

project update

April 2007

Project news

As one of the partners in the Pacific Connector Gas Pipeline Project (Pacific Connector), we at Williams Northwest Pipeline are providing this newsletter to all affected landowners, stakeholders and interested parties who have requested project updates. Pacific Connector Gas Pipeline, LP is a limited partnership between Williams Pacific Connector Gas Pipeline, LLC, PG&E Strategic Capital, Inc. and Fort Chicago LNG II U.S. LP.

The Pacific Connector is a proposed interstate natural gas transmission system designed to transport natural gas from the proposed Jordan Cove LNG import terminal to be located at Coos Bay, Ore., to various delivery points in southern Oregon. The proposed pipeline includes approximately 231 miles of 36-inch diameter pipeline between Coos Bay and Malin, with interconnects to Williams'

Northwest Pipeline (Northwest Pipeline) near Myrtle Creek, Avista Corporation's pipeline system near Shady Cove, as well as Pacific Gas and Electric Company's gas transmission system, Tuscarora Gas Transmission and Gas Transmission Northwest, all located near Malin.

The proposed Pacific Connector is designed to deliver one billion cubic feet (Bcf) of natural gas per day to the Pacific Northwest, northern and central California and northern Nevada regions through the various interconnects described above.

The project is subject to Federal Energy Regulatory Commission (FERC) jurisdiction, and an application for the project will be filed with the FERC this summer with a proposed in-service date in the fall of 2011 for both the Jordan Cove LNG import terminal and Pacific Connector. ■



Project schedule timeline

- Application filed with FERC, draft of the Environmental Impact Study (EIS) issued.....2Q/4Q 2007
- FERC EIS, FERC Order, begin construction of the Jordan Cove LNG facility in Coos Bay, Oregon.....1Q/2Q/3Q 2008
- Right of way acquisition..1Q 2009
- Begin pipeline construction.....2Q 2010
- Proposed in-service for the Jordan Cove LNG import terminal and the Pacific Connector pipeline.....4Q 2011

Contact information:

We understand you may have questions and concerns about surveying and other activities on your property. We will contact you to obtain permission if we need to access your property. If you have any specific land and routing questions or concerns, please contact our field office listed below:

Pacific Connector Gas Pipeline
161 NE Garden Valley Boulevard
Suite 101
Roseburg, OR 97470
Tel: 541-673-5108

For more general questions:
pacificconnector@williams.com
866-227-9249
<http://www.pacificconnectorgp.com>

Energy needs in Oregon and the region

Demand for natural gas

Some residents wonder why Oregon needs the Pacific Connector and the new gas supplies it will bring to the region. The answer is that Oregon, like every other state in the U.S., is going to continue to experience an increase in the demand for energy within the next decade. According to a 2006 outlook report issued by the Northwest Gas Association (NWGA), during the next five years natural gas consumption in the Pacific Northwest region is expected to grow an average of 2.1 percent per year, with a cumulative projected growth of 8.1 percent by 2011. In addition, as projected by the 2006 California Gas Report (www.pge.com/pipeline/library/regulatory/downloads/cgr06.pdf), northern and central California natural gas demand is anticipated to grow at a rate of 1.3 percent annually from 2006 to 2025. Based on these combined growth numbers, there is anticipated to be an increase in annual natural gas demand in these regions of 125 Bcf by 2011. Most of this growth reflects increased demand anticipated from residential, commercial, and electric generation customers.

Natural gas supplies

Because the Pacific Northwest, Nevada and northern and central California region produces very little natural gas of its own, this area relies heavily on Canadian natural gas supplies transported by pipeline from British Columbia and Alberta to meet its needs. Unfortunately, western Canadian exports into the region have continued to drop from 1,189 Bcf in 2001 to 873 Bcf in 2005, a decrease of nearly 27 percent. The reduction is largely due to increasing demand in Canada, as well as the pull on western Canadian gas to serve other markets, primarily the midwest and northeastern markets in the U.S. Natural Resources Canada (www.nrcan.gc.ca) projects this

trend to continue all the way through 2020 as Canadian conventional natural gas production is expected to decline from about 6,100 Bcf per year to 4,900 Bcf during the same period.

The Pacific Northwest and northern and central California markets also rely on the Rocky Mountain natural gas supply region to meet its market needs. The Rocky Mountain region is currently producing about 11.1 Bcf per day and is anticipated to peak in 2015 at about 13.2 Bcf per day before it begins to decline. As energy needs have increased across all of the U.S., new pipelines have been built in recent years to link gas-producing areas such as the Rockies and Canada to consuming markets in the midwest and the northeast. This means the Pacific Northwest must compete for its natural gas supplies with these national markets.

With U.S. and Canadian natural gas demand expected to grow nearly 30 percent by 2025, our nation will soon need additional natural gas resources to serve both the Pacific Northwest and the rest of North America. At the same time, new production capability is struggling to keep pace with demand. As existing North American natural gas resources mature and produce less gas, efforts to cultivate new sources have become critical. New sources, most likely in the form of liquefied natural gas (LNG) imports, will become important in meeting this demand. We believe that bringing in new natural gas supplies from the Jordan Cove LNG import terminal on the Pacific Connector is the most cost effective way to meet the existing and growing natural gas demands in the region.

Renewable and efficient energy sources

As a transporter of natural gas, we believe that energy efficiency, both in

gas and electric usage and renewable energy sources such as solar and wind power, are important components in providing solutions to meeting our future energy needs, but they alone won't meet the huge amounts of energy needed by electric generation, industrial users and millions of homeowners on a daily basis. Natural gas is still considered one of the "cleanest" and most reliable sources of energy available. Even with ambitious energy efficiency programs and the increased use of renewable energy sources, overall demand for energy is increasing, and to meet this demand, our nation still needs the reliability of natural gas working in conjunction with the more efficient use of gas and electricity and renewable energy sources. This is why building the Pacific Connector is such a critical and necessary project.

The Pacific Connector will provide access to sufficient supplies of natural gas, which will make it possible to meet the region's future energy needs. If you'd like to read more about natural gas demand in the Pacific Northwest, please visit the NWGA website at: <http://www.nwga.org>.

What is liquefied natural gas (LNG)?

LNG is natural gas converted to a liquid state by cooling it to -260 F. LNG occupies about 1/600 of the volume of vapor, which makes shipping it over long distances possible. Once the LNG has been shipped to a LNG import terminal, the liquid is heated to its vapor state again allowing it to be transported safely through a pipeline to various interconnects to serve communities along the pipeline route.

About Northwest Gas Association

The NWGA is a trade organization of the Pacific Northwest natural gas industry.

Its members include six natural gas utilities serving communities throughout Idaho, Oregon, Washington and British Columbia, and three transmission pipelines that move natural gas from supply basins into and through the region.

The NWGA works to foster understanding among opinion leaders and informed decision-making by governing officials on issues related to natural gas. It seeks to meaningfully shape policies to help increase the diversity, abundance and dependability of natural gas supply and infrastructure available to serve the Pacific Northwest. ■



Right of way acquisition

There has been discussion among landowners about eminent domain and how it might be used in connection with the Pacific Connector. Here are a few facts about eminent domain to keep in mind:

The use of eminent domain by pipeline companies is not new. Interstate pipeline companies were given this authority by Congress when it passed the Natural Gas Act in the 1930s. Pipeline companies have been using this authority in a reasonable manner for over 70 years. The reason Congress gave pipeline companies this authority was so that one or a handful of landowners could not block an entire project that could benefit millions of people.

Eminent domain is sparingly used. On a recent project by Northwest Pipeline in Washington State involving 872 landowners, Northwest Pipeline used eminent domain to acquire rights from eight landowners, which is less than one percent of the landowners involved. On a project in Idaho and Wyoming about three years ago involving 188 parcels of land, Northwest Pipeline acquired 185 parcels through negotiation with the landowners. We initiated eminent do-

main proceedings on three parcels, but settled with all three landowners before the proceedings concluded.

Pacific Connector intends to acquire the right of way through negotiations with the landowners and by paying fair compensation. The way to achieve this is by negotiating with the landowners in good faith. We take landowner concerns and issues into account and negotiate with each landowner to determine the fair compensation for the rights we are acquiring. Our experience and practice of dealing fairly with landowners results in limited use of eminent domain.

Most uses of the surface right of way are still permitted once the landowner grants a right of way to Pacific Connector. Normal landscaping such as lawns and shallow-rooted plants are allowed. Shallow-rooted shrubs less than five feet tall are permitted with some restrictions. Trees are not permitted as the root system can damage the pipeline coating and prevent adequate visual inspection of the right of way. Check with your local Pacific Connector representative for more information on acceptable landscaping. ■

Open season

The partners for the Pacific Connector have conducted a successful open season for natural gas pipeline capacity on its proposed Pacific Connector. The open season began February 1, 2007, and closed March 5, 2007.

Seven shippers have executed precedent agreements for 1.49 billion cubic feet of gas per day (Bcf/d) of firm transportation capacity, which exceeds the initial design capacity of 1 Bcf/d. As shippers finalize their related gas supply and market commitments, Pacific Connector will determine whether firm transportation agreements will exceed the initial design capacity and allocate the contract demands, as necessary, to match the proposed pipeline's capacity of 1 Bcf/d.

"The interest we received from shippers clearly indicates they recognize the strategic value of the proposed project in providing access to global LNG supplies to meet future energy supply needs of the western United States," said Phil Wright, president of Williams' gas pipeline business.



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Who we are

As one of three partners and the future builder and operator of the proposed Pacific Connector, Williams through its subsidiaries, primarily finds, produces, gathers, processes and transports natural gas. The company also manages a wholesale power business. Williams' operations are concentrated in the Pacific Northwest, Rocky Mountains, Gulf Coast, southern California and the Eastern Seaboard. As part of its operations, Williams also wholly owns and operates Northwest Pipeline, a 4,100-mile natural gas transmission pipeline that provides customers in the Pacific Northwest and Intermountain region with access to both Rocky Mountain and Canadian natural gas supplies. Northwest Pipeline has been designing, building and safely operating pipelines in the Pacific Northwest for more than 50 years and has an excellent environmental and safety record.

At Williams, we work closely with state and federal agencies to ensure the safety and integrity of our pipeline systems. Our gas operations are monitored 24 hours every day of the year by a dedicated team of professionals.

In selecting a pipeline route, we try to minimize the impact to landowners and the environment. We take pride in returning a right of way as closely as possible to its original condition. In 2003, Northwest Pipeline won two environmental awards: one from the Association of Washington Business for environmental excellence and the other from the Idaho Nursery and Landscape Association for restoration work performed after expansions of our existing pipelines.

Our history and safety record are solid, and we are confident in Williams' ability to build, operate and maintain the Pacific

Connector pipeline in a safe and environmentally sensitive manner. For more information, visit www.williams.com.

