



April 11, 2006

Ms. Renee Orr
5-Year Program Manager
Minerals Management Service
Room 3120
381 Elden Street
Herndon, Virginia 20170

Subject: Comments on Draft Proposed 5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program for 2007-2012 and Notice of Intent to prepare an Environmental Impact Statement (EIS) for the proposed 5-Year program.

Dear Ms. Orr:

The Edison Electric Institute appreciates the opportunity to submit comments to the Minerals Management Service (MMS) on the draft Proposed 5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program and Notice of Intent to prepare an Environmental Impact Statement (EIS) for the proposed 5-Year program.

EEI is the association of United States shareholder-owned electric companies, international affiliates, and industry associates worldwide. EEI's U.S. members serve 97 percent of the ultimate customers in the shareholder-owned segment of the industry, and 71 percent of all electric utility ultimate customers in the nation. They generate almost 60 percent of the electricity produced by U.S. electric generators. EEI's members have long used resources produced on federal lands: coal, oil, natural gas, geothermal and wind. We have participated previously in Minerals Management Service revisions to leasing programs and development of both leasing plans and royalty calculation methodologies. In the current energy economy, we believe the nation needs to use all possible resources that can be accessed in an environmentally responsible manner to minimize high costs to the economy

We submit these comments with but one goal in view: to be certain that the agency understands the crucial role natural gas now plays in our Nation's electric infrastructure and that this role will continue to increase in the future. Over the last decade, the electric generation sector of the economy has added approximately 200,000 MW of gas-fired generating capacity in both simple cycle and combined cycle configurations. The configuration of the units are important, as that indicates whether an individual unit would be used for peaking, intermediate, or baseload purposes. Gas units used for intermediate or baseload purposes will have the longest duty cycles, thereby consuming more natural gas. Many of these 200,000 mw, under the terms of their regulatory permits, can only use natural gas as their fuel. This places a significant portion of electric reliability at risk to the reliability and deliverability of natural gas, especially in regions of the nation such as New England and Florida where natural gas is about 50% of electric supply. Even

though some units are physically capable of burning distillate oil (FO2), many of these new units lack the environmental and local regulatory permits, and even the necessary tankage in which to store oil, to make them dual-fuel capable.

As one of our principles, EEI supports efforts to ensure that the United States has adequate energy supplies. The oil and gas resources located on the OCS can play a major role in providing Americans with affordable, reliable sources of energy. Therefore, EEI supports an expanded oil and gas leasing program on the OCS and urges the MMS to develop lease sales for all 26 OCS planning areas, which is essential for environmentally responsible development of needed natural gas and oil resources, in the event that the Congress and the President would act to remove the current restrictions on OCS development.

OCS resources can be developed relatively quickly and have a positive impact on the natural gas market. Much of the infrastructure is relatively nearby to where the first new natural gas would come onshore, resulting in benefits to consumers more rapidly. This is especially true for natural gas resources produced in the Gulf of Mexico in the area of Lease Sale 181 and we advocate as wide an area as possible be available for production in Lease Sale 181.

Some other issues are worth considering by MMS as it proceeds with the 5-year plan:

- Natural Gas covers the electric load if there are problems with other fuels, i.e. mining or rail transport. Utilities have implemented “coal conservation” programs since the fall of 2005 to compensate for the railroads under-delivery of coal from Wyoming to various generating stations across the country. A coal conservation program is one where the coal unit provides power to the grid during peak times and then reduces its output during off-peak times and relies on other fuels such as natural gas to cover the load.
- Non-OCS resources which could augment North American natural gas supplies, are developing slowly. These include both a pipeline to bring Alaskan natural gas south to the lower-48 as well as projects resulting in the importation for more LNG into the U.S. Neither of these is even a medium-term answer to the highly volatile record price setting natural gas market.
- Because most new gas generation relies solely on natural gas, this makes the development of OCS resources even more imperative. These units have no alternative which they can legally and physically use in most cases to maintain operations when natural gas is either not available or very expensive.



We firmly believe the nation needs as wide a variety of natural gas supplies as possible so as to create as much intra-fuel competition as possible, which would help ensure adequate supply for all natural gas users at reasonable prices. This needs to be basin-to-basin competition from both the OCS and onshore, competition with off-shore supplies of liquefied natural gas, Alaskan and Rocky Mountain Natural Gas to the maximum extent of their potential. We do not believe the nation can afford to be dependent on a small sliver of the OCS for the future balance of natural gas suppliers. The only caveat we place on development of the OCS is that it be done in an environmentally responsible manner.

Of course, we seek technological diversity in our generation portfolios, through the addition of coal, nuclear, hydroelectric, geothermal, wind and other renewable facilities. Fuel diversity serves to enhance reliability and impact on-grid competition for the utilization of resources.

Sincerely,

David K. Owens