



## South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765-4182  
(909) 396-2000 • <http://www.aqmd.gov>

*Office of the Executive Officer  
Barry R. Wallerstein, D.Env.  
909.396.2100, fax 909.396.3340*

May 3, 2006

President Michael R. Peevey  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

Dear President Peevey,

I am writing to urge the Public Utilities Commission to avoid taking any actions that would degrade air quality for the 16 million residents of the South Coast Air Basin, who already breathe the worst air in the nation. In Rulemaking R.04-01-025, the Commission will be considering whether to adopt specifications to ensure the quality of natural gas supplied to California. In light of the many new liquefied natural gas (LNG) terminals that are under construction or proposed for Southern California, the South Coast Air Quality Management District (SCAQMD) requests that the Commission adopt specifications that protect the air quality in the State of California, particularly in Southern California.

SCAQMD is in the process of preparing an Air Quality Management Plan to meet the more stringent ozone and particulate matter standards adopted by the U.S. Environmental Protection Agency. It is clear that more emission reductions will be necessary to meet these standards than we know how to achieve. The use of natural gas has been an important part of reducing emissions in our area, and we support efforts to bring additional supplies of reasonably priced and clean natural gas to California in a safe manner. But studies have shown that switching to hotter natural gases can cause NO<sub>x</sub> increases from 20% to over 100% for some types of combustion sources.

The Wobbe Index (WI) is the best measure of natural gas heating value. Current supplies in Southern California historically have a low WI, typically from 1320 to 1330 Btu/scf, because of the presence of inert gases like carbon dioxide and nitrogen that reduce WI, and low concentrations of ethane, propane and higher hydrocarbons that increase WI. The gas quality of LNGs vary considerably depending on where and how they are produced, but they tend to have a higher WI than current supplies because of higher ethane and propane concentrations and almost no inert gases.

To maintain the gas quality in Southern California and to provide up to a two percent variability, we have proposed to limit large new supplies of natural gas to our area to a maximum WI of 1360 Btu/scf. This would not unduly limit new supplies. At this time, at least one LNG importer, Sound Energy Solutions (SES), has agreed to meet this maximum WI at their proposed Long Beach terminal. Also, the gas that BHP Billiton proposes to import from Australia to their Cabrillo Port terminal would meet this proposed limit.

Southern California Gas Company has proposed a 1400 WI limit, but this limit will not adequately protect our air quality and it even exceeds the 4% increase of WI that a white paper prepared by the Natural Gas Council has recommended. Also, the Southern California Gas Company proposal cannot be adopted until the impacts and alternatives are evaluated in compliance with the California Environmental Quality Act.

Some LNGs with a WI over 1360 can still meet SCAQMD's proposed limit by simply injecting inert nitrogen into the gas. SES is proposing to do this, as well as taking the additional step of removing some of the ethane and propane when necessary. Other LNG proponents have demonstrated that these measures would not lead to excessive costs.

Southern California Edison Company, which operates a large natural gas-fired power plant in Southern California, supports SCAQMD's proposal because of their concerns about predicted fluctuations in gas quality caused by the new hot LNGs on the stability and operation of their power plant. Large numbers of equipment in Southern California will face a similar situation and the additional concern of meeting SCAQMD's stringent emission requirements.

SCAQMD is not advocating that all existing in-state gas producers must meet the 1360 WI limit or that the limit needs to be met in parts of California that do not have the kind of air quality problems that we do. But we ask for your support to limit large new supplies to SCAQMD to a maximum WI of 1360. This will assure the interchangeability of the new supplies with existing supplies, reduce impacts on air quality in SCAQMD, and still allow for new supplies of natural gas into California.

Sincerely yours,

/s/

Barry Wallerstein, D. Env.  
Executive Officer  
909.396.2100

cc: Commissioner John Bohn  
Commissioner Geoffrey F. Brown  
Commissioner Rachelle Chong  
Commissioner Dian M. Grueneich