
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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(Docket No. CP01-76-000
et al.)

FERC AFFIRMS DECISION TO REACTIVATE COVE POINT LNG FACILITY

Citing a need for new gas supply and expressing confidence about the safe operation of facilities, the Federal Energy Regulatory Commission today reaffirmed its decision authorizing Cove Point LNG Limited Partnership to reactivate and expand a liquefied natural gas (LNG) facility located off the Chesapeake Bay in Calvert County, Maryland.

The Commission's decision responds to petitions for rehearing of its October 12, 2001, order granting a certificate of public convenience and necessity to Cove Point LNG. The petitioners raised safety issues regarding the LNG terminal and LNG tankers entering the Chesapeake Bay to deliver imported supplies. The Commission further reopened the record in the proceeding to receive additional evidence from all parties in the proceedings and other federal agencies, including the Federal Bureau of Investigation, the Coast Guard and the Nuclear Regulatory Commission (NRC), on the safe operation of the LNG terminal and the tankers.

Based on the additional evidence, the Commission reconfirmed that the LNG terminal will be operated safely in cooperation with the regulatory oversight responsibilities of the U.S. Department of Transportation (DOT) through its Office of Pipeline Safety. In addition, the arrival and docking of LNG tankers will be subject to the regulatory oversight of the Coast Guard, a branch of the DOT, which also participated in the reopened record.

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The Commission authorized Cove Point LNG to reactivate its existing facilities which include four storage tanks, three 8.45 megawatt gas-turbine generators, an offshore LNG receiving pier with two unloading locks and an 87-mile pipeline which extends from the terminal to an interconnection with facilities owned by Columbia Gas Transmission Company and Dominion Transmission, Inc. in Loudoun County, Virginia.

The Commission also authorized Cove Point to construct, install and operate new facilities, including a new 850,000-barrel LNG storage tank and a metering station, among other things.

When completed, the project will provide 7,800,000 dekatherms (Dth) of storage capacity and 1,000,000 Dth/day of sendout capacity.

Project sponsors also plan to provide up to 750,000 Dth per day of gas to three shippers: BP Energy Company; Shell NA LNG; and El Paso Merchant Energy, L.P. The shippers need authorization from the U.S. Department of Energy to import the LNG.

Key Questions and Answers

Q. Why did the Commission issue a rehearing order when it granted final approval for Cove Point's LNG import reactivation project on October 12, 2001?

A. First, on November 9, 2001, the Commission decided to reconsider the October 12 order and take further evidence with respect to the potential national security implications associated with the project. Second, on November 13, 2001, almost all of the active parties to this case took advantage of their legal right to seek rehearing of the final approval. Even though the applicant has accepted its certificate, the Commission has the option to reopen the record, and it must address the parties' rehearing requests.

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Q. What did the Commission do about the national security issue?

A. First, the Commission asked all the parties and several U.S. Government agencies to

submit confidential, non-public written comments on security issues by November 15, 2001. Then on November 16, 2001, the Commission staff held a confidential, non-public technical conference to discuss the various written comments and to hear further evidence about the national security issue. Participants included intervenors in the case and government agencies with responsibilities for national security.

Based on the evidence submitted by numerous federal and state agencies in these proceedings, the Commission confirms its previous finding that the proximity of the Calvert Cliffs nuclear power plant to Cove Point's facilities does not raise a specific national security concern.

The Coast Guard has jurisdiction over the operation of the LNG tankers through the Chesapeake Bay and unloading of LNG at the marine terminal--those approvals do not need to be issued until the import facilities have been refurbished and are ready to commence service. The specific restrictions on LNG tanker movements will not be known until the Coast Guard process is complete. However, the Coast Guard expresses confidence in its ability to ensure that the LNG tanker operation poses no security threat.

The NRC has jurisdiction over Calvert Cliffs Nuclear Power Plant and has affirmed its belief that operations at Cove Point LNG pose no threat to the security of the nuclear plant.

The October 12 order authorizes the construction activities at Cove Point that are necessary to return the LNG import facilities to service. A written approval to commence construction is still required from the Director of the Office of Energy Projects; originally Cove Point projected that about eight months will be needed to reactivate the marine facilities.

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Q. Were parties dissatisfied with other parts of the October 12 certificate order ?

A. Yes. The primary issue on rehearing was the appropriate heating value of the imported LNG. Another issue was whether a new open season should be required.

Q. How did the Commission address the rehearing issue that its 1,065 Btu/cf limit ruling was not justified and may unnecessarily limit the project ?

The Commission said that the record in this case shows that LNG supply will not be limited, that many LNG sources can be imported and diluted with nitrogen to meet the 1,065 Btu/cf standard. The rehearing order says that October 12 order used the correct legal standard in deciding this issue, which is that the applicant must show that any tariff used for Cove Point LNG service is just and reasonable. Finally, the rehearing order says the issue of further cost responsibility for the heat content aspects of Cove Point's proposal is not an issue in this proceeding, and is independent of the limit of Cove Point's Btu/cf standard, but that all the parties can meet again to make another proposal on this issue.

Q. How did the Commission address Washington Gas's rehearing issue that there should be at least one of two types of open seasons to contract for more firm transportation capacity?

A. The rehearing order says that Cove Point's bundling of terminaling, storage, vaporization and transportation components into a single proposed imported LNG service is a proper exception to the general policy of unbundling; thus, no new open season is required for more LNG peaking service, or for the transportation component of the capacity contracted for to serve the renewed LNG import function.