



301 E. Ocean Boulevard, Suite 1510, Long Beach, CA 90802
Tel: 562.495.9886 • Fax: 562.495.9798

August 8, 2005

Honorable City Councilmembers
City of Long Beach
333 W. Ocean Blvd.,
Long Beach CA 90802

Sound Energy Solutions' proposed LNG Terminal in the Port of Long Beach

On August 8, 2005 the President signed into effect the Energy Policy Act of 2005. The purpose of this letter is to state the position of Sound Energy Solutions with respect to its obligations in the permitting process and to again affirm our commitments to local, state and federal authorities.

It is our position that the federal legislation mentioned above does not change in anyway our obligations to local and state authorities. We will still be regulated under the California Environmental Quality Act (CEQA) review process led by the Port of Long Beach, and need to obtain various necessary permits from the California Coastal Commission, the South Coast Air Quality Management District, and other state agencies involved both in the National Environmental Protection Act (NEPA) and the CEQA process. Most importantly, the last approvals we need to receive are from the Port of Long Beach and the City of Long Beach. We will not have a project unless we receive a Harbor Development Permit and a final lease agreement for the property on Pier T designated for the site.

We reaffirm our commitment to go through the process described above, whether or not there are different opinions on the interpretation of the new law.

We also restate our intent that all of the local, state and federal processes will be completed so that the best available information can be provided to the decision makers. We are fully committed to our project and the City and the Port of Long Beach. We are anxious to enter into a dialog about additional ways this project can contribute to the city.

Sincerely yours,

Thomas E. Giles
President and CEO
Sound Energy Solutions

CC: Honorable Mayor Beverly O'Neil

Gerald Miller, City Manager, City of Long Beach
Robert Shannon, City Attorney, City of Long Beach
Board of Harbor Commissioners of the Port of Long Beach
Richard Steinke, Executive Director, the Port of Long Beach
Geraldine Knatz, Managing Director, the Port of Long Beach
Joe Desmond, Chairman, California Energy Commission
Honorable Senator Alan Lowenthal
Honorable Assembly member Betty Karnette
Honorable Assembly member Jenny Oropeza

Kenneth A. Ehrlich
Direct: (310) 785-5395
Fax: (310) 712-3395
KEhrlich@jmbm.com

1900 Avenue of the Stars, 7th Floor
Los Angeles, California 90067-4308
(310) 203-8080 (310) 203-0567 Fax
www.jmbm.com
62753-0001

August 9, 2005

This memorandum details the LNG provisions that passed Congress as part of the Energy Policy Act of 2005.

Definitions

The bill defines LNG terminals as including all natural gas facilities located onshore or in State waters that receive, unload, store, transport, gasify, liquefy or process natural gas for U.S. export or import or is transported in interstate commerce by a ship.

Jurisdictional Authority

- Gives the Federal Energy Regulatory Commission exclusive authority to approve or deny an application for the siting, construction, expansion or operation of an LNG terminal. At the same time, recognizes that states have jurisdictional authority relating to LNG terminals under the Coastal Zone Management Act, Clean Air Act and Federal Water Pollution Control Act. Comment: SES has committed to obtaining all necessary federal, state, regional, and local permits. Regardless of any interpretation of the new law, the SES project must also comply with CEQA, as contemplated by the pending EIS/EIR.
- Codifies FERC policy which permits owners and operators of LNG import terminals to determine the most viable commercial arrangements for their facilities. The policy applies to green field terminals and expansions of existing LNG terminals. FERC will apply the Hackberry policy at new or expanded LNG terminals until at least January 1, 2015.
- FERC is authorized to approve an application with terms and conditions that it finds necessary or appropriate.

The Final Conference report includes the jurisdictional language proposed by the U.S. Senate, and which most clearly recognizes FERC exclusive jurisdiction over LNG terminal siting, construction and operation.

Hearings

- Requires FERC, upon the filing of an application to site, construct, expand or operate an LNG terminal, to give public notice to interested persons and hold a hearing.

Consultation and Cooperation with States

- Requires FERC to issue regulations on the pre-filing process required under the National Environmental Policy Act (NEPA). These regulations will establish a pre-filing process that begins at least six months prior to the filing of an application for authorization to construct an LNG terminal and encourages cooperation with State and local officials.
- Requires FERC to consult with the designated State agency regarding State and local safety considerations prior to authorizing a project. Safety considerations include kind of facility to be constructed; demographic characteristics of the site; existing and proposed land use for the site; physical characteristics of the site; emergency response capabilities for the location; and the need to encourage remote siting.
- The State agency may file an advisory report to FERC on state and local safety concerns within 30 days after an application is filed. FERC must respond specifically to the issues raised before authorizing a project to proceed. For projects where an application is currently pending at FERC, the State agency has 30 days after date of enactment of this legislation (August 8, 2005) to file an advisory report related to the application.
- State Commissions may conduct safety inspections after the terminal is operational, and may notify FERC of any alleged safety violations.

Consultation with Federal Agencies

- Requires FERC to enter coordinate and consult with the Department of Defense (DOD) on the siting of any facility that may affect an active military operation. FERC is required to obtain the concurrence of the DOD prior to authorizing the siting or construction of an LNG terminal if it affects the activities of an active military installation.
- A final order to construct a facility will require the LNG terminal operator to develop an Emergency Response Plan in consultation with the U.S. Coast Guard and State and local agencies. The plan shall include a provision for cost sharing of safety and

security measures that are required at the terminal and which the terminal operator agrees to pay.