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NARUC

**The National
Association
of Regulatory
Utility
Commissioners**

**The Need for Effective and
Forthright Communication
Planning for LNG Facility Siting:
A Checklist for State Public
Utility Commissions**

Prepared by
ICF Consulting

For Consideration of
The DOE/NARUC LNG Partnership, NARUC,
and the U.S. Department of Energy

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FOREWORD

In September 2003, Secretary of Energy Spencer Abraham announced the U.S. Department of Energy/National Association of Regulatory Utility Commissioners Liquefied Natural Gas (LNG) Partnership as a means to assist in the education and outreach of critical energy decision-makers on the opportunities as well as the impediments related to the increased development of LNG resources. A key goal of the Partnership is to create a series of dialogues to assist in the development of state and regional strategies relating to LNG resource development and deployment. Three reports were prepared for consideration of the LNG Partnership: a LNG white authored by ICF Consulting; a LNG primer authored by the U.S. DOE; and this communication plan, also authored by ICF Consulting. A critical goal of this document includes encouraging better stakeholder involvement (and early resolution of stakeholder issues) in relation to LNG facility siting and operation. This document is based on a case study approach involving appropriate states where new LNG facilities are currently being proposed. ***This document is not intended to represent the views and opinions of the National Association of Regulatory Utility Commissioners (NARUC), the U.S. Department of Energy, or any particular state or federal regulatory commission.*** With over 55 new LNG import terminals proposed for North America, PUCs along with federal agencies face a number of serious issues about LNG as a reliable source of gas supply.

LNG occurs through a proven commercial technology by which natural gas is cooled to a temperature of approximately -260°F, thereby condensing it into a liquid, enabling both efficient and economic transportation and storage. It is subsequently re-vaporized to allow it to be injected into the transportation and distribution pipelines. According to the U.S. Energy Information Administration (EIA) Annual Energy Outlook for 2005 (AEO2005), the U.S. is projected to face an 8.7 trillion cubic feet (Tcf) gap in domestic natural gas production by 2025. Consequently, increased imports of natural gas will be required to meet future shortfalls. Canadian imports are forecast to decrease to 2.6 Tcf by 2025 due to both the depletion of conventional resources in the Western Sedimentary Basin as well as Canada's own increasing demand for natural gas. The EIA expects LNG imports to reach 6.3 Tcf a year by 2025, or about 21 percent of our total consumption, which will assist greatly in relieving the supply gap.

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The Honorable W. Robert Keating
Chair of DOE/NARUC LNG Partnership and
Commissioner of the Massachusetts Department of
Telecommunications and Energy

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Executive Summary

As North America struggles to meet its growing demand for natural gas, the siting and expansion of liquefied natural gas (LNG) import facilities has become an immediate focal point in the last 18 months. More than 55 new terminals or expansions in 12 states have been proposed, not including projects proposed for Canada and Mexico that would serve U.S. gas markets. These proposals have elicited strong public opinion both for and against the siting of LNG terminals. Newspapers, radio programs, Internet Web sites, and television news facilitate a very public dialogue in which safety, security, environmental impact, market supply and demand, and economic interest are discussed. The issues surrounding LNG terminal siting has driven some news media outlets to take editorial positions for or against the issue. The elevation of the public dialogue underscores the importance of responsible and appropriate communication by LNG proponents.

Because LNG development will have an impact on supply, and therefore potentially affect rates for both gas and electric consumers, state regulatory commissions have an interest in ensuring that LNG development is consistent with state energy policy, and that LNG developers take actions that are responsible and appropriate. To this end, appropriate communications by the industry with regulators and other state energy officials is essential.

This document aims to familiarize state regulatory commissions and other federal and state policy-makers with the activities LNG developers should take in the Federal Energy Regulatory Commission's (FERC) pre-filing period (see Appendix for a description of the FERC certification filing process). Recent increases in the number of proposed terminals that have been actively put before the public offer examples of communication failures and successes. For this reason, the document uses case study examples that examine how differing communication approaches potentially can have an impact on LNG terminal siting outcomes. In-depth interviews with LNG developers, public officials, and advocacy groups were used to develop the case studies. The activities presented here reflect communications tactics and approaches for better stakeholder involvement, improved understanding among stakeholders, and increased opportunities for robust dialogue. Following the narrative-style case studies, this document offers "Checklist" activities that state utility commissions should expect from LNG proponents for appropriate public engagement. These checklist activities draw from the case study findings and from FERC's guide titled "Ideas for Better Stakeholder Involvement in the Interstate Natural Gas Pipeline Planning Pre-filing Process." Finally, the document offers an Appendix that outlines the traditional filing process and the National Environmental Policy Act (NEPA) pre-filing process.

Overview: LNG Siting and Effective Stakeholder Engagement

Critical Role of Effective Communications in LNG Terminal Siting

The existence of attitudinal and informational barriers regarding LNG underscores the important need for effective and forthright communication by developers. These barriers often prevent stakeholders from recognizing the benefits and opportunities that LNG promises.

Reservations related to siting LNG unfortunately can be difficult to change. They often exist because of perspectives shaped by limited information and, at times, misinformation. Some who oppose LNG siting have been exposed largely to messages marked by fear and alarm, rather than information that objectively presents the benefits and drawbacks of LNG development, as well as the selection rationale for the specific site.

Informational barriers related to LNG siting and development can be minimized through effective public engagement so as to enable all stakeholders to make informed decisions. Effective communications in the pre-filing process must enable stakeholders to distinguish perception from reality in terms of safety, security, economics, and environmental impact.

Importance of Communication and Early Engagement by Developers

The public nature of the pre-filing process highlights the importance of communication and early engagement by developers. Early and proactive communication ensures that all relevant parties are appropriately addressed. Because opinions often are established early in the process, straightforward communication by developers is key to enabling stakeholders to make a fair evaluation of the proposed sites.

Early engagement by developers also requires careful consideration about the messages and channels they intend to use. Outreach about a project's economic impact upon a community is not enough to positively influence public opinion about the development. Messages must be customized based on interests, issues, and priorities of local communities and should address specific attitudinal and informational barriers.

Early identification of areas of concern is paramount to a pre-filing communication strategy, be they environmental, safety, security, economic, recreational, or aesthetic. Early identification of stakeholders and opinion leaders also is critical before communication starts.

Communication Case Studies: Lessons from Recent LNG Siting and Expansion Proposals

In-depth telephone and in-person interviews with LNG developers, elected officials, and advocacy groups offer perspectives on particular realities of current and past public engagement efforts aimed at successful LNG terminal siting. Informed by more than 12 interviews, the case studies tell the story of communication successes and shortcomings related to some of the most recent LNG development efforts, including those in Maine, Massachusetts, Maryland, Louisiana, Texas, and California.

The case studies allow commissions to better understand the importance of communication in the pre-filing process. Below, we start with a failed siting, then we present a success, and finally we offer a look at proposals whose outcome is yet to be determined.

Following these case studies, we present a section that draws conclusions from these case studies, highlighting the activities expected from responsible LNG developers.

Learning from a Failed Siting: Lessons from Harpswell, Maine

In September 2003, TransCanada and ConocoPhillips proposed to lease the former U.S. Navy Fuel Depot site from the town of Harpswell, Maine, for the development of an LNG regasification facility. The proposal ultimately failed in a 55 to 45 percent vote; rejected by the town's citizens who collectively act as the municipal legislature. Seventy-two percent, or 3,468 people of the town's approximately 4,800 registered voters, cast their ballots. This failed siting provides a lens to examine the role of communications by LNG developers, as well as examine the influence of opponent communication efforts. This case study draws from the perspectives of three Harpswell stakeholders: Selectman Gordon Weil; Jack Sylvester of Yes! For Harpswell's Future, a local LNG proponent group; and Jim Merryman, co-President of Fishing Families for Harpswell (FFFH), a group formed in opposition to the proposal. Telephone interviews with each elicited three perspectives, which call for better outreach, improved dissemination of information, and great education efforts by LNG developers.

Shortly after lease negotiations began, company officials and the town's three selectmen announced the negotiations at one of the standing meetings of the selectmen, all of which are broadcast on the town's television station. Public reaction to the announcement ranged from skepticism to opposition, with few people actually supporting the idea and some unaware of what LNG was. Residents were immediately put off by the fact that subsequent negotiations took place behind closed doors without input from residents. Selectmen reported updates on the negotiation process each week and subsequently held public hearings to better understand public concern.

Local government officials deliberated the LNG import facility's short-term and long-term impacts on town safety, property values, and its social and economic impacts. The selectmen's primary concerns with the LNG import facility were the potential adverse impacts on nearby residential properties and public properties, such as schools.

After the September announcement, opposition campaigns were launched by two groups, *FFFH* and Fair Play for Harpswell, both opposing the principle of the terminal regardless of the lease terms. Both groups emphasized messages about quality of life, way of life, and safety. The groups held fundraisers and went door-to-door canvassing the entire town to distribute fact sheets about LNG and safety issues. According to Merryman of *FFFH*, "The developers' entire message surrounded money. Many people saw property tax relief. But I never saw any information that would lead me to believe that this project would result in financial gain in the future."

The opposition groups hired consultants and a consulting firm, Yellow Wood Associates, to conduct an economic impact study on the community to show how the LNG facility would affect property taxes and property values. According to Merryman, both groups requested a health and safety study and an economic study from the developers, but were told this information would not be available until a lease agreement was reached. The Yellow Wood report was presented at two open houses with a live call-in show allowing residents to ask questions.

"I think the project did not succeed in Harpswell mostly because of the way the companies handled it. And I think their shortcoming was their belief that by offering us a significant sum of money that would be sufficient to overcome any concerns we had about the impacts, not withstanding the fact that we repeatedly told them that was not the case."

- Gordon L. Weil, Selectman, Town of Harpswell

One of the two developers opened a small office in town for the purpose of stakeholder relations and public affairs. ConocoPhillips hired a consultant from Bailey Island, Maine to identify key individuals in the community and the major concerns of residents. Company representatives made contact with various groups in the town. However, according to Selectman Weil, the company representative was not knowledgeable about the negotiations and could not provide up-to-date information. "I think the problem was that he [the stakeholder representative] was not brought into the counsels of the company and therefore he did not know what was going on in the negotiations and sometimes provided the people with misleading information or incorrect information," said Weil.

In November, negotiations reached an impasse. At that time, the selectmen took control of the lease and submitted a draft to the developers in January. Final negotiations were completed in January. A delay of 60 days existed between the project's public announcement and the completion of the lease. The developers, however, did not effectively utilize this delay to convey the positive aspects of the LNG import facility to the community. During this time, inaccurate information was distributed throughout Harpswell, and the opposition groups engaged in what turned out to be effective campaigning tactics, according to Weil. According to Jack Sylvester of *Yes! For Harpswell's Future*, opponents of the

"Many of the fishermen came together because we were very concerned not only about our livelihood on the water, but for the safety of our families. We agreed that we needed to get our own information to find out if LNG was safe. I talked to people in California and Alabama where they had rejected facilities or were in the process of looking at them and rejecting them."

- Jim Merryman, Fishing Families for Harpswell

project inaccurately stated the town would be responsible for funding additional services, which, when coupled with their forecasted diminution of property values would have offset all of the financial benefits from the LNG lease. Voters were confused by this false claim. Further, Sylvester suggested that proponents did not counter the misinformation in a timely, thorough manner.

According to Jim Merryman of *FFFH*, the selectmen were not prepared to answer questions from community members. "We asked our selectmen a hypothetical—if there was an explosion in the middle of the winter at the plant and nobody could get in or out south of the facility, what have you considered for an evacuation plan? The selectmen looked at each other and said that they would leave it up to the fishermen to get probably 200–300 people that live south of the plant out of there. As a fisherman, I know that in the winter the boats could be frozen ... lives will be lost trying to save lives. This answer was so irresponsible that it made me furious."

With regard to the developers' public relations efforts Selectman Weil said, "I think it was a notable failure. They were not ready at any time to put forth a campaign when they should have been. By the time they got to doing it the matter had been scheduled for a vote. It was somewhat misdirected and certainly too late."

Prior to the community vote, *Yes! For Harpswell's Future* was solicited by the companies to discuss economic analysis of the lease and its prospective benefits for the community at a public meeting. According to Sylvester, it was critical for the developers to effectively communicate to residents of the host and surrounding-area communities how the LNG import facility would look, sound, function, and affect their daily lives. The Harpswell community was concerned with the LNG import facility's imprint transforming the community into an industrial area. The community's paramount concerns were the potential safety and security issues surrounding an LNG import facility.

"I think the developers should have engaged the many citizen-stakeholder groups more fully and dynamically. I was dismayed at how incompletely the economic benefits of the lease were analyzed and presented. Many citizens did not understand the most essential details of the complex, but well-crafted lease, the magnitude of its benefits, and the many positive ways it could have influenced community life over the years."

- Jack Sylvester, *Yes! For Harpswell's Future*

Weil later penned an opinion editorial in *LNG Express* (June 2004) in which he specifically identified lessons for LNG developers. He wrote, "*Do not assume that money alone will bring support. Pay attention from the outset to the environmental and social impacts. Saying that FERC will impose protective conditions is not enough. Be responsive and quick to respond. By dragging matters out, you allow opposition to develop. Make sure you have good information about proposed sites. Opinion polling before action is worth much more than polling after the proposal has been made. Find local leaders, outside of government, who will play an active role in your campaign. Give negotiators the authority to make a deal. If matters have to be referred back to corporate headquarters, delay and frustration result, and the local people can come to feel that they have to negotiate each issue twice.*"

Learning from Success: Cheniere Energy's Approach to Siting

Cheniere Energy, Inc. has enjoyed success in LNG terminal siting, including the approval of the Freeport, Texas terminal in July 2004. Keith Meyer, President of Cheniere's LNG Company, provided insight on the

efforts that have proven successful for Cheniere in siting such facilities. The three LNG import facilities addressed throughout the case study are located at Freeport, Texas; Corpus Christi, Texas; and Sabine Pass, Louisiana. Each facility is expected to provide regasification facilities for importers of LNG. This case study offers insight into a developer's approach to communications that has resulted in successful sitings.

Cheniere invests significant time and resources into its efforts to site LNG import facilities. It is even willing to reject a site if it encounters ample resistance from the community. Cheniere chose Texas and Louisiana as locations for LNG import facilities, based on the following criteria:

- First and third largest natural gas-consuming states in the U.S. creating a significant local natural gas demand;
- Proximity to major intrastate and interstate pipelines with access to Midwest, Northeast, Mid-Atlantic and Southeast U.S. markets;
- Availability of deepwater ports with adequate facilities for such terminals; and
- Local governments and communities familiar with energy development.

After a location is selected based on the above criteria, Cheniere follows a multi-faceted approach as a way to ensure a successful LNG import facility siting.

Specifically, Cheniere begins outreach very early in the process. Its initial effort to reach local government officials of the community of the proposed site begins a year or more before the FERC filing. All government officials are included in Cheniere's approach. The company contacts mayors, community leaders, commissioners, county commissioners, county judges, and local school boards.

Government officials are contacted in the span of one to two days. This short time frame allows each government official to establish an equal relationship with Cheniere; learning about the proposal idea no sooner and no later than others. These initial efforts demonstrate Cheniere's commitment to being open with all stakeholders. Cheniere is aware that if a government official learns about the possible siting of an LNG import facility from the public, prior to hearing from Cheniere, their initial reaction could be one of resistance. Cheniere continuously educates all leaders in the community who will be answering the public's questions, through detailed information on LNG, the LNG import facility, and Cheniere as a company. Cheniere considers it essential that those informing the public on behalf of the company are well versed and comfortable with their knowledge of LNG. Cheniere also took to heart FERC's advice to "look for opposition, not just support." Cheniere looks for people or groups that may oppose the project, identifies their issues, and addresses them early in the process.

Cheniere leverages the community knowledge held by government officials for advice on which community groups are potential stakeholders in the LNG import facility and should be contacted. Cheniere builds relationships with prominent community members who can influence and drive public opinion on the LNG import facility. Cheniere's extensive efforts to listen to the communities have garnered the company letters of support from governors, mayors, school boards and citizens urging FERC to expedite the siting of that particular LNG import facility.

Cheniere locates the potential opposition to the LNG import facility by researching the community to identify who will be affected by an LNG import facility, and through conversations with government officials and community leaders.

"At all of these sites in the last couple of years (we) have actively looked for the opposition, where it would be, and then (we) address it early."

- Keith Meyer, Cheniere Energy, Inc.

In Corpus Christi, the LNG import facility is across the bay from, and can be seen by the city of Corpus Christi. Smaller towns are located in close proximity to the LNG import facility, making it necessary for Cheniere to speak with a half a dozen mayors from those towns. Cheniere addressed their

concerns and the concerns of the people who were visually impacted by the LNG import facility or the passing LNG tankers. Cheniere addressed opposition by identifying it before the news announcement of the LNG import facility, managing it, and addressing it in the application to FERC.

Cheniere educates the community through constant communication. To educate the community, Cheniere:

- Explains its plan for overall mitigation and impact;
- Communicates to the environmental community at each LNG import facility its use of submerged combustion vaporizers (this is a closed-loop system, and does not discharge water into the bays or estuaries, and therefore does not harm marine life); and
- Raises the community's knowledge of LNG, specifically on LNG's safety record. The community is extensively informed by Cheniere on LNG itself, LNG's safety record, what Cheniere stands for as a company, and the details surrounding the specific LNG terminal site.

When greater community knowledge is needed, Cheniere engages local public relations firms to assist in getting its messages out to the community. These local companies have insight into the best way to effectively communicate with this particular community's culture. It also is important and valuable for the public to hear positive LNG messages from a source in the community.

"Cheniere has learned that it is critical to educate people on LNG and on Cheniere as a company, long before the possible LNG terminal siting is in the media. Jumping that step is really a nail in the coffin for a lot of proposed projects."

- Keith Meyer, Cheniere Energy, Inc.

Representatives of Cheniere make themselves available to the community. Representatives are regularly present at the LNG terminal site and in the surrounding community. Cheniere's representatives are well educated on the siting process of an LNG import facility. A relationship based on trust is built with the community through informative and factual communication. The public is able to present concerns directly to Cheniere by having access to the company's representatives. Cheniere benefits from this communication as it is frequently updated on the community's reactions to project developments and is informed if any other energy companies are inventorying the town in an attempt to compete with Cheniere for the LNG import facility. In Sabine Pass, Cheniere displayed its support and dedication to community development by funding the preservation of the historic Sabine Pass lighthouse.

Three key messages typically are communicated by Cheniere to the community on LNG safety, the environment, and economic profit:

- LNG has an exemplary safety track record;
- LNG is clean natural gas and is a preferred feedstock from an environmental perspective; and
- The LNG terminal will help preserve jobs and will have a positive impact on the community. By bringing in additional gas supplies, gas prices should be lowered, positively affecting the nation as a whole.

Cheniere thoroughly researches and invests a substantial amount of time and resources into the exploration of each potential LNG import facility. Despite this, Cheniere recommends that if community opposition to an LNG import facility is too great, it is imperative that the energy company resign from attempting to develop that site. The Corpus Christi LNG import facility is the fifth site that Cheniere looked at for development in the Corpus Christi area. Cheniere encountered obstacles or opposition to the initial four Corpus Christi sites it considered. In one location, the LNG tankers would have to cross under a bridge, another site was too close to commercial and residential congestion, and the two other sites were rejected due to environmental concerns. In contrast, the selected Corpus Christi site had ample community support. The Sierra Club wrote a letter to FERC supplementing Cheniere's application for the proposed LNG terminal, stating that the site was the best site in the area for an LNG import facility and would have minimal environmental impact.

Because of Cheniere's efforts to identify opposition, communicate, and address concerns, the company has successfully sited LNG import facilities. Cheniere's practice of rejecting a site if it encounters meaningful resistance from the community is a vital element to their success at siting LNG import facilities.

Lessons from a Proposed Expansion at Cove Point, Maryland

Dominion Cove Point LNG, LP is located on 1,017 acres on the Chesapeake Bay in Cove Point, Maryland, south of Baltimore. Situated on one of the premier freshwater wetlands on the East Coast, Cove Point is the nation's largest LNG import facility. On this site, 108 acres are developed, 800 are under conservation management, 190 acres are freshwater marsh, and 80 acres make up a county park. The Cove Point Natural Heritage Trust, a partnership with the Sierra Club and the Maryland Conservation Council, has a contractual agreement with Dominion to ensure the environmental preservation of a significant portion of the site. In August 2004, FERC approved Dominion's use of the pre-filing process for the proposed Cove Point Expansion. Communications efforts and approaches used to date are presented below.

The situation at Cove Point is unique as it is an existing industrial site surrounded by a community already familiar with LNG. This familiarity among the community and the role of the Cove Point Natural Heritage Trust presents an opportunity to examine communication approaches where opposition is less fervent. Anne Bomar, Managing Director, Transmission Rates and Regulation, at Dominion Resources, Inc. served as the source for this case study.

Prior to the official announcement of the expansion proposal, Dominion's government affairs office identified the area's local, state, and federal elected officials. The elected representatives' jurisdictions

were researched and elected officials with a potential interest in the expansion proposal were identified. Dominion established the sequence to inform the elected officials of the expansion proposal. About a week before the public announcement, Dominion representatives placed telephone calls and held meetings with the identified elected officials.

After Dominion informed elected officials of the expansion proposal, and before the public announcement, Dominion communicated with the community's first responders including the fire service and police department. Local consultants familiar with the community were hired. The local consultants identified preferred methods of communication unique to the community, to the U.S. Environmental Protection Agency, and to the Maryland Department of Environment. This step ensured that Dominion was communicating with the community, in its preferred manner.

"As a pipeline developer, I think a critical first step is to know what we plan to do before we announce it, because we tend to get ahead of ourselves a bit. Otherwise you'll generate confusion, and people will feel misled."

- Anne Bomar, Dominion Resources, Inc.

Dominion further researched the community to learn about potential stakeholders in the expansion proposal. Approximately a week before the official public announcement of the expansion proposal, and before Dominion officials established a presence in the community, Dominion began to educate the potential stakeholders on the proposal. Community members had different levels of education on LNG, and Dominion recognized that a letter announcing the expansion proposal would not be a meaningful method of communication with the community.

Dominion's existing relationship with the Cove Point community aided it in identifying community opinion leaders. For example, in Calvert County, an economically and geographically small community, the most influential opinion leaders were the present and former county commissioners. Dominion recognizes that it must ensure confidence in, and raise knowledge of, the expansion proposal in the dominant civic personalities. Dominion is aware that in Calvert County many community members experience frustration at being a utility corridor for the greater metropolitan area of Washington, D.C. As such, Dominion included these upstream stakeholders in communications efforts.

Dominion was conscientious of local environmental groups being stakeholders in the expansion proposal. The Sierra Club and the Cove Point Natural Heritage Trust advised Dominion to hire a local environmental consultant. The local environmental consultant educated Dominion on the environmental concerns specific to the community allowing Dominion to better address these concerns.

The greatest support for the expansion proposal has been from the landowners located in close proximity to the Cove Point LNG terminal, as they will benefit from an increase in jobs, tax benefits, and a thousand acre park surrounding this facility. Those least impacted by the expansion proposal have been the people who are most vocal in challenging the project as they benefit from it less. The greatest opposition to the expansion proposal is from those concerned about lower real estate property value.

Dominion frontloaded controversy by addressing opposition in the primary planning stages of the expansion proposal. This allowed Dominion to formulate the expansion proposal plans with knowledge of the potential opposition. Community input after Dominion consults with FERC can influence adjustments to the

proposal. This action demonstrates to the community that Dominion is receptive to, and respectful of, their concerns. Dominion contacts local landowners potentially affected by the expansion, through a written letter delivered via the postal mail as required by FERC. Prior to the announcement of the expansion proposal, Dominion identifies the interested media outlets and the interested financial parties on Wall Street. Local landowners not identified as stakeholders learn about the project through articles in national newspapers, such as The Washington Post.

By creating a presence in the community, Dominion representatives easily are accessible to community members, continuously answering questions, addressing concerns, and raising the level of education on the expansion proposal. Dominion considers this action the most critical step for a successful expansion proposal.

Turbulence at Fall River, Massachusetts

Weaver's Cove Energy is proposing to build an LNG terminal in Fall River, Massachusetts, on an old marine products terminal site. In February 2003, Weaver's Cove Energy submitted a formal pre-filing request to FERC. They recently received the draft Environmental Impact Statement (EIS) from FERC. This case study offers perspectives from the developer and the city's mayor. New England's Conservation Law Foundation also provided its perspective on the topic of public engagement and LNG siting.

The physical location of the proposed site draws much attention in Fall River. There are about 1,960 residences or residential structures within one mile of the proposed storage tank, and trucks will be loaded at an average of 25 per day and up to 100 on a peak day. However, according to city's mayor, Ed Lambert, Fall River's cruise industry would be negatively impacted by the arrival of LNG tankers coming into the port, and the 25 to 100 departed truck shipments a day would be problematic for Fall River's transportation system. For many of these reasons, a divisive dialogue exists in the community.

As part of its public outreach effort since July 2001, Weaver's Cove Energy first contacted the mayor and government officials regarding the LNG import facility proposal. Weaver's Cove Energy contacted the proposed site's surrounding neighbors on an individual basis; conducted several open houses that collectively drew 3,700 people; proposed a plan to mitigate negative impacts on real estate; communicated with local newspapers about the project; established a 24-hour toll-free number to address community concerns; held meetings with, and distributed informational packets to, the city council, environmentalists and community opinion leaders; appeared on local television and radio stations to educate the public on the project; and briefed all elected officials and other key stakeholders on the project.

James Grasso is a consultant who serves as the project proposal's spokesperson. He suggests developers attempt to minimize siting barriers by:

- Involving key stakeholders early in the siting process;
- Seeking stakeholder input on the project;
- Educating stakeholders on the LNG import facility project;
- Continually advising stakeholders of the status and accurate facts of the project; and

- Advising stakeholders about the steps taken by the company and U.S. authorities to maximize the security and safety of the project.

It is essential for developers to communicate both the positive and negative aspects of LNG to build trust within the community.

Despite such outreach efforts, Seth Kaplan of New England's Conservation Law Foundation, argues that the developers are dismissive of the safety issue. He recommends developers allow urban safety, population safety, and pool fire risk to influence the siting decisions for LNG import facilities. Kaplan stated, "Developers need to get it right by avoiding, minimizing, and mitigating environmental impacts."

"The developer must clearly identify to the community a local need for LNG and a benefit from the project to the community."

- James Grasso, Weaver's Cove Energy

Mayor Lambert opposes the LNG import facility project. The safety and economic development impact on Fall River are the mayor's major concerns surrounding the LNG import facility project. The community of Fall River has formed a task force of community leaders and neighbors to advise the government officials on how best to oppose the LNG import facility project. Although Mayor Lambert has opposed project since its inception, the project developer's plan has been to keep open lines of communication with the mayor's office and other city and state officials.

Weaver's Cove Energy remains persistent in attempting to site an LNG import facility in Fall River working with the USCG, FERC, Corps of Engineers, and all other state and local officials. This location would require that the tankers travel under three bridges before reaching their final destination.

Examining Opposition in California

In the 1970s, California's gas utilities proposed to develop an LNG import facility at either the Port of Los Angeles, Oxnard, or Point Conception. The three agencies authorized with final site approval held conflicting opinions on the preferred site. To resolve this conflict at the state level, the state Legislature enacted the LNG Terminal Siting Act of 1977. Under this act, the California Public Utilities Commission (CPUC), with input from the California Coastal Commission and California Energy Commission was vested with the authority to approve one site. The CPUC chose Point Conception, but the project was cancelled due to low natural gas prices. In 1987, the Legislature repealed the LNG Terminal Siting Act, and until recently no company has attempted to site an LNG import facility on the West Coast. Consequently, the current process for siting LNG import facilities is unclear.

This case study provides a lens to examine several communications aspects, including early communication with multiply jurisdictions. Various siting experiences are included in the discussion.

Communication with government officials came slowly in Humboldt County, California. Mayor Peter La Vallee of Eureka, which borders Humboldt Bay, did not learn about the proposal in a timely manor. "I don't remember the first event that it came forward to the community," said La Vallee. "What I do know is that most people, myself included, were perturbed that there had been discussions about it for an extended period of time, over six months, before it became public."

To facilitate open and honest communication with government officials, La Vallee suggests that developers simultaneously send a letter of intent to all government officials, and approach government officials as a group, not as individuals, due to overlapping jurisdictional oversights. He believes government officials should be involved in every stage of the LNG import facility siting project.

As of fall 2004, there were six proposed onshore and offshore LNG import facility projects in California and in Baja California, Mexico.

- Crystal Energy has proposed the Crystal Clearwater Port Project to be located approximately 12.6 miles offshore of the City of Oxnard. On January 28, 2004 Crystal Energy filed its application with the USCG, and with the State Lands Commission on February 10, 2004. The application was refiled with the USCG on July 27, 2004. As of February 2005, the USCG has not deemed the application complete.
- Approximately 14 miles off the coast of Ventura County, BHP Billiton has proposed the development of the Cabrillo Deepwater Port LNG Facility project. The USCG accepted BHP Billiton's application as complete on January 27, 2004, but its application has not been deemed complete by the State Lands Commission. No additional action will be taken on the project until the environmental review process is complete.
- The Long Beach LNG Facility project has been proposed by Sound Energy Solutions and would be located on approximately 27 acres in the Port of Long Beach. The EIS/Environmental Impact Report (EIR) on this proposal is currently being prepared. In April, the CPUC filed a motion with FERC stating that Sound Energy Solutions must obtain state authorization from the CPUC prior to proceeding with the LNG import facility project. Because all of the LNG from the proposed terminal would be used in the state of California, the CPUC feels that it is the final permitting authority regardless of the FERC jurisdictional claims over the proposed facility. The jurisdictional issue is currently pending before the U.S. Court of Appeals for the 9th Circuit.
- Chevron Texaco has announced an LNG project to be located off the coast of California, but the exact location has not been determined.
- In Costa Azul, Baja California, Mexico, Sempra Energy and Shell International is proposing the Energia Costa Azul LNG Receiving Terminal project that would be located about 14 miles north of Ensenada on the Costa Azul plateau. In August 2003, Mexico's Energy Regulatory Commission (CRE) and the City of Ensenada issued land-use permits, and in April 2003, the Secretary of Environment and Natural Resources' environmental permit was issued. A temporary injunction placed on the project's environmental permit in November 2003 was lifted in March 2004. In October 2004, they signed a sales-and-purchase agreement with BP and its Tangguh LNG partners. It plans to begin commercial operations in 2008 and will process 1 billion cubic feet of gas per day.
- Chevron Texaco is proposing the GNL Mar Adentro de Baja California project to be located eight miles off the coast of Tijuana, Mexico. In July 2003, the CRE accepted the offshore permit application. In October 2003, an offshore *manifestacion de impacto ambiental* and risk study was submitted. In September 2004, Chevron Texaco was awarded authorization from the Environment and Natural Resources Secretariat (SEMARNAT) for its Environmental Impact Assessment (Manifestación de Impacto Ambiental, or MIA) and Risk Assessment for a proposed natural gas receiving and regasification terminal off the coast of Baja California, Mexico.
- In March 2004, Calpine Corporation withdrew its application to site Samoa Point Energy Center in the Port of Humboldt Bay, because of significant public opposition.

Opposition to the proposed siting argued that the supply need was not evident. La Vallee suggests that the nation's energy needs must be juxtaposed with the local communities' needs to establish the best site for an LNG import facility.

"It is essential that government officials, the developer and the community collectively identify early on, if the benefits of the LNG import facility outweigh the potential risks," said La Vallee. "In the preliminary stages of the project, the community's concerns must be addressed by the developer in a complete and forthright manner."

Opposition groups leveraged the multi-jurisdictional issues of the proposal, in particular FERC's authority. According to La Vallee, there was real concern over whether FERC would overrule local governing boards.

"In almost every case on the West coast ... part of the opposition has been 'we don't see the need'."

- **Bill Powers, Border Power Plant Working Group**

The underdeveloped plan from Calpine also created community problems. Calpine changed the site location midway through communications on the project. This created a discord between the community and the developers as it did not give the impression that this was thoroughly planned. Although proponents of the project felt it would benefit Eureka as it is an underdeveloped economic rural area, ultimately the opponent's concerns over the safety and security of Eureka's surrounding community, and whether the project would detrimentally impact Eureka's natural beauty caused the project to fail, according to La Vallee.

And for other proposed sites, the consideration for developers remains consistent: thoroughly know what messages resonate with the community.

Bill Powers, chair of a non-governmental organization advocating for the development of sustainable energy facilities in the U.S.-Mexico coastal border region, says developers must clearly illustrate why LNG terminals need to be in California. "The potential lowering of natural gas prices through LNG imports does not resonate strongly enough with individual communities," said Powers. "Commissions must exhaust all alternate options to LNG prior to clearly identifying a local need for LNG."

He further argues for greater community involvement in the preliminary stages of an LNG import facility project, which establishes a trusting relationship among the commissions, the opponents and proponents of the project, and the developer. He says, "Developing this trusting relationship is critical for a successful project. Communities need to be assured that all stakeholders are involved in the project, and not just the individuals who stand to benefit from the LNG import facility."

City Councilwoman Tonia Reyes Uranga of Long Beach, California's Seventh District has been very active in Sound Energy Solutions' attempts to site an LNG import facility in the Port of Long Beach. While her district does not include the port, her district is a neighboring community and clearly identified as a stakeholder

"It's really about relationships. If you don't have a relationship with the community and you try to come in and do something, then (the community is) going to go to the people that they know ... they're going to believe the person that they know, not the person they don't know."

- **Councilwoman Tonia Reyes Uranga, Long Beach, CA**

in the project. The councilwoman states that it is critical for the legal jurisdictions of the LNG import facility to be thoroughly explained to the government officials. The city council's ultimate responsibility for and jurisdiction over the LNG import facility is still unclear to the Councilwoman.

Councilwoman Reyes Uranga states that developers should educate the community leaders and government officials on the LNG import facility project through individual, face-to-face meetings. A developer must research a community to identify the community leaders. Councilwoman Uranga counsels that communication must be more extensive than brief meetings and video presentations.

The councilwoman advises developers to utilize local public relations firms to learn the community's preferred method of communication, to gain insight on the issues most valued by the community, and to conduct community education and outreach. The councilwoman has seen a decrease in resistance to LNG in her district coinciding with an increase in public education.

The councilwoman is adamant that the alternative to LNG must be discussed as well. Councilwoman Uranga states, "I think people need to know the whole story because they're going to sit back and say 'oh wow, we successfully defeated the LNG,' and then you have something that comes in that's ten times worse."

Activities Commissions Should Expect from LNG Proponents for Appropriate Public Engagement

A number of conclusions can be drawn from the case studies above with regard to LNG developer communication:

- Stakeholders and problem areas must be identified and addressed (opposing positions should not be dismissed by developers);
- Communication and engagement efforts must be both early and planned (some developers initiate outreach efforts as much one year before the FERC filing);
- Outreach efforts must reflect organization, preparedness, and forthrightness; and
- Commitment to the process must be inherent to the outreach (“partnership” approaches allow developers to better address concerns).

Based upon the case study conclusions, a number of public engagement activities that regulatory commissions should expect of responsible LNG developers are presented below. The activities presented here draw from two sources: 1. the FERC’s guide titled “Ideas for Better Stakeholder Involvement in the Interstate Natural Gas Pipeline Planning Pre-Filing Process,” and 2. in-depth interviews with LNG developers, elected officials, and advocacy groups in communities where LNG terminals were or are proposed.

Identify Stakeholders and Areas of Concern

Commissioners should ensure that developers engage government and elected officials, community leaders, environmental organizations, community organizations, and potential and known champions and opponents. Opinion leaders should be identified immediately. These individuals are often leaders of local boards, associations, or organizations, and often are knowledgeable about the best ways to communicate with and address concerns of community members. Government officials can help identify community leaders and potential opponents and proponent groups.

To determine stakeholders, LNG developers should identify and establish contacts with:

- Elected/Government Officials—City councilmen and women, mayors, selectmen, commissioners, county commissioners, county judges, and local school boards.

Note: All government officials should be formally informed of the proposal through a notification letter, a face-to-face meeting, and/or a phone call simultaneously. However, the other stakeholder

Checklist for Commissions

Has the commission:

- Publicly communicated forecasts of natural gas supply and demand, and pricing?
- Identified a need for LNG or for alternate options to LNG?

Has the developer:

- Researched the community to identify problem areas and community leadership?

groups should be notified shortly after to avoid the announcement being made through the media or “word of mouth.”

- Community Groups/Community Leaders—Research on the community and government officials will identify local opinion leaders, local organizations and associations.
- Residents/Landowners/Community Members—Citizens living in close proximity to the proposed LNG terminal site should be identified. These individuals could be in favor, against, or undecided about the project.
- Potential Opponents—Local citizens, community groups, or local chapters of national environmental groups such as Sierra Club.
- Potential Proponents—Champions for the project may include local residents, business owners, and community leaders.

Developers should understand potential concerns and problem areas, and to the extent possible, select sites that minimize those concerns. Nonetheless, developers should identify all potential problem areas and become educated about the community to better understand what types of additional concerns and issues will arise once the proposal is publicly announced. The developer should identify:

- Local concerns and priorities;
- Reservations relating to siting in the local community; and
- Popular outlets and methods for communicating with the public.

The above will vary depending on the community and local priorities. The LNG developer should know the issues and priorities for a community prior to announcing the proposal, such as safety and security, human health and environmental, or preservation of the town’s natural beauty for tourism revenues.

Develop a Communications Plan

To ensure there is responsible public engagement, LNG developers should plan their communications outreach.

An effective communications plan identifies:

Goals – What are the communications that must be accomplished?

Strategies – How will the developer achieve the goals? The strategies could include leveraging proponent groups in a community, addressing opposition early, and using available local media outlets to get the key messages of the developer to the community.

Key Messages – What does the LNG developer need to communicate to each stakeholder? The key messages need to be clear, straightforward, and verifiable. Companies need to develop these messages prior to approaching community members. Messages should focus on the community concerns and

Checklist for Commissions

Has the developer:

- Developed a specific plan engaging the community?
- Carefully considered messages?
- Addressed safety and security and human health and environmental issues?
- Utilized communication channels that most appropriately reach and engage the community?

priorities, which generally tend to be safety, security, economic development, and the environment. Safety and security should be the core of the messages.

Three effective messages used by developers include:

- LNG has an exemplary safety track record;
- LNG is clean natural gas and is a preferred feedstock from an environmental perspective; and
- The LNG terminal will help to preserve jobs, positively impact the community, and the additional gas supplies could help to address the high costs of gas on a national level.

Note: These messages will need to be supported by factual and accurate statistics and information.

Effective Outreach Tools and Methods – How will the developer communicate with the stakeholders? The tools could include brochures, direct mail, Web sites, fact sheets, meeting schedules, open houses, local television stations, etc.

The communications approach of LNG developers should be thoughtful and local. Developers are often seen as outsiders in a community and it is more effective if local, knowledgeable LNG proponents present information about the project.

Be Organized, Prepared, and Proactive

Identifying stakeholders and a communications approach is essential, but in order for the communications to be successful, the LNG proponents must be organized and prepared. The developer should be prepared for strong opposing viewpoints. Despite economic benefits to a community, opposition will still result. Gordon Weil, Selectman, Harpswell, Maine, addressed this by saying, "I think the company's shortcoming was the belief that by offering us a significant sum of money that would be sufficient to overcome any concerns we had about impacts, not withstanding the fact that we repeatedly told them that was not the case."

The LNG developer should use community leaders in favor of the project (local groups and government officials) as a medium to deliver the key messages to the community.

A proactive approach should be used to communicate with stakeholders:

- Be first to engage priority stakeholders and engage stakeholders simultaneously;
- Be accessible and available to respond to questions and concerns;
- Coordinate efforts with proponents;
- Provide information about success of LNG's history throughout the world; and

Checklist for Commissions

Has the developer:

- Made themselves accessible to stakeholders?
- Made every effort to be responsive?
- Provided sufficient background and information to stakeholders?
- Made accurate information readily available?
- Addressed the specific issues raised by stakeholders?

- Address all safety and security concerns up front.

Opposition and public concern should be addressed directly and reasonably. LNG proponents should anticipate and respond to opposition arguments by:

- Identifying concerns and responding in a timely manner;
- Providing factual and unbiased information;
- Being accessible and available to answer questions and concerns;
- Publicly discussing the issues and concerns; and
- Being flexible and willing to negotiate.

Demonstrate Commitment to Community Involvement and Education

There are a number of tactics that LNG developers should take to demonstrate a commitment to educating and involving the community on the project. This education and involvement will enable LNG proponents to help set the dialogue and agenda for the project:

- Developers should create project teams to be based in the community to announce the project and be available to answer questions, respond to concerns, and act as the developer’s messengers.
- Project teams should be knowledgeable of the status of the project, aware of all aspects of the terminal site and application process, and prepared to deliver messages consistently. Effective steps for LNG proponents to take include assigning a stakeholder relations manager, a general public affairs contact, a public relations professional, and additional staff to run an office in the community to address public concerns and educate the community. It also is imperative that the stakeholder relations manager(s) be fully aware of the ongoing negotiations held by other parts of the developer’s company. This will ensure that the community members are provided with accurate and truthful information.
- Local government officials are looking to be educated on the process that takes place within the regulatory bodies on the state and federal levels. LNG proponents should be dedicated to providing officials with information about the regulatory process—what comes next, when it will happen, and what can be expected. Many officials are unaware of their role in the process and LNG proponents can use their knowledge and information about the process to build a relationship.
- Priority stakeholders should be engaged and updated on a regular basis—early and often—by the developer. Information about the project should be shared with the stakeholders through various tools and outlets. Proponents, opponents, and undecided members of the community should be educated and informed about changes and updates to the project.

Checklist for Commissions

Has the developer:

- Created working groups or project teams to facilitate communication?
- Taken steps to demonstrate a commitment to the process?

A good working relationship is built with the community through honest, informative, and factual communication:

- LNG developers should be open and forthcoming—not secretive. All impacts of the project—safety, security, economic, and environmental should be presented to all stakeholders. Stakeholder groups and individuals will be more trusting of a developer if all facts, pro and con, are presented and addressed by the developer.
- Public outreach should be localized. The most powerful outreach to a community is through local outlets. Companies should enlist local businesses and individuals to deliver messages and information to community members. Local public relations and consultants familiar with the community can be effective in getting the proponent’s messages to the community.
- A public news event should be hosted before the media has addressed the project. The event should consist of a presentation about the developer, LNG, LNG’s safety record, the project itself, the site location, impacts on the community, and more detail about plans for the LNG terminal site.
- LNG proponents can demonstrate their support and commitment to the community by dedicating resources to enhance the community. Look for ways in which LNG proponents’ economic assistance can benefit the community, such as funding the preservation of a historic landmark.
- Coordination and cooperation with FERC should occur to provide validation for the project. The LNG developers should bring representatives from FERC to the community to present on the project, discuss safety and security concerns, and jurisdictional issues. If the project and transport of LNG is under the jurisdiction of the USCG, their representative should come before community members to answer questions and address concerns.

Final Thought

Despite the very best efforts to communicate with communities, address their concerns, and establish dialogues with stakeholders, developers still may face opposition that is significant enough to delay and or shut down a proposal. Despite the need for increased natural gas supplies or the perceived environmental and safety appropriateness of the proposed LNG terminal, public attitudes toward LNG will vary by region. These challenges are neither simple nor novel. The oil and gas industries have struggled to address the public's perception of risk standard, which increasingly, and quite impossibly, calls for no risk with many energy projects. In the last decade, however, much progress has been made by the petroleum and natural gas industry in understanding the underlying factors, which influence the way in which people perceive, evaluate, and make decisions on issues involving risk. For this reason, communications must be informed by a robust appreciation of the perception of risk and decision-making criteria related to accepting risk. Successful communication will be judged by its ability to improve understanding among those involved. However, better understanding does not guarantee changes in behavior or opinion. Still, commissions should ensure that developers make every effort to undertake responsible and appropriate public engagement.

This document, with its recommended protocol for public utility commissions, can serve as a resource document on improving industry, local officials, and public communication with LNG terminal siting and development. This is one of many documents, papers, and books aimed at improving communication related to risk and stakeholder engagement. Commissions seeking additional information and perspectives are encouraged to explore other resources.

Appendix

Traditional Filing Process

First Five Months

In the first five months of the traditional filing process, the project developer contacts federal, state, and local agencies (agencies) by phone, or written request to gain information on the feasibility of a proposed project located under their jurisdiction. Examples of information requested by the project developer include land ownership patterns, land status, land management plans, existing studies, and corridor designations. During this time period, developers may also inform landowners and the general public about the project. In some cases, near the end of this time period, the developer files a right-of-way application with the agencies.

Five to Twelve Month Period

During the five to twelve month period, the developer surveys federal, state, and local land management agencies and is required to notify landowners of the project (if it has not been done) by a written letter. These actions gain information from potential stakeholders from which the developer can identify a preferred site for the project.

While FERC and the agencies with permitting authority do typically provide significant resources to the project at this time, there is no requirement that they must be notified prior to filing a FERC application. Involving the local permitting authorities and landowners early on provides the agencies with ample time to review the application and work in conjunction with the developer to identify and avoid or mitigate any potential negative impacts of the project. Project developers have the opportunity to meet with FERC to obtain guidance on the pre-filing process but are not required to do so.

Traditional Filing Process

- ☑ First 14 months: Prepare to file application with FERC
- ☑ 14 -20 months: Conduct Scoping
- ☑ After 20 months: Issue Draft EIS
- ☑ After 26 months: Issue Final EIS
- ☑ At 27 months: Issue Order

Twelve to Twenty Month Period

In the twelve to twenty month period, the project developer prepares its environmental reports and files an application with FERC. After the application is filed, FERC begins the scoping process by issuing a written Notice of Intent (NOI) to an EIS, which is published in the Federal Register, and simultaneously contacts the agencies. The NOI initiates the commencement of the environmental review process and contains a description of the project, a request for the agencies to comment on and state any concerns with the project, and provides contact information for concerns to be submitted. It may also include the dates, times, and locations of public scoping meetings.

During this time period, FERC hosts public scoping meetings to gain public input on the project. The public can file an intervention to the project and can express concerns to FERC about the project's environmental impact. From this community outreach, FERC and the developer learn information that they can use to identify potential adverse impacts of the project. FERC and the project developer can then work to resolve any potential conflicts and identify mitigation. An EIS typically takes 14 to 16 months to complete.

National Environmental Policy Act (NEPA) Pre-Filing Process

In the traditional filing process, the environmental analysis does not begin until after the project developer files its application with FERC, whereas in the NEPA pre-filing process, the environmental analysis begins before an application is filed with FERC. In the traditional filing process, most of the reviews occur sequentially, however in the NEPA pre-filing process, the participating agency reviews occur simultaneously.

The NEPA pre-filing process was developed to identify and resolve issues at the preliminary stage of the project by initially involving the agencies and public stakeholders. The NEPA pre-filing process is a voluntary process that can be requested by the project developer, but is subject to FERC's approval.

First Five Months

During the first five months of the NEPA pre-filing process, the project developer may contact the participating agencies, landowners, and the general public to inform all stakeholders about the project.

The project developer contacts agencies to request their involvement in the process. Toward the end of the five month period, the agencies decide if they wish to participate in the NEPA pre-filing process. If the agencies elect to participate in the NEPA pre-filing process they are responsible for:

- Working together and meeting the deadlines of the FERC-established schedule;
- Identifying each agency's responsibilities;
- Identifying substantial issues or property use barriers;
- Providing recommendations based on actual data; and
- Assisting in the authoring of the NEPA documents.

Many times the agencies' decision to participate in the NEPA pre-filing process is based upon whether the project developer is willing to file a preliminary right-of-way application and if the developer establishes a cost recovery account to fund agency participation.

After agency participation is established, the project developer must send a request to the Director of FERC's Office of Energy Projects identifying why the project developer wants to use the NEPA pre-filing process, work accomplished already, and plans for public involvement. FERC either accepts or rejects the request depending on whether it believes the pre-filing coordination likely is to be successful. The project

NEPA Pre-Filing Process

- First six months: Conduct Scoping
- After 16 months: Issue Draft EIS
- After 20 months: Issue Final EIS
- At 21 months: Issue Order

developer also should provide FERC with third-party contractor options so that FERC can make a selection. The third-party contractor will assist FERC in the preparation of the EIS. FERC is responsible for alerting the participating agencies that the project's NEPA pre-filing request has been approved. FERC, after giving the agencies the opportunity to consult with them on a schedule, establishes a pre-filing time frame and schedule for the agencies. FERC identifies a project manager for the specific project and requests that each participating agency designates a primary contact.

Eight Months Prior to Filing of Application to FERC

About eight months prior to the filing of an application, FERC devotes significant resources to the project and commences working with the project developer and participating agencies to begin an environmental analysis of the project. About two to three months after a NEPA pre-filing application is filed, FERC issues a draft EIS.

With the NEPA pre-filing process, a final environmental document can be issued by FERC five to seven months sooner than under the traditional filing process.