



**Pacific Connector Gas Pipeline**  
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## Project Update

First Quarter 2009



### Update on Regulatory/Permitting Process

The Federal Energy Regulatory Commission (FERC) is the agency responsible for reviewing proposed pipeline and LNG terminal projects and granting certificates to build these projects. Since the last Pacific Connector Gas Pipeline project newsletter in September 2008, the project has made

progress in meeting agency requirements and keeping stakeholders and other interested parties informed of the project's progress.

- On December 4, 2008, the official public comment period on FERC's Draft Environmental Impact Statement (DEIS) on the project ended. Public comments have been submitted to the FERC for review

The newsletter is intended to provide information about the proposed Jordan Cove Energy LNG terminal and the Pacific Connector Gas Pipeline project to affected landowners and other stakeholders.

### Contact information

Please contact us with any questions or comments on the project.

#### Jordan Cove Energy Project

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#### Pacific Connector Gas Pipeline Land Office

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#### For more general questions:

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and forwarded to the Pacific Connector and Jordan Cove projects for review and response. The DEIS is intended to inform the public and government agencies about the potential environmental impacts of the proposed LNG terminal and pipeline projects and is required under the National Environmental Policy Act (NEPA). The DEIS is available online at [www.ferc.gov](http://www.ferc.gov).

- The DEIS will be subject to further review before the FERC issues a Final Environmental Impact Statement (FEIS) anticipated sometime this spring. In the meantime, the project team will continue to meet with the FERC and other cooperating agencies at both the federal and state levels to help resolve concerns before the FEIS is issued.
- After the FEIS is issued, the FERC will determine whether to grant certificates for both the Pacific Connector Gas Pipeline and Jordan Cove LNG Terminal. Based on current timelines, we anticipate the FERC will make its decision on our certificate order in the summer of 2009.

The FERC docket numbers for the JCEP/PCGP projects are **CP07-444-000** and **CP07-441-000**, respectively. For more information, visit the FERC Web site at [www.ferc.gov](http://www.ferc.gov) and use the docket number when contacting the FERC about this project. You may contact the FERC at 1-866-208-3372.

### The FERC certificate

When the FERC issues a certificate for a project essentially it means the FERC has given approval for a project to move forward to the next steps in the permitting and planning process. These next steps include finalizing the project design, filing plans, surveys and all information required by the FERC

and other agencies prior to construction and obtaining necessary permits from other local, Oregon and federal governmental bodies. The FERC certificate also allows the project to complete right of way acquisition and compensate landowners. Constructing the pipeline, restoring the right of way and obtaining approval to place a project in service can begin once this lengthy permitting process is complete.

### Need for the project

Oregon imports about 80 percent of its natural gas supply from Canada. As energy demands in Canada increase, it is likely that Oregon will not continue to enjoy access to Canadian supply at current levels, let alone to meet its growing demand as a result of a move toward renewable sources of energy and turning away from reliance on fossil fuels. In addition, Oregon will be faced with new competition for natural gas supply from the Rocky Mountains as new pipelines provide access to Rocky Mountain natural gas from as far east as Ohio. The ongoing demand for energy in the U.S. has spurred interest in developing a number of LNG and related pipeline projects, including several proposed projects in Oregon.



We believe the proposed JCEP/PCGP project offers distinct advantages over other projects for the following reasons:

- The Pacific Connector Pipeline will provide the greatest market access for LNG gas through interconnects with existing utility companies and interstate pipelines that serve Oregon, Washington, California and other U.S. western markets.
- Access to both the Pacific Northwest and California markets is critical due to their seasonal nature. The project will help meet the Pacific Northwest's peak demand in the winter-heating months and California's peak demand during the summer-power-generation months.
- No other proposed LNG terminal/pipeline project provides southwestern Oregon with both a new source of natural gas and enhancements to the existing natural gas transmission system that will be essential for industry in the region to compete with other regions of the state in attracting manufacturing industries that create a diverse and prosperous economy.

### Benefits of the project

Communities located near the proposed project will receive a number of short and long-term benefits, including:

- Construction of the project will provide jobs for a number of skilled workers in Coos Bay and southern Oregon.
- The project will pay a significant amount in state and local property and other taxes during construction and after the project is completed.
- New infrastructure may assist communities in attracting new busi-

nesses and industries that will enhance economic development in Coos Bay and southern Oregon.

- Additional access to LNG will ensure a secure gas supply and help mitigate volatility in the price of natural gas and allow a more efficient distribution system to the region.
- Natural gas is one of the few energy sources capable of filling the growing need for generating electricity as the use of coal and hydro generation is reduced and the U.S. transitions to renewable energy sources.

### Eminent domain

There has been concern expressed among landowners about a pipeline's right of eminent domain and how it might be used in connection with the Pacific Connector project. Here are a few facts about eminent domain to keep in mind:

Eminent domain is the power to acquire land upon payment of fair compensation to the landowner. Pacific Connector's right to use eminent domain to acquire land rights to construct a pipeline and maintain facilities on a landowner's property is granted under the National Gas Act, which was enacted in the 1930s. Eminent domain authority is given to interstate natural gas pipelines in cases where the FERC has determined that a proposed project satisfies the public convenience and necessity requirement. When this determination is made, then the FERC issues a certificate for the project.

It's important to point out that while the right of eminent domain exists, it's not in Pacific Connector's best interest to use it—this is a method that is used only sparingly and only in the most compelling circumstances. For example, in a recent project in Washington State



with 868 landowners and 1,041 tracts of land, Williams (the Pacific Connector partner responsible for engineering, procurement, construction management and operation of the project) filed a condemnation action on 93 tracts (9%) with 71 landowners (8%); this was quickly reduced to 12 tracts (1%) through further negotiation. Eventually, only one case moved forward to schedule a court date, but even that one was settled through third-party mediation prior to trial. Sometimes a disinterested third party can be extremely helpful in resolving such conflicts.

Williams' successful track record can be attributed directly to our company's Core Values and Beliefs, a firmly entrenched code of business conduct that guides every aspect of our business. Specifically, we recognize our responsibilities to the communities and landowners we affect. We enthusiastically support the communities we serve, through participation and involvement in community activities. We are committed to protecting the public, the environment and our natural resources by operating in a safe, reliable, and respectful manner. Because our pipelines will be in the ground a long time, we are committed to being good neighbors with affected landowners.

If compensation issues on a disputed property are not settled before a trial date, then a court or jury will ultimately decide the appropriate compensation Pacific Connector will pay a landowner. In turn, the landowner, through his or her attorney, will have the opportunity to present valuation arguments to the court.

Pacific Connector land agents will contact landowners to begin negotiations to acquire the necessary land rights across all affected property. Land rights may include an easement (which allows us the right to construct, operate and maintain the pipeline and appurtenant facilities), access rights and/or temporary workspace used only during the construction phase.

Before Pacific Connector land agents contact affected landowners, we will first

### We will continue to meet and listen

We will continue to meet with landowners, government and regulatory officials, and other stakeholders about the proposed project. We are happy to consider pipeline route suggestions and alternatives proposed by landowners. Ultimately, the FERC has the jurisdiction to determine the final route.

prepare an offer to secure the necessary land rights using practices that are standard in the appraisal industry to determine a fair market value for the easement or other land rights. The landowner will be presented with the information we have gathered from the county assessor's office and the regional appraisal. The initial offer may lack certain information regarding characteristics of the property that can be determined only with a landowner contact. The landowner is encouraged to review the information, consult with an appraiser or attorney, if desired, and provide the land agent with any supporting material that should be considered to determine final compensation.

It is Pacific Connector's genuine desire to negotiate these land rights with each landowner along the route in a fair and equitable manner and to reach a cooperative settlement that considers the needs of both parties. Eminent domain is used as a last resort only if a negoti-

ated settlement is impossible. The information above is intended to provide a general overview of the process involved, including how a landowner may participate in the process in case Pacific Connector should need to exercise its rights under the eminent domain/condemnation statutes. This information should not be construed as legal advice. Landowners with specific questions about their legal rights should discuss them with an attorney of their choosing.

**Pipeline safety**

Safety is our top priority. The natural gas industry has an excellent safety record, and underground gas pipelines are specially designed and constructed to carry large volumes of natural gas safely over long distances. Today in the U.S., there are more than 300,000 miles of natural gas transmission pipelines in operation. In general, pipelines are located underground and

transport natural gas with the help of compressor stations located in the pipeline's market area. Williams, the operator of the proposed Pacific Connector pipeline, has been safely and reliably transporting natural gas to the Intermountain and Pacific Northwest region for more than 50 years and meets or exceeds state and federal regulations at every stage of construction, operation and maintenance of its pipeline system.

**Environment**

The Pacific Connector project team continues to meet and collaborate with government agencies in an effort to identify and implement numerous environmental avoidance, minimization and mitigation measures into the overall project design. We are committed to protecting the public, the environment and our natural resources by constructing and operating in a safe, reliable and environmentally responsible manner.

# Project timeline

**FERC\* & NEPA\*\* milestones**

- Final Environmental Impact Study issued by FERC** ..... **Spring 2009**
- Project receives FERC Certificate** ..... **Summer 2009**

*\*Federal Energy Regulatory Commission    \*\*National Environmental Policy Act*

**About the project**

The Pacific Connector Gas Pipeline and the Jordan Cove Energy Project LNG terminal are proposed projects being jointly developed by subsidiaries of Williams, Fort Chicago Energy Partners, LP and PG&E Corporation. Each company holds a one-third interest in the pipeline project. The LNG terminal is being developed by Fort Chicago Energy Partners, L.P. and Energy Projects Development, LLC.

The Pacific Connector Gas Pipeline project is a 230-mile, 36-inch diameter natural gas pipeline that would connect the Jordan Cove LNG terminal near Coos Bay, Ore. to various delivery points in southern Oregon.

The Jordan Cove Energy Project LNG terminal would be capable of receiving LNG supplies from specially-designed marine vessels, storing the natural gas in liquid form at a temperature of minus 260 degrees F and then warming the LNG back to a natural gas

vapor to allow delivery of the natural gas supplies through interconnecting pipelines to the Pacific Northwest and adjacent markets.

The Pacific Connector pipeline would connect to Northwest Pipeline near Myrtle Creek, Ore., Avista Corporation's distribution system near Shady Cove, Ore., Pacific Gas and Electric Company's gas transmission system, Tuscarora Gas Transmission's system and Gas Transmission Northwest's system, all located near Malin, Ore.