

Council Meeting of  
December 16, 2008

Honorable Mayor and Members  
of the City Council  
City Hall  
Torrance, California

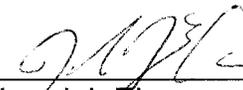
**Members of the Council:**

**SUBJECT: City Manager – Supplemental Material to Item 12A**

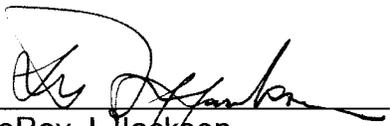
Staff contacted Woodside Natural Gas on December 15, at the direction of the City Attorney, to inform them of Item 12A and to notify them of their opportunity to speak before Council on this issue. Attached is a letter to Mayor and Council in response which was received after the agenda was posted.

Respectfully submitted,

LeROY J. JACKSON  
CITY MANAGER

By   
\_\_\_\_\_  
Jered J. Elmore  
Management Aide

CONCUR:

  
\_\_\_\_\_  
LeRoy J. Jackson  
City Manager

Attachments: A) Letter of October 15, 2008 from Woodside Natural Gas in Santa Monica



# WOODSIDE

## NATURAL GAS

Attachment A

15 December 2008

Honorable Mayor and Members of the City Council  
City Hall  
Torrance, California

Mayor and Members of the Council,

I have just learned this morning that you are posted to consider a resolution tomorrow opposing construction of the OceanWay project that Woodside Natural Gas is proposing to develop off the coast of Los Angeles. I regret that I am unable to attend this meeting because of previous out of town obligations, but to I hope you will consider deferring action on the resolution until you have had an opportunity to hear from us directly.

This letter is intended to give you a brief introduction to the project and to lay out where we are in the permitting process. We hope you will agree that action by the Torrance City Council at this time would be highly premature.

Our project is designed to bring natural gas from Australia to Los Angeles. To do that, natural gas is chilled to -256 degrees and transported in liquid form via ship. In the OceanWay design, transport ships would transfer their cargo to a single regasification ship that is *located 27 miles offshore from Los Angeles and 23 miles offshore from Rancho Palos Verdes*, well beyond the commercial shipping lanes and out of view from shore.

From the offshore delivery point, only natural gas in gaseous form – just like the natural gas that runs in pipelines throughout LA to our homes and businesses – would travel through underwater and underground pipelines into the So Cal Gas system. Once built, the pipeline project

would have no visible structure and it does not introduce any new security risk to any part of the Los Angeles region. The regasification ship itself will be staffed by highly trained US citizens, and it will be US-flagged.

Every credible energy agency, including the California Energy Commission, has looked at California's long range need for natural gas and concluded that – even with our aggressive commitment to renewable energy – there are benefits from new sources of supply and new ways to get them to California. Clean-burning natural gas will help California reduce its dependence on dirty coal to generate electricity, and it is critical to our ability to execute on our clean truck and bus transportation goals. For Torrance and the myriad of other cities within The Gas Co. network, having a secondary, reliable source of natural gas will provide the flexibility to increase the use of natural-gas powered automobiles and buses and provide a safety net should something adversely impact the single major pipeline supplying natural gas to Southern California, which travels from the Rockies, across the San Andreas Fault and into the L.A. Basin.

Woodside Natural Gas is planning for the future – not for today. We are looking at the demand for natural gas five years from today because we know that we can't play catch-up with energy. We need to move quickly to establish a clean, safe and secure source of energy for California's future needs.

California's growing population and its trillion-dollar economy demand additional energy supplies. But the state's natural gas supplies are limited, and prices have doubled since 2001. More natural gas supplies will mean better natural gas prices for Californians.

The state's population is growing so rapidly that it's expected to add the equivalent of twice the population of Michigan by 2050. Yet California produces just 15 percent of the natural gas it needs to meet current demand. It imports the rest from other states and Canada.

The California Energy Commission, the state's primary energy policy and planning agency, said: "Natural gas well productivity in the United States is declining and California is literally at the end of the interstate pipeline system, competing with a growing North American demand."

So the issue is not simply the production of gas, but the competition for that gas. California will have to compete with the high-demand eastern states, where natural gas prices are higher, and fast-growing western states, where demand for natural gas is growing.

Eastern states are already paying about a third more for gas than California, making them a much more attractive market for Rocky Mountain producers. New gas supplies from the Rockies that are sent west are likely to be siphoned off by other Western states because these states expect a 20 percent rise in natural gas demand by 2017.

The OceanWay project will not "expand the use of natural gas," rather it will provide a new source of supply with minimal environmental impact. There is no public funding for this infrastructure project, and Woodside will have to provide natural gas at cost-competitive prices in order to be able to utilize its investment.

As for environmental impact, we have designed the project especially to be sensitive to California's environmental values. It will utilize the best possible technologies and construction techniques, including horizontal pipeline construction under the dunes to minimize any disturbance. The offshore delivery point is well away from whale migratory routes and the slow moving ship will not jeopardize other sea life.

Where are we in the process and why is this resolution premature? The federal and local permitting process currently is stopped while we optimize our technical design to make sure it is the smallest possible infrastructure to deliver the appropriate amount of natural gas. ***It will be at least a year before any draft environmental review is complete and a Draft EIR/EIS is issued.*** There will be many opportunities then for

you to review the facts about environmental impacts from the construction and operation of the OceanWay project.

More specifically, Woodside began the public permitting process in September 2007 when our project application was deemed complete by the US Coast Guard and the City of Los Angeles. The environmental review commenced at that time but the permitting clock was stopped in November 2007 so that Woodside could conduct a lifecycle greenhouse gas analysis. The clock remains stopped today.

Earlier this year, in September, we notified the lead agencies that we were eliminating phase two of our original proposal. That meant that an additional two tie-in points, 12 miles of pipeline and a second regasification ship would no longer be included in our project application. Last month, on November 21, Woodside requested that the agencies stop work on the draft EIR/EIS so that we could submit an updated project description with the new design and associated supporting documentation.

We anticipate that we will be able to work with a smaller capacity regasification ship and supporting infrastructure. This will reduce the environmental footprint of the project. We also are updating other elements of the application to provide more detail on alternative onshore access sites. We will also update our lifecycle GHG analysis so that it is consistent with the improved project design.

Woodside absolutely embraces a thorough and extensive public review process, and we are in no way rushing to push our proposal through the permitting phase. We welcome your input and would like to have an opportunity for two-way discussion. With this objective in mind, we request you defer any resolution relating to the OceanWay proposal until you can review the ultimate design and its impacts through the draft EIR/EIS.

Woodside would gladly return to a future Council meeting to present the project in more detail, and would request that opportunity before you pass any resolution pertaining to our project.

Thank you for your consideration.

Sincerely,

Steve Larson  
President