



Crystal Energy, LLC

June 15, 2005

Chairman Joseph Desmond
Commissioner James Boyd
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

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Dear Commissioners Desmond and Boyd:

Crystal Energy, would like to thank you for the opportunity to speak about our project at the recent workshops on "LNG Access Issues and Deliverability of Supply." Crystal feels that the workshops were a tremendous success, offering both insight and the opportunity to discuss important energy policy matters.

As I emphasized during my presentation on June 2, 2005, Crystal's Clearwater Port project is unique, both in project design and in our approach to ensuring open, nondiscriminatory access to the LNG supplies California needs. This combination results in the most reliable, low cost supply of natural gas to the California consumer.

Fast Track Deployment and Low Capital Costs. As to our unique design, Clearwater Port makes use of existing infrastructure, locating the project on Platform Grace approximately 12 miles off the Ventura County coast. Using the existing platform allows Crystal to expedite construction of the Deepwater Port. Once permits are issued, Clearwater Port can be on line in 18-20 months, bringing the LNG terminal into service faster than any other proposed project.

Maximizing reuse of existing infrastructure, such as the existing pipeline corridors and other infrastructure, not only minimizes and in some cases completely avoids potential environmental impacts, it also results in significantly lower capital costs, \$250MM versus costs in excess of \$600MM for other offshore alternatives.

Independent Terminal Service Provider. As to open, nondiscriminatory market access policies, Crystal's interests are completely aligned with the interests of the State of California and its residents. Specifically, Crystal's proposed "tolling" arrangement that I described during the workshop gives Crystal the incentive to maximize -- not withhold -- capacity. The

more LNG that flows through Clearwater Port, the more Crystal benefits economically. More importantly, the people of the State of California benefit economically and environmentally from the introduction of a low-cost, clean, safe, and reliable supply of natural gas. We should be pleased that the economic incentives of the private sector squarely match the public interest in this case.

Crystal firmly believes that offshore LNG terminals are the best solution for California and that Clearwater Port, with its lower capital costs, fast track deployment, and an independent, nondiscriminatory tolling service arrangement, is also the best solution for California.

My workshop PowerPoint presentation is available online for your review and comment.¹ If you have any questions, please do not hesitate to contact me at 713.599.4912.

As always, thank you for your vision and leadership on this important matter. We look forward to working with the Commission to bring a new source of natural gas to California.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Paul Soanes". The signature is fluid and cursive, with the first name "Paul" and last name "Soanes" clearly distinguishable.

Paul Soanes
President

¹ http://www.energy.ca.gov/lng_docket/documents/2005-06-01_workshop/presentations_2005-06-02/