



Air Pollution Control Board

Greg Cox	District 1
Dianne Jacob	District 2
Pam Slater-Price	District 3
Ron Roberts	District 4
Bill Horn	District 5

March 5, 2008

COMPLIANCE ADVISORY

ENFORCEMENT ACTION REGARDING THE USE OF NATURAL GAS FUEL DERIVED FROM LIQUIFIED NATURAL GAS (LNG)

California-based Sempra Energy plans to receive the first shipment of liquefied natural gas (LNG) at its Energia Costa Azul Terminal (ECA) in Baja California, Mexico, in the second quarter of this year. Subsequent to receiving this shipment, Sempra will be conducting commissioning operations at the new LNG facility. During this commissioning period, a significant amount of LNG will be vaporized and injected into the Baja California natural gas transmission system (pipeline) over a three to four day period. Because the Baja California transmission system is connected to San Diego Gas & Electric's (SDG&E) natural gas transmission system, it is likely that a large portion of San Diego County will receive natural gas derived from LNG during this period.

Although this LNG-derived natural gas from ECA will have to comply with all California Public Utility Commission and federal standards as it enters San Diego County, it is likely that the LNG-derived natural gas coming from ECA will have a higher heating value than the natural gas historically supplied to San Diego County. This may affect compliance with emission standards and/or permit conditions for facilities with combustion equipment fueled with natural gas. You can obtain further information about specific equipment test results and other studies regarding the use of LNG-derived fuel at the SDG&E website at <http://sdge.com/lng/index.shtml>.

Because of the exceptional nature of this event, and also because it is not clear what steps are necessary and feasible for facilities to take in the short term to ensure compliance, **the San Diego Air Pollution Control District (District) will not take enforcement action relating to any emission standard or permit condition violations associated with the use of the LNG-derived fuel during the limited three to four day period during the ECA terminal commissioning when significant amounts of LNG-derived fuel enter the San Diego gas transmission system.** Furthermore, the District has a strong need for emissions data that will be collected during, and immediately before and immediately after, this upcoming three to four day period, to determine likely emissions impacts in the long run. Therefore, **the District will also not take enforcement action relating to any emission standard or permit condition violations during any source test that is arranged with the District—or with a third party with District concurrence—for the specific purpose of evaluating impacts of the use of**

LNG-derived fuel associated with the ECA terminal commissioning period. This includes source tests conducted when non-LNG-derived fuel is combusted to establish baseline emissions or combusted inadvertently when LNG-derived fuel was expected to be combusted. However, for source tests not conducted specifically to assess the impact of LNG-derived fuel, violations would be subject to normal District enforcement practices unless the violation was associated with the use of LNG-derived fuel during the limited three to four day period of ECA terminal commissioning as specified above.

Please be advised that the District's enforcement decisions do not extend to EPA, which exercises separate authority to enforce federal emission standards and requirements. In this regard, for facilities with federal Title V Operating Permits, any deviations from permit conditions will still have to be reported as specified in the facility's Title V permit. If a deviation occurs during the ECA terminal commissioning period and is associated with the combustion of LNG-derived fuel, it is advised that it be reported with an accompanying note explaining the circumstances with respect to LNG-derived fuel.

As the commissioning period approaches, facilities should be alert for more information provided by Sempra or its affiliate, SDG&E, as to the exact date and time that LNG-derived natural gas will arrive in San Diego. In addition, it is anticipated that the flow of LNG-derived natural gas into San Diego County from the ECA terminal will become a common occurrence at some point in the future. However, based on information provided by Sempra and its affiliates, including SDG&E, significant amounts of LNG-derived fuel should not enter San Diego after the initial commissioning of the ECA terminal until early in 2009. Nevertheless, facilities should be alert for more information provided by Sempra or SDG&E on future flows of LNG-derived fuel into San Diego County since the amount of LNG-derived fuel from the ECA facility depends on natural gas market conditions, which can change rapidly.

If you have any questions regarding this advisory or need more information regarding the LNG from ECA, please contact Mo Derbas, SDG&E Senior Market Advisor, at (858) 636-3916, or the District's representative, Gary Hartnett at (858) 586-2671. If you have questions about the District's source testing program, please contact Suzanne Blackburn at (858) 586-2775.

The San Diego APCD webpage will have a section with LNG updates. The webpage address is <http://www.sdapcd.org>.