





**Date:** June 7, 2005

**To:** Honorable Mayor and Members of the City Council

**From:** Councilmember Tonia Reyes Uranga, Seventh District   
Councilmember Val Lerch, Ninth District 

**Subject:** **AGENDA ITEM: City Position Regarding Liquefied Natural Gas Facility**

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The Port of Long Beach (Port), Sound Energy Solutions (SES), and Long Beach Energy (LBE) entered into a Memorandum of Understanding (MOU) regarding a proposed liquefied natural gas receiving terminal and regasification facility contingent upon SES conducting certain environmental, engineering and economic feasibility studies, obtaining permits and approvals from the Federal Energy Regulatory Commission (FERC), the Port and other governmental agencies. The MOU states, "In order to obtain such permits and approvals, SES will be required to submit environmental and engineering studies and other reports and materials to such agencies." The MOU, the concurrent EIR/EIS and safety assessments must be completed as part of the project approval process.

City Council actions regarding the proposed LNG facility has been limited to authorizing LBE to execute this MOU for the purpose of discussing an "arrangement for the benefit of the citizens of Long Beach" and the City. The Council has also taken advocacy positions regarding pending Federal energy policy legislation to preserve State and local jurisdiction regarding siting and permitting authority. Whether FERC or the California Public Utilities Commission (CPUC) retains siting and permitting authority, the decision to locate the facility and negotiations on terms of the lease remains under the authority of the Port. Furthermore, under the Port's MOU, "SES will have the exclusive right to pursue the development of an LNG receiving terminal in the Port of Long Beach until the earlier of the time that (i) SES delivers written notice of its determination in its sole and absolute discretion that the Project is not feasible, (ii) FERC has affirmatively denied SES the permits and approvals required for the Project, or (iii) is thirty-seven (37) months after the date of the "Exclusivity Period"." The Port should be provided the opportunity to exercise its due diligence in processing the application under the terms of its MOU.

Absent from previous discussions has been a clear City Council position on the appropriateness of locating the LNG facility in the City. We believe this question must be addressed in an open and transparent manner, not obscured behind terminating negotiations for a “preferential assignment agreement” or legal opinions speculating on federal legislation currently being developed by Congress. The decision to terminate the MOU has been presented as a vote to stop the proposed project and to preempt legislative controversies. Prematurely terminating the “non-binding” discussions would compromise the City’s ability to make an informed decision regarding the economic and environmental impacts of the proposed project—including a much needed costs/benefits analysis.

In conclusion, we believe terminating the existing MOU would not preclude the Port from entering into negotiations for a LNG facility – it would merely negate the existing requirement that the facility provide a benefit to the citizens of Long Beach, the Energy Department, the City and Port of Long Beach. If in fact the City Council is opposed to the facility, then it should direct the Port to cease its involvement with the proposed project.

**Suggested Action: Direct the Port of Long Beach to terminate all negotiations, environmental reviews and safety assessments for a “proposed” liquefied natural gas receiving terminal and regasification facility.**

**Or**

**Continue the “non-binding” discussions, per the Memorandum of Understanding of May 13, 2003, regarding the future long-term natural gas contract for the benefits of the citizens of Long Beach.**