

Press-Telegram

www.prestelegram.com

Long Beach, California

WEDNESDAY, MAY 16, 2007

25¢ (plus tax)

Council receptive to offshore LNG plan

LB.: Texas-based energy firm presents details of offshore plant project to city officials.

By Kristopher Hanson

Staff writer

LONG BEACH — An energy company hoping to build a liquefied natural gas terminal off the city's coast presented its project to a receptive City Council on Tuesday, but cautioned that much work remains before it seeks required government approval.

The proposal by Texas-based Esperanza Energy comes as the city is engaged in a legal battle with a competing company trying to build an onshore LNG terminal in the port.

PLEASE SEE **LNG / A5**

LNG: Esperanza based in Texas

CONTINUED FROM A1

The Port Esperanza project would place two floating terminals in about 1,100 feet of water near existing oil platforms about 15 miles south of Long Beach and 10 miles off the coast of Huntington Beach.

The site would allow LNG ships to dock and offload their gas into pipelines running along the ocean floor and ultimately connecting to an existing network of underground pipes near the city's border with Seal Beach.

Terminals — about half the size of an oil platform — would be partially submerged.

Without endorsing the project, councilmembers indicated that they were open to the approach, but only if the city benefitted financially and if it did not disturb the environment.

"Certainly from the fine-print material and explanation that you gave me, it seems like it's going to be a wonderful opportunity for LNG, but I'm curious about the ... impact that will have environmentally," said 8th District Councilwoman Rae Gabelich. "You've certainly answered the safety issues that so many of us were concerned about in terms of the distance from land, so that's a very positive thing."

The project comes in the wake of the stalled Sound Energy Solutions proposal to build an onshore LNG receiving and storage terminal on Pier T in the Port of Long Beach.

That site was rejected by the Port of Long Beach Harbor Commission in January after the project's proponents failed to reach an agreement with the city, as was required in a memorandum of understanding between the city and harbor department. Commissioners also cited ongoing safety concerns about the proposal.

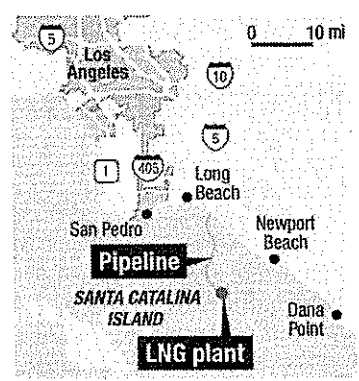
As negotiations between the city and SES dragged out for more than three years, Esperanza

HOW IT WORKS

The Esperanza Energy plan calls for accepting liquefied natural gas at an offshore site near existing oil platforms.

Here's how it would work:

- Ships would dock at partially submerged platforms, which rise about 100 feet above the water line and can be maneuvered by remote control or by onboard thrusters.
- The platforms are designed to suction onto the side of a ship during off-loading.
- Equipment on the floating platform turns the super-cooled liquid (transported at -260 degrees Fahrenheit) into gas by using heated water piped from a Long Beach energy plant.
- Once warmed, the gas is pumped through buoyed pipelines connecting the platform to the ocean floor.
- From there, gas is sent through a 30-inch pipeline to an area just outside the breakwater, where the pipe dives 100 feet underground until it ends one mile inland on the Long Beach/Seal Beach border.
- The pipes would ultimately connect with existing pipelines underneath the San Gabriel River.



anza watched — while tweaking its own plan to avoid potential roadblocks.

To mitigate safety concerns, Esperanza located the facility at least 10 miles off-shore, past the point where a flammable vapor cloud from a leak would harm people, according to the state Public Utilities Commission.

The company also proposes having heavy security around inbound LNG tankers to prevent an accident or terrorist attack.

Still, the group knows it will face community opposition.

"We've designed the project to be as acceptable as possible, but we know it's not going to please everybody," said Esperanza Vice President Terry Mitchell. "We're willing to do what we need to. We're still learning."

Long Beach attorney Bill McKinnon, who was active in opposing SES' project, said the

city should seek as much as it can from Esperanza before endorsing the terminal.

"I would encourage the council to engage in the John Gotti school of negotiation with these people," McKinnon said, referring to the notorious New York gangland boss with a reputation for strong-arm tactics. "Get every dime you can get. We have something they want, which is public approval. Without us deciding that we want to do this project, it's not going to happen."

Esperanza, a subsidiary of San Antonio-based Tidelands Oil and Gas, plans to file the required applications with local, state and federal agencies later this year.

Ultimate approval is required from the Coast Guard, U.S. Maritime Administration, California Public Utilities Commission, State Lands Commission, Cali-

fornia Energy Commission and the Environmental Protection Agency, but the city of Long Beach could play a small role in pipeline agreements.

Councilwoman Gerrie Schipske of the 5th District said she wanted to know more about Tidelands Oil, Esperanza's parent company.

"It's not quite clear who's in the structure of Port Esperanza," Schipske asked. "I certainly would like to know who the city is being asked to deal with."

Mitchell said Tidelands has pledged initial backing, but financial support may ultimately come from myriad investors.

Proponents, who bill the offshore terminal as "California's environmentally responsible energy project," propose making the site a zero-emission facility by taking warm discharge water from an East Long Beach power plant and piping it to the platforms to warm the LNG. By doing this, the company eliminates the need for internal combustion engines on site to warm gas on the platform.

Emissions created during the heating process were a key factor behind the PUC's decision in April to reject an offshore facility near Malibu.

First District Councilwoman Bonnie Lowenthal said she hoped any future LNG site would be used only as a bridge fuel until renewable energy sources are developed.

"I see it as a transitional fuel at best," she said.

Esperanza hopes to ultimately supply 10 percent to 15 percent of California's LNG needs. The company would allow competing LNG suppliers to use the site as a portal inland for fuel.

On the Net
www.esperanza-energy.com
Kristopher Hanson can be reached at kristopher.hanson@presstelegram.com or (562) 499-1466.