

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

May 14, 2004

OFFICE OF THE CHAIRMAN

The Honorable Arnold Schwarzenegger
Governor of California
State Capitol
Sacramento, CA 95814

Dear Governor Schwarzenegger:

I'm pleased to provide you with a copy of the Federal Energy Regulatory Commission's report, *Consequence Assessment Methods for Incidents Involving Releases from Liquefied Natural Gas Carriers*. The study represents the Commission's commitment to continue refining our analytical capabilities for reviews required under the National Environmental Policy Act.

The report evaluates published models for estimating the release rate, pool spread and vapor generation for unconfined spills of liquefied natural gas (LNG) on water, and the thermal effects of pool fires. The study recommends approaches FERC staff will use in evaluating LNG import facility applications filed before the Commission.

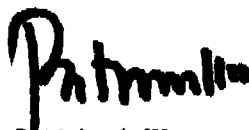
While the consequence assessment models discussed in this report represent one component of risk assessment, the models do not in and of themselves measure the risk to the public from an LNG terminal and its associated tanker traffic. The report's modeling techniques represent a scientific tool Commission staff will use to perform site-specific safety assessments at proposed LNG terminal sites.

The public can take comfort in the fact that LNG has been safely transported by ship for nearly a half century. LNG cargo ships have double hulls and other design safety features, and rigorous exclusionary zones are maintained as the vessels are brought into port. An LNG tanker safely docks in Japan every 20 hours. LNG spills and fires are low-probability events. This report will help us all understand the consequences of such events more realistically.

With domestic production of natural gas flattening in the face of increasing demand, there has been growing financial interest in proposals to build terminals to receive LNG imports. Our economy and way of life depend on maintaining dependable natural gas supplies. The nation must balance the manageable risks of LNG imports with the potentially severe economic effects of natural gas price volatility. Federal Reserve Chairman Alan Greenspan has advocated increased imports of LNG, citing potential adverse economic impacts if we fail to diversify natural gas supplies.

The study report will be open for public comment for two weeks. The study and instructions for filing comments are available at www.ferc.gov. If you have any questions about this study or the Commission's LNG licensing activities, please contact my office at (202) 502-8000, or Richard Hoffmann, Director of the Division of Gas, Environment and Engineering, at (202) 502-8700.

Best regards,

A handwritten signature in black ink that reads "Pat Wood, III". The signature is written in a cursive, somewhat stylized font.

Pat Wood, III
Chairman

Enclosure