

**Comments of North Baja Pipeline on Strawman Proposal  
and Workshop Discussions  
September 25, 2003**

North Baja Pipeline, LP (North Baja) appreciates the opportunity to comment on the “Staff Strawman Proposal for Notice of Inquiry on Natural Gas Infrastructure,” and the discussions at the workshop on September 10, 2003 workshop. Previously, North Baja filed “Comments and Responses of North Baja Pipeline” on May 30, 2003, and was an active participant at the workshop.

Comments on the Strawman Proposal

Several interrelated themes are evident from the Strawman Proposal including:

- Diversity in Arizona’s natural gas infrastructure, including interstate pipelines, is beneficial.
- Utilities should pursue a diverse gas supply portfolio.
- The monopoly on interstate pipeline service in central and southern Arizona is not beneficial to the State.
- Utilities need to plan for infrastructure needs on a long term basis.

North Baja agrees with all of these elements of the Strawman Proposal. Ideally, a new interstate pipeline that would end the monopoly on interstate pipeline service in central and southern Arizona, would also access a brand new supply source. In fact, construction of at least one liquefied natural gas (LNG) terminal in northern Baja California, and an extension of the North Baja system towards the Phoenix area, would best meet many of the goals expressed in the Strawman Proposal.

The most important distinction is the direct access to a new supply source that North Baja would provide. This access would significantly diversify the gas supply portfolios for utilities, maximize gas-on-gas competition, and likely result in lower gas costs, as well as improve service reliability.

North Baja recognizes that other new pipeline infrastructure opportunities exist. Projects have been proposed to build new pipelines that would transport gas supplies from the Rocky Mountain, San Juan and/or Permian basins to Arizona. Clearly, the construction of a new pipeline from the east would improve the reliability of natural gas transportation service for Arizona consumers. However, Arizona utilities and consumers already have access to these supply basins through service from El Paso Natural Gas Company. Therefore, a utility’s ability to pursue a more diverse supply portfolio, and for consumers to receive the benefits of enhanced gas-on-gas competition, would be less than from a new pipeline from a brand new supply source. Commitments to a new pipeline from the east by Arizona’s utilities may be nothing more than an expensive insurance policy. Further, extension of the North Baja system towards Phoenix would be a significantly shorter distance than a new pipeline from the east. Therefore, the cost and environmental

impacts of a North Baja extension would be a lot less than a new, longer pipeline from the east.

### North Baja Open Season

On September 15, 2003, North Baja and its partner, Gasoducto Bajanorte (GB, a subsidiary of Sempra Energy International) concluded an open season for a potential expansion of their systems. (In an open season, shippers are invited to submit bids for new capacity on pipelines.) North Baja and GB received indicative bids from seven LNG regasification terminal developers or suppliers totaling over 5.5 Bcf per day. North Baja and GB also received a number of indications of interest along what would be a new pipeline route from the existing North Baja/GB system in either Mexico or the United States, through Yuma to Phoenix. These results demonstrate that the market is interested in transporting LNG supplies to markets in Arizona. In response to the interest in this potential pipeline, North Baja and GB are announcing a new open season that will run until November 10, 2003, for the purpose of soliciting additional indications of interest from potential shippers located along that specific corridor. Potential shippers include utilities, generators and LNG developers.

During the coming months, North Baja and GB will work with shippers to determine the design and size of the expansions, including any extensions of North Baja into Arizona. The targeted in-service date for service to the Phoenix area is April 2007, which is timed to coincide with the earliest projected completion of an LNG terminal.

### Status of Proposed LNG Terminals

North Baja's May 31 comments included a table listing LNG terminal developers. Attached to these comments is an updated list of LNG terminal developers, including information about project features and permitting status. Clearly, some of the developers have made significant progress in obtaining required permits, and are on-schedule for an in-service date in 2007.

Thank you for the opportunity to submit these comments on the Staff Strawman Proposal. North Baja looks forward to working closely with the ACC and Staff as any extensions of North Baja and GB move forward in the coming months.

Respectfully submitted,  
Eric Eisenman  
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## Proposed LNG Projects in Baja California, Mexico

Project (Name/Location)	Owners	Capacity	Completion Date	Project Features	Permitting Status	Source of LNG
<b>Chevron Texaco de Mexico</b> Rosarita	-Chevron- Texaco	700 MMcf/D	2007-08	-Import Terminal -Pipeline	-CRE Application Filed 10/7/02 Accepted 2/21/03	Australia, Other
<b>Energia Costa Azul</b> 14 Miles north of Ensenada	-Sempra Energy LNG -Pacific LNG	1 Bcf/D	2007	-Import Terminal  -Pipeline	-CRE Application Filed 9/6/02 Accepted 11/12/02 Approved 8/18/03 -Local Land Use Permit Approved 8/18/03 -SEMARNAT Approved 4/16/03	Bolivia, Other
<b>Gas Natural Baja California</b> La Jova, south of Tijuana	-Marathon Golar LNG -Grupo GGS	-750 MMcf/d Avg -Up to 1 Bcf/D Peak	2007	-Import Terminal -1200 MW Power Plant -20 MGD Desalination Plant -Waste Water Plant -Pipeline	-CRE Application Filed 8/5/02 Accepted 9/26/02 Approved 5/06/03	Alaska, Indonesia, Other
<b>Playas de Rosarita</b> Rosarito	-Conoco-Phillips	680 MMcf/D	2007	-Import Terminal	-CRE Application First Application not Accepted	Australia, Sakhalin
<b>Shell Baja California</b> Ensenada	-Shell	1.3 Bcf/D	2007	-Import Terminal -Pipeline	-CRE Application Filed 11/12/02 Accepted 1/17/03 Approved 8/18/03 -SEMARNAT Approved 4/8/03	Brunei, Malaysia, Australia, Sakhalin

-The Energy Regulatory Commission (CRE) has regulatory authority for public and private activities in the electricity and natural gas industries. Approval of CRE Application is required for any new LNG terminal to be built.  
 -The Secretariat of The Environment, Natural Resources and Fishing (SEMARNAT) has sole jurisdiction over those acts that affect two or more states. The agency is responsible for examining environmental impacts of new projects.

SOURCE: North Baja Pipeline  
 Sept 24th, 2003