

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Broadwater Energy LLC)	Docket No. CP06-54-000
)	
Broadwater Pipeline LLC)	Docket Nos. CP06-55-000
)	CP06-56-000

**MOTION TO INTERVENE OF CORAL ENERGY RESOURCES, L.P.
AND COMMENTS IN SUPPORT OF APPLICATIONS**

Pursuant to Section 157.10 of the Commission’s Regulations, 18 C.F.R. § 157.10 and Rule 385.214 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.214, Coral Energy Resources, L.P. (“Coral”) moves to intervene in these proceedings and submits its comments in support of the applications of Broadwater Energy LLC and Broadwater Pipeline LLC (collectively “Broadwater”). In support of this motion Coral respectfully states as follows:

I. COMMUNICATIONS AND CORRESPONDENCE

The names, addresses and telephone numbers of the representatives of Coral to be served or contacted concerning this proceeding are:

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II. IDENTITY AND INTEREST OF CORAL

Coral is one of the largest natural gas marketers in North America. It is organized as a Delaware limited partnership and headquartered in Houston, Texas. Coral is an indirect subsidiary of Shell Oil Company and is affiliated with Broadwater Energy LLC, Broadwater Pipeline LLC, and Shell NA LNG LLC. Coral's sister company, Coral Power L.L.C. ("Coral Power"), is a leading power marketer. Coral and Coral Power are active in the Northeast United States natural gas and power markets and are familiar with the fuel supply needs of natural gas-fired electric generation and with marketing the power produced at those facilities.

Through arrangements with Shell NA LNG LLC, Broadwater's capacity holder, Coral is responsible for transporting and marketing the regasified LNG that will be imported through the Broadwater terminal. As a result, Coral has a substantial economic interest that will be directly affected by the outcome of these proceedings that cannot be represented by any other party.

III. COMMENTS IN SUPPORT OF THE APPLICATIONS

As explained in the Broadwater applications filed on January 30, 2006, the Broadwater project is designed to bring a new, reliable long-term source of competitively priced natural gas to the Long Island, New York City and Connecticut markets, and potentially to other markets through the interstate pipeline system. Coral's substantial experience in these markets makes it very aware of the pressing need for new sources of gas supply for this region.

Natural gas consumption, especially by electric generating facilities, has increased steadily in the Northeast and this trend is likely to continue. The sources of natural gas that have historically served these markets cannot meet this growing demand. Domestic production is projected to fall behind increases in demand, and Canadian imports are projected to decline because of reserve depletion and a growing Canadian domestic market.¹ In fact, the Province of Ontario, Canada, has embarked on an ambitious program to build over 3,000 MW of natural gas-fired generation to replace its coal-fired electric generating fleet.² Most of the natural gas supply for these generators will come from western Canada, an area that already serves much of the requirements of the Northeast United States. Together, these generators can consume as much as .5 Bcf/d. Thus, there will be a precipitous jump in Canadian gas demand, leaving consumers at the end of the pipe, in New England, New York City and Long Island, even more vulnerable to price volatility. Therefore, entirely new sources of gas supply are needed to meet the needs of this market area.

Even if domestic and Canadian supplies were expected to be sufficient to meet the growing needs of this market, it is unlikely that they would be sufficient to prevent the high average price levels and price volatility that usually accompany scarcity. By introducing an additional source of gas into the market area the Broadwater project will provide a competitively priced supply option, which will ultimately benefit all gas consumers in the region.

¹ Energy Information Administration, *Annual Energy Outlook 2006* at 9.

² See <http://www.ontarioelectricityrfp.ca/>.

Indeed, ISO New England, the Regional Transmission Organization (“RTO”) that operates the regional electric markets and transmission grid that serves Connecticut, has found that the demand for natural gas will soon exceed the capacity of the region’s existing supply infrastructure.³ Since 40% of the gas consumed in New England is used to produce electricity,⁴ shortfalls in gas deliverability could easily have an adverse effect on electric reliability. Moreover, ISO New England has specifically recommended the approval of additional LNG imports into its market area⁵ because “LNG is a critical supplement to traditional natural gas pipeline supply since it allows for the direct injection of natural gas into the growing New England gas market.”⁶ The location of the Broadwater project makes it an obvious supply source for gas consumers in Connecticut, helping to meet the critical need identified by the ISO.

The alternatives to the Broadwater project are few. Recent and proposed expansions of the interstate pipelines in this market area will bring in more gas in the near term but from traditional U.S. and Canadian sources. Therefore, these expansions, if completed, will not serve the long-term needs of this market area for more sources of supply. The impact that Hurricanes Katrina and Rita had on natural gas markets should be a lesson on the need for diversity of supply sources of natural gas. Production in the Gulf of Mexico was reduced by 8.3 Bcf/d immediately after Hurricane Katrina, with only 66% of production restored when Hurricane Rita hit. Production was still 6.4 Bcf/d

³ *Power Generation and Fuel Diversity in New England: Ensuring Power System Reliability*, ISO New England (August 2005) at 3.

⁴ *Id.*, at 1.

⁵ *Id.*, at 3.

⁶ *Id.*, at 1.

below normal 12 days after Hurricane Rita.⁷ Natural gas prices rose, with average prices at the New York city-gate (Transco Zone 6- NY) for the period September 26 to 30, 2005 at \$14.90/MMbtu.⁸ Local sources of gas would have acted as a mitigating factor on those prices.

Alternative fuels for power generation, such as nuclear or clean coal technologies, are unlikely to be effective alternatives to natural gas in this region in the near future. Moreover, while they hold promise, renewable energy sources cannot yet be relied on to meet the growing electricity demands of the region or as a replacement for retirements of existing generation facilities. Nor can it be expected that demand response programs will supplant the need for additional electric generating resources. Rather, the region's dependence on natural gas fired generation continues to grow. The New York Power Authority's ("NYPA") 500 MW natural gas-fired facility at Astoria, in Queens went into operation in December 2005 and to improve air emissions NYPA has committed to using more natural gas as a fuel for its 875 MW Poletti facility on the same site. In addition, another privately-developed 1,000 MW natural gas-fired facility is planned for the Astoria site, with the first 500 MW phase scheduled to come on line this Spring

The impact of changes in natural gas prices on power prices in the New York City and Long Island region is undeniable. According to data provided by Dr. David Patton, the Independent Market Advisor for the NYISO, for the period February – August 2005, natural gas prices were 26% higher on average in New York state than for the same

⁷ FERC OMOI Staff Report, *Gulf Coast Storms Exacerbate Tight Natural Gas Supplies; Already High Prices Driven Higher* (Oct. 12, 2005) at 4, 8.

⁸ *Id.*, Table 1.

period in 2004 and wholesale power prices rose 45% for the same period (\$64 - \$95 per MWhr), in significant part due to the higher price of fuel.⁹ By dampening supply driven gas price swings, the Broadwater project can play an important role in reducing power price volatility.

In short, the Broadwater project is proposed for a region that is in desperate need of additional natural gas supply. The additional average 1 Bcf/d of natural gas that would be provided by this project can easily be absorbed by the market in Long Island, New York City and Connecticut. Based on initial hydraulic studies, it appears that the existing pipeline infrastructure will be able to accommodate this volume, with minor investments in meter stations and heating facilities, so that firm deliveries can be made to delivery points both downstream in New York as well as upstream in Connecticut. The project sponsors are taking on all the economic risk of the project – it is not being subsidized by any existing natural gas customers. Therefore, given the enormous need for the gas and the modest costs of adding this new supply source, the public interest would be well served by approving the Broadwater applications.

IV. STATEMENT OF ISSUES

1. Whether Coral's Motion to Intervene should be granted. Coral submits that it has a direct and substantial interest in the outcome of this proceeding so that its Motion to Intervene should be granted.
2. Whether the Broadwater project is required by the public convenience and necessity so that the Applications should be granted. Coral submits that the

⁹ *Six Month Assessment of the NYISO Markets Under SMD2*, David Patton, Independent Market Advisor (Jan. 25, 2006) (available at www.nyiso.com/public/committees/documents.jsp?com=mc).

Broadwater projects are so required and the Commission should grant the Applications as expeditiously as possible.

V. CONCLUSION

WHEREFORE, Coral respectfully requests the Commission to (i) grant this Motion to Intervene and afford Coral all rights of a party in these proceedings, and (ii) grant the authorizations requested in the Broadwater applications as expeditiously as possible to permit this important new source of supply to become available to the market.

Respectfully submitted,

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