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SENATE
STATE OF LOUISIANA

February 20, 2013

Mr. Karl Morgan
Administrator of Permits Division
Department of Natural Resources
617 North Third Street
Baton Rouge, LA 70802

Dear Mr. Morgan:

I want to thank the Department of Natural Resources, Office of Coastal Management, for conducting this public hearing on the application for a Coastal Use Permit to conduct dredging operations at Lake Peigneur in association with the construction of a gas storage cavern .

I have previously testified at other hearings conducted by the Department of Natural Resources, Office of Conservation, on the application for a permit to construct gas storage caverns at Lake Peigneur. My previous testimony indicates that I am opposed to the construction of the additional gas storage caverns at the proposed site. It is my understanding that the Office of Conservation's review of the permit application to allow for the actual construction of gas storage caverns is on hold until the Office of Coastal Management makes a decision on the pending application for a coastal use permit. For that reason my comments tonight will be focused on the permit application for the Coastal Use Permit.

Act 588 of the 2012 Regular Session of the Louisiana Legislature , amended the geographic area of Louisiana Coastal Zone, originally developed in the early 70's, by deleting areas that were previously in the coastal zone and adding areas that were previously outside of the coastal zone. This Act, was proceeded by a multi-year study requested by the Coastal Protection and Restoration Authority, wherein that study recommended, among other things, that Lake Peigneur be included in the revised Louisiana Coastal Zone , because of its important coastal resources. This study was both expensive and comprehensive. This study reviewed a variety of factors and concluded that the area of Lake Peigneur , for the first time in Louisiana's history, should be included within the Louisiana Coastal Zone. This study concluded that the coastal resources of Lake Peigneur had indeed reached a value to Louisiana, and the nation, worthy of regulation of the Coastal Zone Management Program. This study validated what we knew for decades—that Lake Peigneur had significant coastal value.

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Many of us witnessed the destruction of some of these valuable coastal resources in 1980 when Texaco drilled through a salt mine causing a major disaster at Lake Peigneur. While Lake Peigneur was not part of the coastal zone in 1980 we are thankful that it is now.

As I appreciate it, the concept of Coastal Zone Management, became important in America, as our nation begin to realize the importance of protecting and conserving our valuable coastal resources. Here in Louisiana, our coastal resources, are among the most valued in the nation, yet the fastest disappearing on the planet.

The permit application that is the subject of tonight's public hearing request the permission to impact coastal resources by allowing the dredging of Lake Peigneur to provide access for equipment necessary to construct gas storage caverns. It is my understanding the regulations of the Coastal Zone Management Program require, among other things, for the State of Louisiana, to determine the need for the requested project, that is construction of gas storage caverns, when compared to the impact of the coastal resources.

My concern is, according to the Energy Information Administration, we are at very high levels of natural gas that is in storage in America, when compared to historical levels. In fact, we are at 16% higher than the 5 year average. That was not the case when the application to permit the construction of these caverns was originally made. In fact, we had a shortage of natural gas at that time and many states were considering applications to import foreign natural gas. Something changed. What happened? Well thanks to the research and technology of the oil and gas industry, the combination of horizontal drilling and hydrofracking allowed for the natural gas production of the Shale Plays. We went from a shortage of natural gas to having an oversupply of gas. So much that many of the facilities that were once permitted to import natural gas are now applying for permission to export natural gas. That's correct. Some companies are proposing to spend billions of dollars to export natural gas when just a few years ago they spend billions to construct facilities to import natural gas. This is a great thing for Louisiana and I applaud the oil and gas industry for this success.

Many experts say the production of the Shale Plays is a game changer for our state and our country. I am requesting the Office of Coastal Management pay attention to this game changer. As you consider a balance of economics and coastal impacts it is important to note that the economics of gas storage has changed drastically in only a few short years. Gas storage has many advantages, one of which is reducing the price volatility. A smart gas consumer buys when the price is low, places gas into storage, and withdraws from those stocks in times of high prices. Due to the prolific production from Shale Plays across the country, experts forecast the price of natural gas to be low for a long time making gas storage less valuable. Again, we now have so much natural gas being produced in America we have stuffed nearly every storage cavern to capacity. While I respect the right of investors to build projects of their choice, when they chose to build these projects in an area that will impact the valuable coastal resources of the state, that becomes a public policy decision for the State of Louisiana. I submit to you that the impact to the coastal resources of Louisiana is greater than the economic justification for these projects at this time and the forecasted future due to the "game changer" of Shale Gas. Especially

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when the stored natural gas will be used to service AGL's out of state customers as outlined in their Office of Conservation application.

November 20, 1980, was an environmental disaster. This Lake this region these resources have sacrificed enough. To damage this coastal treasure when we have more gas storage than we know what to do with it is the side of the argument that you as regulators must weigh in your evaluation process. I urge you to protect this natural treasure and deny the application for a Coastal Use Permit to conduct dredging operations at Lake Peigneur in association with the construction of a gas storage cavern. Protect the Lake she has suffered enough.

Sincerely,



Fred H. Mills
State Senator -- District 22

cc: Mr. Steve Chustz, Secretary of DNR