



FEDERAL ENERGY REGULATORY COMMISSION

Date March 20, 2008

Docket No. CP06-54-000, CP06-55-000 and CP06-56-000

Item No. C-1

Commissioner Jon Wellinghoff

Statement of Commissioner Jon Wellinghoff on Broadwater Energy, LLC

"The Broadwater LNG project has raised serious and valid concerns among the residents of New York and Connecticut. These concerns include questions of the need for the project and its potential environmental impacts on Long Island Sound. I share those concerns. FERC's action today, however, is not solely dependent on our assessment of those concerns in the Final Environmental Impact Statement (FEIS) prepared in this case. Instead, the relative importance of our actions is primarily dependent on the fact that the Broadwater LNG project is market driven. As such, it will only go forward if a market exists for the gas it would supply.

Thus, the citizens of Connecticut and New York, and no one else, hold in their hands the ultimate power and responsibility to determine if the Broadwater LNG project is built. If those citizens require additional energy services that can most economically and environmentally be supplied by new supplies of natural gas from Broadwater, then it will likely be constructed. If, instead, they choose to either reduce their energy needs, making Broadwater's new supplies of natural gas unnecessary for new electric generation and other uses, or find less costly ways to meet those needs, then the project will likely fail to attract capital and will not be built. This project is unlike a transmission line or power plant that is proposed to be included in the rate base of a vertically integrated utility. It is entirely dependent on the market for its product, natural gas.

FERC's actions, by law, must focus on our responsibilities under the Natural Gas Act and the 2005 Energy Policy Act that clarified our authority to site LNG facilities. Under those statutes, we have the responsibility to consider and review applications to construct and operate liquefied natural gas facilities on shore and within coastal waters of this country. FERC has the legal responsibility to ensure that all projects it approves, including LNG facilities, are "in the public interest". FERC takes that responsibility very seriously. The Office of Energy Projects staff at FERC is meticulously thorough, fair, and balanced in their analysis of the alternatives to and environmental impacts of each project. They were no less so in this case.

My interpretation of "public interest" requires that consumers have access to essential energy services at the least total societal cost. That means both economic and environmental costs should be considered and minimized if possible to meet consumer needs. Through its extensive analysis in this case, FERC has reviewed all reasonable alternatives and proposed extensive environmental mitigation measures if Broadwater succeeds in the market and becomes a contingency required to meet the energy needs of New York and Connecticut. Depending upon the choices that the citizens of Connecticut and New York make, the Broadwater LNG project may be necessary to meet those needs, and may rank as the least costly and most environmentally benign way to do so. As such it is a necessary contingency in the public interest. With the environmental and safety requirements we have imposed upon this project to minimize those potential impacts on Long Island Sound, a vote recognizing this project as a necessary contingency in the public interest is appropriate.



STATEMENT

I say that it is a contingency, however, because the FEIS prepared by our staff for the Broadwater project discusses several other alternatives that, if implemented, would be less costly both in economic and environmental terms. Chief among them is the study by Synapse Energy Economics, Inc. filed in this proceeding that suggests that demand for natural gas in the Connecticut and New York region could be reduced sufficiently to make the additional supplies provided by Broadwater unnecessary. This is an admirable plan and is so noted by FERC staff in the FEIS. It is one that I heartily endorse and support.

The Synapse position is predicated on an ambitious and comprehensive program to reduce natural gas usage in the region through aggressive implementation of renewable energy generation; energy efficiency and demand response activities; distributed generation, including combined heat and power systems, at businesses and government and other institutional facilities; and repowering of existing natural gas fired generation. In order to implement the Synapse plan, considerable effort will be necessary by both the private sector in financing and building these projects and the government sector (primarily states) in removing multiple barriers to implementation. Market barriers to implement the least costly and environmentally benign energy solutions need to be recognized and removed.

Barriers to realizing the Synapse plan include the fact that most consumers in New York and Connecticut do not see (in their bills or otherwise) the real price of electricity and thus do not have the appropriate price signals to reduce consumption when costs are high and inefficient generators must be brought on line to meet demand. Other barriers include state laws that restrict distributed generators from either being owned by third parties or shared among multiple facilities with different owners to make such systems more economically feasible. These barriers and many others that may impede the region from achieving the goals laid out in the Synapse report are primarily in the control of the states and not FERC.

In short, the power to make the Synapse plan work is in the hands of the people of Connecticut and New York, not in the hands of FERC. Unless and until the citizens of those states fully undertake the effort necessary to move forward with such a plan, Broadwater will remain a necessary contingency that the market may finance, and FERC's vote for the Broadwater project as in the public interest is a necessary action to fulfill our statutory responsibilities. If, on the other hand, the citizens in those states succeed in implementing Synapse's plan and make Broadwater uneconomic to finance and operate, it will not be built, and FERC's vote for the Broadwater project will become moot."

