



## Department of Energy

Washington, DC 20585

May 16, 2003

Mr. Branden Blum  
Office of the Assistant General Counsel  
for Ocean Services  
National Oceanic and Atmospheric Administration  
U. S. Department of Commerce  
1305 East-West Highway  
Silver Spring, Maryland 20910

Dear Mr. Blum:

Thank you for the letter requesting comments from the Department of Energy on an appeal by the Islander East Pipeline Company (Islander East) from the State of Connecticut's objection to Islander East's consistency certification for a proposed natural gas pipeline.

The Federal Energy Regulatory Commission (FERC) issued orders approving construction and operation of the Islander East Pipeline project on December 21, 2001, September 19, 2002, and January 17, 2003. The pipeline would extend from near North Haven, Connecticut, across Long Island Sound to a terminus in Suffolk County, New York. According to FERC, the Islander East pipeline is needed to help meet increasing demand for natural gas on Long Island, New York, and in New York City. Much of the natural gas supplied by Islander East would be used for electricity generation.

The Department of Energy believes FERC has correctly determined there is a serious need for new natural gas infrastructure in the northeast United States, and the Islander East pipeline project can help meet that need. FERC thoroughly evaluated the limited environmental impacts inherent in the Islander East pipeline project, found these environmental impacts are acceptable, and concluded the project is in the public interest. We have no reason to believe that FERC's determination is incorrect. The Department of Energy supports FERC's comments on this matter, submitted on March 11, 2003, and urges the Secretary of Commerce to override Connecticut's consistency objection. The enclosed comments provide further support for the Islander East pipeline project.



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Thank you for the opportunity to comment on Islander East's appeal. If you have any questions regarding these comments, please contact Mr. James Slutz, Deputy Assistant Secretary for Natural Gas and Petroleum Technology, at (202)586-5600, or [james.slutz@hq.doe.gov](mailto:james.slutz@hq.doe.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Carl Michael Smith". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Carl Michael Smith  
Assistant Secretary  
Office of Fossil Energy

Encl

**COMMENTS**  
**OF THE U.S. DEPARTMENT OF ENERGY**  
**ON THE FEDERAL CONSISTENCY APPEAL BY ISLANDER EAST PIPELINE**  
**COMPANY FROM AN OBJECTION BY THE STATE OF CONNECTICUT**  
**DEPARTMENT OF ENVIRONMENTAL PROTECTION**

In a letter dated January 31, 2003, the Department of Commerce requested comments from the Department of Energy on an appeal by the Islander East Pipeline Company (Islander East) from the State of Connecticut's objection to Islander East's consistency certification for a proposed natural gas pipeline. On December 21, 2001, September 19, 2002, and January 17, 2003, the Federal Energy Regulatory Commission (FERC) issued Orders approving construction and operation of the Islander East pipeline project. The pipeline would extend from near North Haven, Connecticut, across Long Island Sound to a terminus in Suffolk County, New York. According to FERC, the Islander East pipeline is needed to help meet increasing demand for natural gas on Long Island, New York, and in New York City. Much of the natural gas supplied by Islander East would be used for electricity generation.<sup>1</sup>

**The Islander East Pipeline Project is in the National Interest**

The Department of Energy supports Islander East's appeal, and urges the Secretary of Commerce to override the State of Connecticut's consistency objection based on the first substantive ground set forth in the Coastal Zone Management Act (CZMA, 16 U.S.C. 1451, *et seq.*), and implementing regulations (Subpart II, 15 C.F.R. Part 930), that a proposed activity is "consistent with the objectives and purposes of the Act." The Department of Energy believes the Islander East pipeline project is "consistent with the objectives and purposes of the Act" because it furthers the national interest of "attaining a greater degree of self-sufficiency" (16 U.S.C. §1451(j)), and "the effective management, beneficial use, protection and development of the coastal zone" (16 U.S.C. §1451(a)).

**The Islander East Pipeline is Necessary for U.S. Natural Gas Supply Security and Electricity Generation**

The National Energy Policy report (issued May 2001) sets out a comprehensive national strategy for increasing energy supplies while protecting the environment. The report emphasizes the importance of adequate infrastructure to deliver energy to industry and consumers in a reliable and safe manner. The U.S. energy infrastructure has not kept pace with changing requirements of our overall energy system. Specifically, natural gas pipelines have not expanded sufficiently

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<sup>1</sup>As stated in the FERC September 19, 2002 Order, Islander East intends to provide transportation service to the KeySpan Gas East Corporation, d/b/a KeySpan Energy Delivery Long Island and The Brooklyn Union Gas Company, d/b/a KeySpan Energy Delivery New York (jointly KeySpan Delivery Companies). Islander East also intends to provide transportation service to two power producers: 1) AES Endeavor, a division of AES Corporation, and 2) Brookhaven Energy Limited Partnership, an affiliate of American National Power.

to meet demand, and current domestic natural gas transmission capacity of approximately 23 Tcf will not meet the projected 50 percent increase in U.S. consumption by 2020. The Islander East pipeline project would contribute to significantly needed energy infrastructure and supplies to New York and Long Island.

In its September 19, 2002 Order, FERC emphasizes that the Natural Gas Act requires it to make decisions about the interests of energy consumers on a national basis. FERC states that the Islander East Pipeline project will "increase the flexibility and reliability of the interstate pipeline grid by offering greater access to gas supply sources with increased availability of gas for anticipated electric generation projects." The Order also states that when completed, the Islander East project "will introduce pipeline-to-pipeline competition to Long Island markets." Currently, the Iroquois pipeline provides the only direct natural gas access to Long Island. The Department of Energy supports FERC's contention that the Islander East project will contribute to Long Island's energy supply and security, and will provide needed competition.

Because of lower capital costs, higher efficiencies, and lower emissions, natural gas has an advantage over coal and other fossil fuels for electricity generation in many areas of the United States, including the Northeast. According to the Energy Information Administration, national demand for natural gas by electricity generators is expected to account for 33 percent of total end-use natural gas consumption in 2025.<sup>2</sup> Most new U.S. electricity generation capacity is expected to be fueled by natural gas, and the natural gas share of electricity generation is projected to increase from 17 percent in 2001 to 29 percent in 2025. The Department of Energy supports increasing domestic natural gas supplies to be used in electricity generating systems, because natural gas is clean-burning, and new gas-fired generating technologies make economic sense. The proposed Islander East project is important because a significant portion of the natural gas to be transported through the pipeline would be used for electricity generation.

#### Energy Project Siting and the Coastal Zone Management Act

Over the past two decades, the Coastal Zone Management Act has affected permitting of many energy facilities, including ports and terminals for oil, natural gas, and coal imports and exports, and power plants. For the most part, state and Federal agencies have cooperated to permit these energy activities, while coping with competing coastal use interests and providing effective environmental protection. However, the Department of Energy is concerned that, in some cases, Federal and state agency partnerships created by CZMA have become strained, causing delays, or cancellation of major energy projects, which have resulted in negative financial impacts and lost domestic energy resources.

The Department of Energy believes that the CZMA regulations should not be used to delay or block vital energy projects, such as the Islander East pipeline project, and that the Secretary of Commerce should consider the State of Connecticut's objection in an expeditious manner, so that

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<sup>2</sup> *Annual Energy Outlook 2003*, January 2003, DOE/EIA-0383(2003).

the project may move forward as FERC has authorized. FERC has evaluated the limited environmental impacts inherent in the Islander East pipeline project, and concluded the project is in the public interest. We have no reason to doubt the correctness of FERC's conclusion that if the Islander East project is constructed and operated as proposed, with the recommended mitigation measures specified in the final Environmental Impact Statement, the project would be an environmentally acceptable action.