Commission noted, however, that its July 15 order requires Weaver's Cove to review its waterway suitability assessment on an annual basis in consultation with the Coast Guard and to keep FERC informed.

The Commission further rejected pleadings by Fall River and the Conservation Law Foundation that reiterated previous arguments regarding safety and consideration of alternatives to the Weaver's Cove Project. They also questioned whether the project adheres to criteria under the Wild and Scenic Rivers Act. The Commission said its July 15 order thoroughly addresses safety and security issues. Further, the Commission suggested the parties pursue their issues regarding the Wild and Scenic Rivers Act with the U.S. Department of Interior, which has jurisdiction under the statute.

The Commission rejected pleadings styled as amicus briefs filed by the City of Newport and the Towns of Bristol, Tiverton, Middletown and Portsmouth and Jamestown, Rhode Island in opposition to the Commission's July 15 ruling. The Commission said none of the towns sought intervenor status and therefore have no standing in the proceedings before FERC. The Commission noted FERC regulations and the Natural Gas Act restrict requests for rehearing of agency actions only to intervenors.

Also rejected was Fall River's request for evidentiary hearings and oral argument. The Commission found these unnecessary as there are no material issues of fact that have not already been addressed and parties have had ample opportunities over the two-year review period to present their arguments in written submissions.

In the proceeding involving Keyspan's proposed LNG facility in Providence, KeySpan and BG LNG Services (BGLS) filed a joint request seeking a reversal of the

Commission's July 5, 2005, decision denying KeySpan authorization to site, construct and operate the expanded facilities that would be located in Providence, R.I. BGLS is a marketer and importer of LNG to the United States and had subscribed to the full capacity of the proposed terminal.

The Commission also denied authorization to Algonquin Gas Transmission to construct and operate a new pipeline that would connect the proposed import terminal to Algonquin's mainline facilities.

The proposal is the first case presented to the Commission that would involve the construction of a new LNG import facility that would incorporate an existing LNG storage facility.

KeySpan had proposed to add a ship berth in the Providence River east of its existing peak shaving storage facility and sought to add a terminal that would receive more than 500 million cubic feet of gas per day of imported LNG. It did not propose to modify the existing facility. Algonquin proposed to construct and operate 1.44 miles of pipeline that would connect the terminal to Algonquin's existing system in order to transport the gas to markets in the Northeast U.S.

The Commission's July 5 order rejected the proposed project, ruling it would not be in the public interest because the existing facilities would not meet current federal Department of Transportation (DOT) safety standards required of all new LNG import facilities.

The Commission said KeySpan and Algonquin did not raise any new issues or advance any new arguments that would compel a reversal of its July 5 decision. The Commission reiterated its findings that all new LNG import terminals must meet current DOT safety standards and listed key areas where the KeySpan proposal is faulty:

- the impoundment site for the LNG storage tank was designed for 100 percent of the tank contents rather than the current standard's 110 percent criteria;
- that the thermal radiation and flammable vapor exclusion zones would extend offsite onto adjacent properties; and
- the developers failed to submit a required, detailed evaluation by a seismic consultant to determine the existing tank's compliance with the 2001 edition of the National Fire Protection Association standards that increased the stringency and complexity of the seismic requirements.

The Commission found that its July 5 order did not depart from established precedent or treat KeySpan in a discriminatory manner. The Commission said its recent decisions approving expansions for Cove Point LNG in Maryland; Southern Gas' Elba

Island LNG terminal in Georgia and Trunkline's Lake Charles LNG in Louisiana are in the public interest because the projects were originally authorized and have operated for many years as LNG import terminals. Comparing KeySpan's existing facility to the Commission decisions approving import terminal expansions is irrelevant, the Commission concluded.

The Commission also dismissed the argument that it erred by not issuing a conditional authorization under section 3 of the Natural Gas Act so that KeySpan and BGLS could implement measures that would modify the project so that it could meet the federal safety standards.

For nearly two years since filing its application, KeySpan not only insisted that its existing LNG storage tank was exempt from current safety standards for LNG import facilities, but consistently asserted it would be either impractical or impossible to make the changes necessary to meet the standards even if they did apply, the Commission noted. For example, the company said it would need to take the existing LNG storage tank out of service for at least three heating seasons in order to meet current seismic criteria. Also, KeySpan stated that a shut down would cause a serious energy crisis in the region, since the existing facility provides 150,000 dekatherms of natural gas service to the New England market.

The Commission said if it were to conditionally authorize the project, it would need to determine if it would be in the public interest to take the existing facilities out of service for at least three years. A proposal to upgrade KeySpan's existing LNG facilities in conjunction with construction of the facilities proposed in the application would constitute a significantly different project than that which the Commission has reviewed. In addition, KeySpan would have to propose for Commission analysis and authorization some alternative service arrangements for its customers for the time period the existing facilities are out of service.

Since such proposals also would be subject to Commission review, the Commission ruled that it would deny the request for conditional authorization of the project without prejudice to KeySpan filing an amended application addressing these issues.

In addition to the joint pleading from KeySpan and Algonquin, the Conservation Law Foundation (CLF) filed a "request for leave to participate in any rehearing" after the 30-day deadline by which interveners are required by the Natural Gas Act to file petitions for rehearing of Commission orders.

The Commission dismissed CLF's pleading, stating that it would procedurally treat the filing as a request for rehearing which was filed 57 days after the Commission's July 5 order – nearly one month after the statutorily mandated deadline.

Finally, even though its rules of practice and procedure prohibit answers to rehearing requests, the Commission accepted answers submitted by the Cities of Providence and East Providence, and by Patrick Lynch, the Attorney General for Rhode Island, in response to the rehearing request filed by KeySpan and BGLS because they provided information that assisted the Commission in its decision-making, as provided for under FERC regulations.

All interveners may seek U.S. Appeals Court review of the Commission's two rulings today.

R-06-5

(30)