

natural gas developments serving California.

Producers in far-flung reaches of the world chill natural gas until it is condensed to a sludge, ship it across the ocean in tankers and then heat it back to a gaseous state at conversion terminals for sale in the United States. There are five such facilities around the nation and dozens around the world, but none in California.

The industry says the gas is safe, clean and in high demand to meet California's energy needs and fuel the state's economic growth. Natural gas is used to fuel everything from stoves and buses to power plants that produce much of the state's electricity.

Even before Schwarzenegger became governor, the California Energy Commission concluded the West Coast needed one or two terminals. California imports 85 percent of the natural gas it uses from other states, and while consumption growth is not dramatic, officials say augmenting the supply would lower costs. California prices have doubled in less than three years, according to industry data.

A bill pending in the state Legislature would require the Energy Commission to conduct a more detailed study to determine how many -- if any -- terminals are needed to meet California's demand and to compare and rank proposed sites. Four such facilities in California have been proposed and are at various stages of regulatory review.

Opponents say allowing liquefied natural gas terminals in California will increase dependence on foreign fossil fuels while detracting from efforts to develop domestic renewable energy supplies. Some raise safety concerns about the potentially volatile process of heating liquefied gas back to its natural state.

Beyond the policy debate over liquefied natural gas, opponents also criticize the close ties between Schwarzenegger and some working on behalf of the industry.

"From my perspective, what the governor should say is, 'You either can work as my adviser on public policy issues in the best interests of the people of California, who I was elected to represent, or you can be a pitchman,' " said Susan Jordan, a coastal activist who has criticized the approval process. "You can't be both."

Big payment draws attention

Manatt, Phelps & Phillips was not BHP's first choice for lobbying representation in the statehouse.

The company first hired one of the most powerful lobbying firms in the capital last year. But after just six months, BHP and the firm, Kahl/Pownall Advocates, severed their relationship, state lobbyist registration records show. Both firms declined to discuss the reasons behind the split.

BHP then hired Manatt, Phelps & Phillips, a law firm headquartered in Los Angeles. The firm has strong ties to the Democratic Party -- its founder, Charles Manatt, is a former chairman of the Democratic National Committee -- and launched its Sacramento office in 1999 after Gray Davis was elected governor. While respected in legal circles, it struggled to build a significant lobbying business in Sacramento against longer-standing competitors.

BHP paid Manatt almost \$980,000 in the first quarter of 2005, the single largest payment to a

lobbying firm for the period. BHP and Manatt officials say the payment actually covered nine months of work, and paid for other services in addition to lobbying (the firm is also handling legal work for the project).

Kieffer, the Manatt partner who oversees the firm's government and regulatory affairs practice, was appointed by Schwarzenegger to serve on his transition team after the recall, and to serve on an advisory group examining an overhaul of California's environmental laws. A former Manatt lobbyist, Richard Costigan, is now the governor's secretary of legislative affairs -- and one of Schwarzenegger's closest advisers.

When Schwarzenegger was touring facilities of the state's power grid manager in Alhambra (Los Angeles County) in June to promote energy efficiency, he said he thought the best place to locate a liquefied natural gas terminal in California would be offshore, because he thought it would ensure public safety.

"I think that the one, for instance (off) Oxnard, where you build it out approximately 11, 12 miles off the shore, could probably be the most safe one for California," he was quoted as saying. "It's just my personal preference is Oxnard."

BHP is promoting its Cabrillo Port project as being 20 miles off the coast of Oxnard, though it is actually 14 miles off the coast of Malibu.

"There's no question he was specifically talking about BHP," said Tim Riley, a Malibu resident who opposes the project and has launched a film and a Web site, lngdancer.com, against it.

Joe Desmond, Schwarzenegger's energy secretary, denied the governor was expressing support for the BHP project.

"It is a mischaracterization that those comments were intended as an endorsement of that specific project," he said. "It's pretty clear the governor was only referring to the issue of safety as playing a critical role. "

The meeting

In July 2004, top Schwarzenegger aides including Desmond, Terry Tamminen, then-secretary of the state's Environmental Protection Agency, and Mike Chrisman, the resources secretary, toured liquefied natural gas facilities in Australia and Asia. The trip was paid for by a trade group funded by oil companies, including some that have pursued projects in California, such as BHP, Chevron and Shell.

The trip included a night at the Four Seasons in Sydney, meetings with government officials and energy executives, and a yacht tour of Sydney Harbor. In a public filing, Chrisman estimated the value to each individual of the trip to be \$7,592.

The next month, Schwarzenegger's top campaign consultant, Mike Murphy, representing his firm, Navigators, went before energy companies and industry trade groups to propose a public relations campaign to build support for liquefied natural gas.

The PowerPoint presentation contained Schwarzenegger's picture on every one of its 28 frames. The firm won the business and now leads the group called Californians for Clean, Affordable and Safe Energy.

A Navigators executive, Todd Harris, said at the time that the inclusion of Schwarzenegger's image in the pitch book was not intended to advertise the firm's access to the governor, and that the firm "won't have any contact with the governor where there might be a perceived conflict of interest."

Nonetheless, interviews and an e-mail show that Joe Rodota, a political consultant retained by Navigators on the liquefied natural gas account, met Tamminen to discuss the issue. Rodota was also a consultant to Schwarzenegger during the recall campaign.

"Recently, one of our team members, Joe Rodota, met with Terry Tamminen who recommended we sit down with you to help understand the environmental community's views on the issue of (liquefied natural gas) and see if there might be opportunities to find supporters for the concept either among groups or leaders in the field," said the e-mail, which was sent by a Navigators subcontractor March 10 to an administrator at a California university.

Navigators' Harris declined to elaborate on his earlier comments.

Tamminen -- who now serves as Schwarzenegger's cabinet secretary, one of the most senior positions in the administration -- did not return telephone calls seeking comment. An administration spokeswoman, Katherine McLane, said: "Terry Tamminen meets with many constituents and representatives of various groups," but declined further comment.

Navigators' Rodota referred questions to Beth Miller, a spokeswoman for Californians for Clean, Affordable and Safe Energy.

Miller's firm, Wilson Miller Communications, was co-founded by Marty Wilson, Schwarzenegger's chief fundraiser. It, too, is working for Navigators on the natural gas account.

Miller confirmed that Rodota's meeting with Tamminen took place, and said the purpose was part of an assignment to research attitudes about liquefied natural gas. She denied the purpose was either to lobby the administration or to find out specific parameters of the kinds of projects the administration might approve.

"Joe was hired to do research on the issue -- people's attitudes about LNG, just the whole 360-degree look at the issue," Miller said.

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