

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

In the Matter of:  
Informational Proceeding and Preparation of the  
California Energy Commission 2005  
*Integrated Energy Policy Report* and

Order Instituting Rulemaking to Establish  
Policies and Rules to Ensure Reliable,  
Long Term Supplies of Natural Gas to California

Energy Commission  
Docket No. 04-IEP-01

CPUC Docket No. R.04-01-025  
Notice of Workshop on Natural  
Gas Quality Issues

**REPLY COMMENTS OF SOUND ENERGY SOLUTIONS  
ON GAS QUALITY SPECIFICATIONS**

GOODIN, MACBRIDE, SQUERI,  
RITCHIE & DAY, LLP  
Michael B. Day  
Jeanne B. Armstrong  
505 Sansome Street, Suite 900  
San Francisco, CA 94111  
Telephone: (415) 392-7900  
Facsimile: (415) 398-4321

Date: March 4, 2005

Attorneys for Sound Energy Solutions

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**REPLY COMMENTS OF SOUND ENERGY SOLUTIONS  
ON GAS QUALITY SPECIFICATIONS**

Pursuant to the December 23, 2004 Ruling of Administrative Law Judges Wong and Fukutome establishing dates for a workshop on gas quality specifications and soliciting comments thereon, Sound Energy Solutions (“SES”)<sup>1</sup> submits the following reply comments. Specifically, SES responds to the issue raised at the workshops conducted on February 17 and 18, 2005 as to the ability of the liquefied natural gas (“LNG”) projects, which are presently proposed for service to the California market, to meet the current gas quality specifications contained in the tariffs of the local distribution companies as well as the vehicle fuel standards specified by the California Air Resources Board (“CARB”). To this end, as described below, SES submits that that its SES LNG facility will have the capability to deliver gas to the Southern California Gas Company (“SoCalGas”) system which meets both SoCalGas’ current Rule 30 specifications as well as the CARB standards.

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<sup>1</sup> The exact legal name of SES is California LNG Project Corporation, a California corporation, doing business as Sound Energy Solutions, Inc. (“SES”). California LNG Project Corporation is a subsidiary of the Mitsubishi Corporation.

As proposed, the SES LNG import terminal will be capable of unloading LNG ships with capacities of up to 200,000 cubic meters and provide an average send out capacity of 700 million standard cubic feet per day. The LNG will be unloaded from the LNG ships using cryogenic service piping to the two 160,000 cubic meter cryogenic LNG storage tanks where it will be stored temporarily in a liquefied state. At that juncture, if necessary to meet SoCalGas' tariff specification and the CARB standards, the LNG will be processed in a natural gas liquids ("NGL") recovery unit to remove a portion of the higher Btu components and reduce the heating value of the natural gas. The NGL recovery facilities will consist of a demethanizer column to extract heavier hydrocarbons from methane and a deethanizer column to separate ethane and propane. The propane and ethane extracted from the LNG will be used as a fuel gas at the SES LNG Import Terminal and/or other industrial facilities in the Long Beach / Los Angeles corridor after being transported offsite via pipeline.

Moreover, the extraction facilities will be used to refine some of the LNG in a manner to increase its methane content in order that it can be used to supply the yard trucks which are used in the Port of Long Beach to haul shipping containers around the port. Currently, these yard trucks utilize diesel fuel and are a large source of pollution in the port area. SES is currently undertaking a pilot program to introduce LNG yard tractors into the ports. By supplying these vehicles with clean-burning LNG, SES will help to enhance the air quality in the Port of Long Beach area.

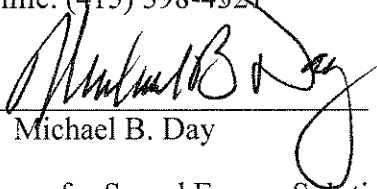
Finally, if it is necessary to meet the CARB minimum inert gas requirement of 1.5 mol percent in pipeline gas, a 20 MMscfd capacity nitrogen production and injection system could be installed at the SES facility. The system would consist of a 20 MMscfd nitrogen production system which will generate the required nitrogen and inject it into the send out gas. SES would

note, however, that CARB has indicated, in both direct response to a SES inquiry and again through comments made at the workshop by its representative, that CARB is contemplating the elimination of the minimum inert requirement.<sup>2</sup> SES supports such elimination as the requirement of injecting inerts into the gas stream where none are present merely serves to add an additional cost to the ultimate delivered price of gas. However, SES would consider injecting the inerts if sufficient data demonstrated that it would benefit the environment by substantially reducing NOx emissions.

Respectfully submitted,

GOODIN, MACBRIDE, SQUERI,  
RITCHIE & DAY, LLP  
Michael B. Day  
Jeanne B. Armstrong  
505 Sansome Street, Suite 900  
San Francisco, California 94111  
Telephone: (415) 392-7900  
Facsimile: (415) 398-4321

By



Michael B. Day

Attorneys for Sound Energy Solutions

March 4, 2005

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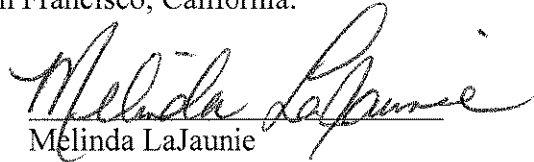
<sup>2</sup> See Attachment to "Opening Comments of sound Energy Solutions on Gas Quality Specifications," R.04-01-025 (February 11, 2005) (letter from Mr. Dean C. Simeroth of the Air Resources Board to Mr. Tom Giles of SES (dated May 3, 2004)).

**CERTIFICATE OF SERVICE**

I, Melinda LaJaunie, certify that I have on this 4th day of March 2005 caused a copy of the foregoing **R.04-01-025/04-IEP-01 - REPLY COMMENTS OF SOUND ENERGY SOLUTIONS ON GAS QUALITY SPECIFICATIONS** to be served on the parties on the attached service list via Hand Delivery, U.S. Mail and/or Electronic Mail.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 4th day of March 2005 at San Francisco, California.

  
Melinda LaJaunie