

LNG Terminal & Natural Gas Pipeline Questions/Comments & Responses:

Various groups and individuals have submitted questions and comments about the proposed liquefied natural gas (LNG) marine terminal and storage facility on Coos Bay's North Spit. Port staff will be providing responses to all inquiries; however we will be grouping similar questions and comments together to avoid duplications. To the extent possible, items will also be grouped by topic. All material is presented here as submitted. In some cases very similar questions have been submitted by more than one person, but all questions/comments except exact duplicates are being presented prior to the Port's response to a question and/or comment.

Additional questions and comments, with responses, have been added to this section.

New questions/comments are highlighted in yellow.

Port staff notes are highlighted in green.

“Who approved this project? Who is in charge? What person do I talk to who is in authority from the State of Oregon?”

The U.S. Congress passed the Energy Policy Act (EPAAct) of 2005 in July of last year and it was signed into law during August. The EPAAct went into effect January 1, 2006. In relation to natural gas, the EPAAct amends the Natural Gas Act (NGA) to establish that the Federal Energy Regulatory Commission (FERC) of the U.S. Department of Energy has exclusive authority to approve or deny an application for the siting, construction, expansion or operation of liquefied natural gas (LNG) facilities, including terminals and related pipelines. The U.S. Coast Guard coordinates with the FERC on issues of waterway suitability, marine safety and security and review of terminal security plans.

The EPAAct does require that the FERC consult with the State of Oregon in specific areas, including Clean Water Act and Clean Air Act compliance and consistency with the Coastal Zone Management Act. Governor Ted Kulongoski has directed state agencies to participate in the FERC's review of any LNG import terminals in Oregon. He designated the Oregon Department of Energy as the lead agency in working with the FERC on proposed projects, including the coordination of state agency comments on any application.

At the FERC's request, the Governor also has designated the Oregon Department of Energy as the state's lead agency for working with the FERC on LNG import terminal safety and security issues.

Michael W. Grainey, Director, Oregon Department of Energy, entered a statement into the record regarding the State of Oregon's position on the impact of the EPAAct of 2005 at the Liquefied Natural Gas Forum in Astoria on March 28, 2006. That document is available at <http://oregon.gov/ENERGY/SITING/docs/LNG/AstoriaMarch06.pdf>.

“Please identify, by corporate name, all LNG developers, or fossil fuels companies, who the Port is aware are or were contemplating a North Spit LNG import terminal or other fossil fuels processing site.”

Port staff is aware of two firms that have shown an interest in the Port of Coos Bay as an inbound receiving point for LNG. Energy Projects Development LLC announced their proposed terminal – the Jordan Cove Energy Project – in August 2004. A second potential LNG developer contacted the Port in the fall of 2005 to discuss the availability of North Spit property for a terminal facility. After several brief discussions about the availability of suitable property Port staff had no further contact with the developer. The initial contacts were with the LNG development division of a major western U.S. utility provider. As a standard business practice related to market competition issues, the developer requested confidentiality and the Port is respecting that request.

Additionally, starting in February 2004 Port staff had several discussions, including a site visit, during a four to six month period with an international energy production firm seeking property for a west coast terminal for the import of coal for electric power generation. Port staff had no further contact with the firm after the site visit. As a standard business practice related to market competition issues, the developer requested confidentiality and the Port is respecting that request.

“Specifically, what threat to the people did the Port anticipate from another LNG developer (identified in response to question number 4 above) who was considering a North Spit site in 2004 that caused the Port to support the present North Spit LNG developer; support any LNG developer?”

The size of the industrial site the second LNG developer was seeking would have limited other opportunities for marine or industrial development on the North Spit by removing substantial acreage from the available inventory, and the proposed vessel traffic could have limited development of other commodity movements.

“Is the Jordan Cove Energy Project import terminal and storage tanks facility planned to be at Jordan Cove as the name suggests, or is it planned to be across from the county airport at Henderson Marsh, a flood plain, a Native American ancestral burial place, and a breeding ground for the Blue Heron?”

“Is the Jordan Cove Energy Project LNG import terminal and storage tanks facility planned to be at Jordan Cove as the name suggests, or is it planned to be across from the county airport at Henderson Marsh, a state and county identified flood plain (<http://www.co.coos.or.us/ccem/> and then go to Map – Tsunami – Coos Bay and North Bend), a Native American ancestral home and perhaps burial place, and a breeding ground for the Blue Heron?”

The Jordan Cove Energy Project development team apparently choose a known geographic point on the North Spit as their project name. The developers hold property purchase options for two sites on the North Spit. Their first option is with Roseburg Forest Products and is for a portion of Roseburg’s North Spit industrial land holdings. The second option is with the Port and is for approximately 147 acres of the property the Port is purchasing from the Weyerhaeuser Company. The 147-acre site is in the northeast corner of a parcel often referred to as Henderson Ranch or the Ingram Yard.

“In Exhibit H of its 22 November 2004 NOTICE OF INTENT TO BUILD the LNG facility, the LNG developer makes two promises: first, “to demonstrate need for the proposed facility”; and second, to “demonstrate that the above benefits in aggregate provide a compelling rationale for the timely development of the

project”. Please provide the people (through Jody McCaffree) with a copy of the Ports copy of the LNG developers written promised demonstrated need for a LNG import terminal facility in Coos County Oregon that all parties acknowledge will be serving a market beyond the Oregon border.”

The language referred to in Exhibit H of the November 2004 Notice of Intent to Build an LNG Facility filed by the Jordan Cove project developer is a general discussion of the overall economics of providing energy resources to meet growing market demand throughout the western U.S. Inquiries about Exhibit H should be directed to the Jordan Cove Energy Project.

“What if any benefit will natural gas customers in Coos County, the southwest Oregon region or the state receive from having an LNG facility in Coos Bay, especially since it is all going to be shipped out of here via a 36-inch pipeline?”

All natural gas consumers in Oregon – residential, business and industrial – will benefit from the availability of an additional source of gas for the state. Oregon does not have in-state natural gas resources to meet natural gas-driven energy demand, consequently natural gas consumed in Oregon moves via the Williams Northwest Pipeline system from the northeast British Columbia/northwest Alberta production basin and from gas fields in Wyoming and other Rocky Mountain states. The availability of a significant volume of natural gas from an in-state source should help moderate price fluctuations for all gas users, especially in an increasing demand, tighter supply commodity market.

However it must be recognized that in Oregon, the Public Utility Commission (PUC) regulates rates and services for residential users and businesses served by investor-owned electric, natural gas and telephone utilities, and a limited number of water companies. The PUC does not regulate people’s utility districts, cooperatives or municipally-owned utilities, except in regards to safety issues.

Since the majority of natural gas customers in Oregon are served by PUC-regulated utility firms, residential and business customer rates will be set by the actions of the PUC as utility firms present proposed rates to the commission for approval/disapproval in rate hearings and then on for eventual adoption and implementation. It should be noted that the PUC bases its approval or disapproval of a proposed rate on the commodity cost, and while increased natural gas availability may not decrease gas prices, that availability could affect future rate increases.

Industrial natural gas users in the southwest Oregon region and possibly other parts of the state will have the ability to negotiate lower gas prices since their much larger volume purchases of gas are not regulated by the PUC. Industrial users will have the added benefit of lower pipeline transportation costs for long-term gas purchases since the source will be in Oregon.

While it is intended that one billion cubic feet (Bcf) per day of natural gas will flow from the Jordan Cove facility via the Pacific Connector Gas Pipeline to interconnect with the Gas Transmission Northwest (GTN) pipeline in southern Oregon near Malin, there will also be an interconnect with the Williams Grants Pass Lateral Pipeline near Roseburg. Additionally, approximately 50 million cubic feet (Mcf) per day of gas is projected to flow via the Coos County Pipeline to also feed the Grants Pass lateral. This will allow gas energy users in the southern Willamette Valley, the Rogue and Umpqua regions and

Coos County to have dependable long-term access to gas. New industrial operations should be able to secure uninterrupted contracts for gas to meet their production needs.

There are proposals for new gas pipeline capacity in the state. One southern Oregon utility is discussing an interconnect with the Pacific Connector line to provide gas to the growing Medford market and NW Natural is considering building a new pipeline to connect with the GTN line in central Oregon to provide additional gas to the Portland metro area.

Natural gas flowing into the pipeline grid serving the western U.S. helps meet seasonal fluctuations in many regions. Gas flowing from Coos Bay to the GTN pipeline at Malin will be available to northern California and Nevada during heavy demand months during the summer. Conversely, when demand declines in California and Nevada during winter months, gas will be available to meet increased demand in Oregon from both the GTN system and from other pipelines that can divert more gas to the northwest region. The following link provides a map illustrating the various existing and proposed pipelines in Oregon and other pipelines in the region: [LINK](#)

“Please explain why the Port of Coos Bay Commissioners believe that there is not a conflict of interest as a fiduciary when the Port is an advocate for the LNG developer and the Port has a responsibility to represent the people of Coos County who oppose LNG in Coos County and who also oppose more pipelines across the North Spit and elsewhere in Coos County.”

*The Jordan Cove Energy Project represents a vital opportunity for the Port to achieve its Vision, Mission and Goals. **The Port’s Vision is to “promote optimal use of Coos Bay’s deep-water port for the enhancement of the economy and quality of life in the region,” and the Port’s Mission is as follows: The Port will help build a diversified, healthy, stable regional economy through prudent management of its assets, advocacy for infrastructure improvements and collaboration with other public and private entities.** Through the leverage provided by the marine infrastructure investments that the Jordan Cove project will be making in a waterway, the port will have the opportunity to attain one of its goals; the development of a modern marine cargo terminal to help diversify the harbor’s cargo base and create new well-paying jobs for the community.*

The Port has always acknowledged that FERC will make the final determination on whether the Coos Bay harbor is a safe and suitable site for the development of an LNG terminal and the extension of natural gas pipelines to connect the terminal to the existing pipeline grid serving the west coast. The FERC permitting process provides considerable opportunity for all interested parties to comment on the project.

“Should the people consider the prior and planned acts of the Port of Coos Bay Commissioners regarding the Coos County LNG matter as an endorsement of the LNG project by the governor who has appointed each of the Port of Coos Bay Commissioners? If the governor does not support the LNG project, why has he not stopped your efforts?”

“Should the people consider the prior and planned acts of the Port of Coos Bay Commissioners regarding the LNG subject matter and pipeline to the California border as an endorsement of the LNG project and pipeline by the governor who

has appointed each of the Port of Coos Bay Commissioners? If the governor does not support the Coos County LNG project and pipeline, why has he not stopped your efforts?”

The Port cannot speak for the Governor. This question should be directed to Governor Kulongoski. The Governor can be reached by mail at 160 State Capitol, 900 Court St., Salem, OR 97301-4047, by phone at 503 378-4582 (Governor's Citizens Representative Message Line), or by fax at 503 378-6827. The Governor can also be contacted by email by going to http://governor.oregon.gov/Gov/contact_us.shtml.

“With the knowledge of documented facts regarding the danger presented to the people of Coos County by LNG, by large amounts of natural gas, and by one billion standard cubic feet of natural gas traveling through a 36” pipeline daily, why does the Port of Coos Bay support the LNG Project?”

“With the knowledge of documented facts regarding the danger presented to the people of Coos County by LNG, by large amounts of natural gas, and by one billion standard cubic feet of natural gas traveling across Coos County through a 36” pipeline daily, why does the Port of Coos Bay support the LNG Project?”

This question represents a personal opinion and interpretation of the hazards and risks associated with LNG and natural gas; therefore it is not possible to provide an answer within the context of the question.

There are many resources available to interested parties to learn more about LNG, the ocean transport and landside storage of LNG, natural gas and gas pipelines, safety and security requirements for LNG facilities and gas pipelines, energy markets and market demand. Everyone is encouraged to learn the facts and form their own opinion.

The FERC permitting process, specifically the Environmental Impact Statement (EIS) and the U.S. Coast Guard coordinated Waterway Suitability Assessment (WSA) will determine if an LNG facility on the North Spit will be able to meet accepted standards for safety and security.

“The LNG project has more than tripled in size in the 18 months since the Port of Coos Bay Commissioners endorsed the LNG developers North Spit plan. There is no reason to believe that the LNG project will not grow larger. Why doesn't this give the Port of Coos Bay Commissioners grave concern?”

“The LNG project has more than tripled in size in the 18 months since the Port of Coos Bay Commissioners endorsed the LNG developers North Spit plan. There is no reason to believe that the LNG project will not grow larger. IT is conceivable that the entire North Spit may become one large fossils fuels facility similar to the gulf coast or like the Hercules / Benicia / Crocket / Martinez area of northern California. Why shouldn't this give the people of Coos County grave concern?”

The following timeline describes the evolution of the Jordan Cove Energy Project from initial announcement to current status. All of the events listed have been reported on by local, regional and state news media.

- *In August 2004 representatives of the Jordan Cove Energy Project announced their proposed development of an LNG marine terminal and storage tank facility*

for industrial property on Coos Bay's North Spit. At that time they stated that they were continuing their due diligence and that further analysis of market demand could alter the scope of the project.

- *The Jordan Cove developers filed a project application with the Oregon Department of Energy (ODOE) in November 2004, and ODOE held their first public meeting in January 2005.*
- *During April 2005 Jordan Cove representatives announced that after further analysis of the northwest energy market they intended to build two storage tanks on property they have under option from Roseburg Forest Products.*
- *During April 2006 Jordan Cove filed their application with FERC. In May FERC notified Jordan Cove of their acceptance of the application and assigned a docket number. The FERC process is two-phase; the first is the National Environmental Policy Act (NEPA) pre-filing, and the second is the review of the EIS, the Waterway Suitability Assessment and the terminal security plan.*
- *In June 2006 the Port and Jordan Cove executed a property sale option for a parcel of land included in the Port's proposed acquisition of property from Weyerhaeuser Company. The parcel is approximately 147 acres. Weyerhaeuser's total North Spit property holding is approximately 1,300 acres.*

The Port is pursuing other opportunities for industrial and marine industrial development on appropriately zoned land on Coos Bay's North Spit. This includes Project TK – a manufacturing facility with 175 to 200 projected jobs, and The Oregon Gateway, which is the first phase of a multi-purpose cargo facility. Those two projects could utilize a majority of the remaining available industrial land on the North Spit.

“With knowledge that transiting LNG transport vessels will place the 1,000 students and faculty at Madison and Sunset schools within the LNG industry / US Government agreed upon hazard zone when there is a catastrophic event, with the incineration of most of a generation of Coos Bay children possible, why are the Port of Coos Bay Commissioners supporting the LNG project?”

“With knowledge that transiting LNG transport vessels will place the 1,000 students and faculty at Madison and Sunset schools within the LNG industry / US Government agreed upon safety hazard zone (of one mile minimum) when there is a catastrophic event, with the incineration of most of a generation of Coos Bay children possible, why are the Port of Coos Bay Commissioners supporting the LNG project?”

This question represents a personal opinion and interpretation of the risks associated with LNG and natural gas; therefore it is not possible to provide an answer within the context of the question.

There are many resources available to interested parties to learn more about LNG, the ocean transport and landside storage of LNG, natural gas and gas pipelines, safety and security requirements for LNG facilities and gas pipelines, energy markets and market demand. Everyone is encouraged to learn the facts and form their own opinion.

The FERC permitting process, specifically the Environmental Impact Statement (EIS) and the U.S. Coast Guard coordinated Waterway Suitability Assessment (WSA) will determine if an LNG facility on the North Spit will be able to meet accepted standards for safety and security.

It should be noted that FERC uses codes and standards for determining safe distances from LNG tanks and transport vessels from research and data developed by the National Fire Protection Association (NFPA). NFPA standards are also used by states and counties throughout the U.S. to determine fire code standards for all types of public buildings.

“Please identify the elected representatives of the people of Coos County – at every level – federal, state, and local, who have informed the Port of Coos Bay (the people of Oregon) that they support the LNG project.”

The Port cannot speak for elected representatives at any level. This information will have to be obtained through direct communication with elected officials.

“With such limited human and other resources available, with the knowledge that the Eastside Fire House is closed and the main Coos Bay Fire House may collapse on the equipment making it unusable at the time of a Cascadia Subduction earthquake, with the knowledge that so few responders are on duty between 0300 and 0500 daily, Police Chiefs of North Bend and Coos Bay, have informed the Port that they support LNG on the North Spit?”

The Port cannot speak for employees of any public agency. This information will have to be obtained through direct communication with the appropriate public employees.

“Please invite the Fire Chiefs of the area to the September Port meeting so they may tell the people how they will fight large LNG and natural gas fires on water and on land.”

The FERC permitting process, specifically the Environmental Impact Statement (EIS) and the U.S. Coast Guard coordinated Waterway Suitability Assessment (WSA) will determine if an LNG facility on the North Spit and the transit of LNG tankers are safe and acceptable activities in the Coos Bay harbor. The FERC process will assess the capabilities and equipment needed to handle emergency response. The Office of Pipeline Safety of the U.S. Department of Transportation will assess the suitability and safety of any proposed pipeline route and determine the assets needed to handle emergency response.

“Should there be a catastrophic LNG event, there are only six ambulances in the area, and there are limited resources at the local hospital. Please inform the people which hospital administrative staff has informed the Port that they support LNG on the North Spit.”

The Port cannot speak for employees of any public agency. This information will have to be obtained through direct communication with the appropriate public employees.

“What hold harmless agreements, if any, exist or are contemplated? What risks has the Port assumed for the people of Oregon?”

Many Port contracts have hold harmless or indemnity clauses. When the acts or conduct of one party to a contract may cause liability for the other party, it is common for there to be a clause to protect the other party from loss or damage. In some instances,

government bodies, such as ports, may not have authority to provide indemnity. Where applicable and appropriate, the Port includes hold harmless or indemnity clauses in its contracts.

“May the people of Oregon have a copy of all written agreements with the LNG developer, including any Memorandum of Understanding, and delivered to Ms. Jody McCaffree for review by the people?”

“Please give the people of Oregon detailed information relative to any oral or written contract or agreement with the LNG developer, in whatever name used – Fort Chicago Energy Partners, Energy Projects Development, Jordan Cove Energy Project – that have been entered into by the Port of Coos Bay for the people of Oregon?”

The contract documents between the Oregon International Port of Coos Bay and Weyerhaeuser Company for the proposed purchase of Weyerhaeuser’s North Spit industrial lands and the proposed property sale between the Port and the Jordan Cove Energy Project are available for review at the following links:

www.portofcoosbay.com/deedoftrust.pdf
www.portofcoosbay.com/weycooption.pdf
www.portofcoosbay.com/jcooption.pdf
www.portofcoosbay.com/portresolution.pdf
www.portofcoosbay.com/memoooption.pdf.

Two attachments have been excluded from the link. These two documents have been deemed confidential in that they are related to the determination of the market value of the property.

“What agreements with the LNG developer have not been reduced to writing?”

None.

“Please give the people of Oregon current information about the Port of Coos Bay plans relative to the purchase and development of 1,300 acres of North Spit land; of the lease of 200 or more acres of that land at Henderson Marsh by the LNG developer; of the improvements to the harbor and channel required to accommodate 950 foot long LNG transport vessels (and future “Q-Max” size vessels) safely; of the enlargement of a (1,700’) turn basin near the airport; of the development of a two dock cargo handling area at Henderson Marsh; and of the purchase by the Port of large tugs and other equipment for use in the LNG project.”

In June 2006, the Oregon International Port of Coos Bay finalized a property purchase agreement with the Weyerhaeuser Company for the acquisition of 1,300 acres of land on Coos Bay’s North Spit. This property is predominantly within a portion of the North Spit long designated and zoned for industrial and marine industrial development. This purchase is being financed by two loans; one in the amount of \$15 million from the State of Oregon’s Oregon Economic & Community Development Department (OECDD) Special Public Works Fund, and one in the amount of \$10 million from Umpqua Bank. The Port has a two-year option to complete the purchase agreement with

Weyerhaeuser or all funds are returned. The Port is currently pursuing due diligence on the property involving environmental investigations, wetland assessments and development planning.

The Port and the Jordan Cove Energy Project executed a sell/buy option agreement during June 2006 through which Jordan Cove has an option to purchase approximately 147 acres of property for its upland facilities if it is successful in obtaining Federal Energy Regulatory Commission (FERC) approval for the project. The agreement also includes an option through which the Port will execute a long-term lease with Jordan Cove for use of a single berth in the proposed waterway adjacent to the Jordan Cove parcel. The FERC permitting process is currently underway and will continue through 2006 and likely into the fourth quarter of 2007. Until a FERC decision is made, Jordan Cove is paying the Port \$120,000 per month as an option payment. This option payment covers the interest and principal payments due during the option period.

Port staff is pursuing initial analysis and feasibility review of needed improvements to the federal deep-draft channel in lower Coos Bay that could help attract new commerce to the harbor. The Port is working with the U.S. Army Corps of Engineers through the Corps' Section 216 program to determine costs and other issues with widening the channel to 500 feet and deepening it to -55 feet Mean Lower Low Water (MLLW). This effort was initiated in March 2006. While a wider, deeper channel may benefit LNG tanker traffic, it is the Port's understanding that the Coos Bay Pilots would have no problems bringing in the size of tankers proposed to serve the Jordan Cove facility. They apparently demonstrated their expertise with these size vessels during simulator drills earlier this year. The channel improvements the Port is seeking are primarily in support of The Oregon Gateway project. Information about the Gateway project is available on the Port's website at www.portofcoosbay.com/orgate.htm.

Information about the vessel sizes proposed for the Jordan Cove facility is available on the project website at www.jordancoveenergy.com. The cubic meter (m³) capacity of the LNG tankers could range from approximately 80,000 m³ to approximately 160,000 m³. Vessel lengths would be in the range of 790 feet to 985 feet. Vessel beam would range from 130 feet to 160 feet, and vessel depth would be in the range of 36 feet to 39 feet. It is highly doubtful that Q-Max (Qatar-Max) vessels would ever call the Port of Coos Bay. These vessels have LNG cargo capacities in the range of 210,000 to 270,000 cubic meters and are designed for specific Qatar-based trade routes, including Japan, Korea, Italy and other parts of southern Europe.

There is not currently an authorized turning basin in lower Coos Bay. Local bar/harbor pilots will, at their discretion, turn an empty chip ship at high tide in order to moor the vessel at the Roseburg Forest Products chip export facility. Port staff is working with the U.S. Army Corps of Engineers to develop a 1,700 foot diameter turning basin in the deep-draft channel south of the proposed two-vessel waterway. The turning basin will serve the Roseburg Forest Products chip terminal and the proposed Jordan Cove/Oregon Gateway two berth waterway. Components of a navigation system must be able to accommodate vessels to maximum channel depth or greater at Mean Lower Low Water (MLLW), which is the average of the low tides. The proposed turning basin will have a depth of -45 feet MLLW.

The Port of is proposing to partner with the Jordan Cove Energy Project to construct a two-berth waterway adjacent to the lower Coos Bay deep-draft navigation channel to accommodate a single LNG tanker berth and provide a single berth for a multi-purpose cargo facility. This waterway would be on the eastern edge of the Weyerhaeuser property commonly referred to as Henderson Ranch. Approximately 85 percent of the development costs would be paid by Jordan Cove, while the Port will be responsible for the balance to develop the cargo facility. Leveraging the waterway development maximizes the overall benefit to the community in infrastructure and jobs. The Port is in communication with a marine engineering and construction firm to establish project costs and timelines. Actual construction of the waterway would not occur prior to a final decision on the siting of the proposed LNG import facility.

Under the terms of the option agreement between the Port and Jordan Cove, the Port has the ability to provide and administer a master contract for marine facilities and equipment, and key services. Two exhibits within the agreement (www.portofcoosbay.com/jcooption.pdf – Exhibits F and G) detail the marine facilities and equipment, and various services that may be included in the master contract and how they would be funded through capital investments and tariffs paid by Jordan Cove. The marine infrastructure and equipment includes but is not limited to the waterway, turning basin, LNG dock, tug dock, identification system, navigation and marine traffic management systems, security and emergency equipment, fire station, fire truck, tug fleet (three vessels) and a security boat. Jordan Cove’s capital investments will be sufficient to cover the purchase of any required infrastructure and equipment, and Jordan Cove’s tariff payments under an executed master contract will cover the ongoing operating costs of tug crews, security boat crews, firemen and firehouse operations, annual maintenance for various system components and annual drills and exercises. Commercial Letters of Credit will be in place to protect all parties. Jordan Cove will have preferential use of all equipment and services, however use of equipment and services by others, specifically vessels calling at the multi-purpose cargo facility, will reduce overall costs for all users through economies of use and availability. Having marine equipment and services available for multiple users will create a competitive advantage for the Coos Bay harbor.

“What are the Jordan Cove Energy Project lease agreements for land, tugs, and any other item, with the Port of Coos Bay?”

There are no lease agreements at this time. If the Jordan Cove developers are successful in obtaining Federal Energy Regulatory Commission (FERC) approval for the project the Port will execute a long-term lease with them for use of a single berth in the proposed waterway adjacent to the Jordan Cove’s proposed purchased parcel. Other agreements may be negotiated under a master contract for marine services.

“Under current Port planning, what are the people of Oregon expected to purchase in the LNG matter; tugs, fire boats, fire engines, US Coast Guard vessels, Police and Sheriffs cruisers?”

There are no requirements or agreements at this time involving the purchase of any equipment by the Port in support of the LNG project. If the Jordan Cove developers are successful in obtaining Federal Energy Regulatory Commission (FERC) approval for the project the Port may negotiate a master contract for marine services.

Under the terms of the option agreement between the Port and Jordan Cove, the Port has the ability to provide and administer a master contract for marine facilities and equipment, and key services. Two exhibits within the agreement (www.portofcoosbay.com/jcoption.pdf – Exhibits F and G) detail the marine facilities and equipment, and various services that may be included in the master contract and how they would be funded through capital investments and tariffs paid by Jordan Cove.

The marine infrastructure and equipment includes but is not limited to the waterway, turning basin, LNG dock, tug dock, identification system, navigation and marine traffic management systems, security and emergency equipment, fire station, fire truck, tug fleet (three vessels) and a security boat. Jordan Cove capital investments will be sufficient to cover the purchase of any required infrastructure and equipment, and Jordan Cove tariff payments, under an executed master contract, will cover the ongoing operating costs of tug crews, security boat crews, firemen and firehouse operations, annual maintenance for various system components and annual drills and exercises. Commercial Letters of Credit will be in place to protect all parties.

Jordan Cove will have preferential use of all equipment and services, however use of equipment and services by others, specifically vessels calling at the multi-purpose cargo facility, will reduce overall costs for all users through economies of use and availability. Having marine equipment and services available for multiple users will create a competitive advantage for the Coos Bay harbor.

If additional U.S. Coast Guard vessels are required to meet the security needs of inbound LNG tankers, they will likely be assigned by Coast Guard command staff from the 13th District with concurrence from Coast Guard headquarters. If it is determined that there are federal security costs assigned to the Jordan Cove project that should be recovered from the LNG terminal, the Coast Guard will deal directly with the Jordan Cove principals on those issues.

If the FERC permitting process determines that additional equipment is needed by local law enforcement agencies to properly manage community safety and security related to the LNG terminal, then the Jordan Cove project principals will have to negotiate with the affected agencies for the acquisition of that equipment.

“What North Spit land will be owned by the LNG developer?”

Assuming that the Jordan Cove Energy Project receives permit application approval from the Federal Energy Regulatory Commission (FERC) and exercises their property purchase option with the Oregon International Port of Coos Bay, they will purchase approximately 147 acres of land primarily in the northeast section of the site commonly referred to as the Henderson Ranch parcel. The property description is available at www.portofcoosbay.com/jcoption.pdf - Exhibits A and B.

“By what authority has the Port of Coos Bay obligated the people of Oregon to any party in any matter directly or indirectly related to the LNG project?”

The Oregon International Port of Coos Bay has the authority to enter into contracts for a variety of activities related to the operations of the Port District. This authority is detailed in the Oregon Revised Statutes (ORS) - 2005, Volume 17, Chapter 777

<http://www.leg.state.or.us/ors/777.html>), as well as other sections of the ORS. The staff of the Attorney General's Office in the Oregon Department of Justice fully reviewed the contract documents between the Oregon International Port of Coos Bay and Weyerhaeuser Company and between the Port and the Jordan Cove Energy Project prior to final execution of the agreements. Their review determined that the Port was in compliance with all applicable state statutes and regulations.

The Port and the Jordan Cove Energy Project executed a sell/buy agreement during June 2006 through which Jordan Cove has an option to purchase approximately 147 acres of property for its upland facilities if it is successful in obtaining Federal Energy Regulatory Commission (FERC) approval for the project. The Port will also execute a long-term lease with Jordan Cove for use of a single berth in the proposed waterway adjacent to the Jordan Cove parcel. The FERC permitting process is currently underway and will continue through 2006 and likely into the fourth quarter of 2007. Until a FERC decision is made, Jordan Cove is paying the Port \$120,000 per month as an option payment. This option payment covers the interest and principal payments due during the option period.

“Has the Port of Coos Bay obligated the people of Oregon for any fiscal reasons to accommodate the LNG developer? If so, in what total dollar amount (principal and interest)? And, to whom? And, for what purpose? And, what are the terms of repayment? How were the people of Oregon notified of the Port's intent and of the Port's action to obligate the people?”

In June 2006, the Oregon International Port of Coos Bay finalized a property purchase agreement with the Weyerhaeuser Company for the acquisition of 1,300 acres of land on Coos Bay's North Spit. This purchase is being financed by two loans; one in the amount of \$15 million from the State of Oregon's Oregon Economic & Community Development Department (OECDD) Special Public Works Fund, and one in the amount of \$10 million from Umpqua Bank. The Port has a two-year option to complete the purchase agreement with Weyerhaeuser or all funds are returned. The loans are in the name of the Oregon International Port of Coos Bay.

The Port and the Jordan Cove Energy Project executed a sell/buy agreement during June 2006 through which Jordan Cove has an option to purchase approximately 147 acres of property for its upland facilities if it is successful in obtaining Federal Energy Regulatory Commission (FERC) approval for the project. The Port will also execute a long-term lease with Jordan Cove for use of a single berth in the proposed waterway adjacent to the Jordan Cove parcel. The FERC permitting process is currently underway and will continue through 2006 and likely into the fourth quarter of 2007. Until a FERC decision is made, Jordan Cove is paying the Port \$120,000 per month as an option payment. This option payment covers the interest and principal payments due during the option period.

As a public agency, the Port District has the ability to encumber funds and enter into contracts and agreements in support of its ongoing operations based on revenues, assets and ability to service debt. Any action requiring the Port District, and essentially the taxpayers of the district, to enter into a financial obligation beyond normal operations would require approval by a vote of the eligible residents of the district.

Neither of these actions obligates the Port District in any financial accommodation to the LNG project. Both of these pending real estate actions were discussed in public meetings of the Port's Board of Commissioners.

“What is the total estimated dollar amount that the Port of Coos Bay intends to obligate the people of Oregon in the LNG matter during the life of the LNG project?”

None.

“In what name were \$10 million (and perhaps another \$15 million) in loans obtained recently from one or more financial institutions by the Port of Coos Bay? If not in the name of the Port of Coos Bay, and in the name of a third party, please discuss the relationship of that third party to the Port of Coos Bay; including the possible conflict of interest of officers or employees who may be affiliated with both organizations.”

In June 2006, the Oregon International Port of Coos Bay finalized a property purchase agreement with the Weyerhaeuser Company for the acquisition of 1,300 acres of land on Coos Bay's North Spit. This purchase is being financed by two loans; one in the amount of \$15 million from the State of Oregon's Oregon Economic & Community Development Department (OECDD) Special Public Works Fund, and one in the amount of \$10 million from Umpqua Bank. The Port has a two-year option to complete the purchase agreement with Weyerhaeuser or all funds are returned. The loans are in the name of the Oregon International Port of Coos Bay.

“Who is expected to pay for all new Sheriff's Department, Police Department, and Fire Department personnel who will be required to safeguard the LNG and natural gas product? And, for the enormous amount of first responder overtime that is anticipated?”

If the FERC permitting process determines that additional personnel are needed by local law enforcement agencies to properly manage community safety and security related to the LNG terminal, then the Jordan Cove project principals will have to negotiate with the affected agencies for the hiring, training and compensation of those personnel.

“What safeguards are in place to assure that the people of Oregon do not pay one cent for the US government directed security of the LNG developer's LNG or natural gas product, including the US Coast Guard incurred costs to the taxpayers?”

The U.S. Coast Guard, operating as a component of the Department of Homeland Security, has the assigned task of maritime security, which includes protecting ports, the flow of commerce and the marine transportation system. The Coast Guard also provides maritime border security and coordinates intelligence efforts with federal, state and local agencies. In 2002, the Coast Guard created Maritime Safety and Security Teams through the Maritime Transportation Security Act to provide waterborne and shoreside antiterrorism force protection for strategic shipping, high interest vessels and critical infrastructure. The Coast Guard obligations for maritime safety and security are similar in all harbors within U.S. jurisdiction and would only differ based on the varied needs of a harbor or navigation system.

The U.S. Congress authorizes and appropriates funds for the Department of Homeland Security through the federal budget process. The Department then allocates those funds based on the mission and goals of its various components. The Coast Guard, working with port officials, terminal operators, steamship lines, maritime service firms and other entities, determines what is required to meet security needs at U.S. ports to facilitate commerce and to protect the marine transportation system.

All U.S. taxpayers help fund the ongoing operations of the many aspects of the federal government, including the Department of Homeland Security, and through it the U.S. Coast Guard. Inferring that Oregon residents be exempted from obligations assigned to the Coast Guard in matters of security is illogical given that a significant segment of the Oregon economy is dependent on international maritime commerce.

“This is to each of the board members. Since I am unsure of your research, I would like to know what you have read, researched and who you have contacted (example: Mayors of Fall River, MA; Boston, MA; Oxnard, Malibu and Long Beach, all who are currently fighting LNG in their area. Also Mayors of Eureka, Vallejo, who were able to run LNG off before the 2005 Energy bill. If this is such a great endeavor, why would all these people want it out of their area?”

In reviewing this comment/question, Port staff determined that it is not possible to provide an answer since it is based on personal opinion and personal interpretation of information about LNG and LNG projects. However, we are providing a response regarding information sources that have been and are available to the Port’s Board of Commissioners and staff.

The Jordan Cove Energy Project is not about the communities mentioned. The issue is whether an LNG import terminal and its associated pipeline are viable, beneficial projects for the communities of Oregon’s bay area and the Coos Bay harbor. The Port has always acknowledged that FERC will make the final determination on whether the Coos Bay harbor is a safe and suitable site for the development of an LNG terminal and the extension of natural gas pipelines to connect the terminal to the existing pipeline grid serving the west coast. The FERC permitting process provides considerable opportunity for all interested parties to comment on the project.

There is considerable information available from many sources about communities that have rejected LNG for a variety of reasons. Port Commissioners and staff have access to that information and have reviewed it. In order to balance the discussion, staff is currently researching areas that have LNG facilities to determine the overall impacts on surrounding communities. These will be available as case studies when completed.

The Port’s Board of Commissioners and staff have access to a broad array of information about LNG, the segment of the marine transportation industry that builds, operates and maintains LNG tankers, natural gas as an energy source, the North American pipeline industry, pipeline safety, market demand and forecasts for natural gas, information about LNG safety, LNG risk issues and risk prevention and management and many related topics.

Information sources include, but are not limited to:

- U.S. Department of Energy
 - Federal Energy Regulatory Commission (FERC)
 - Energy Information Administration
- U.S. Department of Homeland Security
 - U.S. Coast Guard
- National Association of State Fire Marshals
- National Fire Protection Association (NFPA)
- Sandia National Laboratories
- ioMosaic Corporation
- Center of Energy Studies: Louisiana State University
- U.S. Department of Transportation
 - Pipeline and Hazardous Materials Safety Administration (PHMSA)
 - Office of Pipeline Safety
- California Energy Commission
- Analysis Group: Economic, Financial and Strategy Consultants
- Congressional Research Service - The Library of Congress
- Center for Energy Economics: Bureau of Economic Geology; University of Texas

Additionally, Commissioners and staff have been and continue to conduct considerable on-line research on LNG and related topics, as well as making personal contact with a variety of persons and organizations familiar with LNG and LNG projects.

“Please discuss the organization doing business as the Coos County North Bay Urban Renewal Agency and its relationship to the Port of Coos Bay in all matters related to the LNG project and to North Spit improvements required to accommodate the LNG developer.”

The Coos County Urban Renewal Agency – North Bay District was created in 1985 through Ordinance 85-11-015L adopted by Coos County. This ordinance created a five-member urban renewal agency board and declared the North Spit a “blighted area.” The five member board included a Coos County Commissioner, City of Coos Bay elected official, City of North Bend elected official, Oregon International Port of Coos Bay port commissioner and an “at-large” public representative. In 1989 the five-member board increased to ten members with the same representation formula.

The North Bay Urban Renewal Report and the North Bay Urban Renewal Plan were completed during October 1986. The plan complied with the provisions of Chapter 457 of the Oregon Revised Statutes (ORS 457). ORS 457.095(3) requires that an urban renewal plan be accompanied by a report that assesses the physical, social, economic and fiscal impacts of the plan and analyzes its financial feasibility. The objectives of the plan are to:

- *Eliminate blight and causes of blight*
- *Stimulate development of industry, supporting commercial businesses, and recreation facilities by the private sector*
- *Create long-term employment opportunities*
- *Increase the county’s taxable assessed value*

The urban renewal district encompasses approximately 4,643 land acres and 4,366 water-covered acres. Generally, the boundary follows U.S. Highway 101 across the McCullough Bridge and includes the majority of lower Coos Bay west of the bridge and

the North Spit, which was designated as the North Bay District. The boundary encompasses the majority of the North Bay suitable for industrial use, lands likely to be required for infrastructure to serve North Bay industrial development, and lands likely to be needed for mitigation activities directly related to industrial and infrastructure development. The district encompasses both public lands (federal and local) and privately-owned property.

The Port has been involved with this agency since its inception. Administration of the agency began with the Coos County Council of Governments (COG). The Port's Director of Planning at that time represented the Port at the COG and was assigned administration of the new agency. When the COG was discontinued, the County hired an administrator for the agency and the business incubator project at the Business Development Center in the North Bend Airport Business Park. The County continued administration until 2000 when the Port took over management of the business center and the duties of urban renewal agency administration were transferred to the Port.

The primary goal of the agency is to provide needed infrastructure for industrial development. The Port's role has been to promote and develop partnerships to provide funding for needed infrastructure improvements. The relationship of the agency to the Port is as a funding partner in ongoing improvements on the North Spit in support of industrial development.

The urban renewal agency has no relationship to the LNG project or North Spit infrastructure improvements required to accommodate the LNG project.

The proposed purchase of Weyerhaeuser Company's approximately 1,300 acres of North Spit property is being financed by two loans; one in the amount of \$10 million from Umpqua Bank, and one in the amount of \$15 million from the State of Oregon's Oregon Economic & Community Development Department (OECDD) Special Public Works Fund.

The \$10 million loan from Umpqua Bank will be paid off from the combined proceeds of the sale of the 147-acre LNG project property purchase – \$3.1 million – and the prepaid lease of a single berth in the 48-acre waterway – \$7.9 million.

The Port intends that the Jordan Cove Energy Project will be fully accountable for all costs associated with the development of their proposed LNG terminal and for their fair and appropriate share of the costs for the construction of the two-berth waterway. The contractual documents between the Port and Jordan Cove were drafted to insure that this occurs and the contracts have been agreed to by all parties after thorough review by various legal consultants.

Deducting the combined acreage of the LNG terminal and the waterway – 195 acres – leaves approximately 1,105 acres.

The urban renewal agency is a funding partner with the Port in the financing of the remaining 1,105 acres of the Weyerhaeuser Company's industrial property. The agency has pledged approximately \$1.5 million annually toward debt service on the Port loan from the State of Oregon. The Jordan Cove Energy Project rests wholly in the agency's North Bay District. If the LNG project is constructed it will generate about \$5 million annually in property tax revenue. The benefit to the agency is increased tax increment

revenue in future years due to increased property value assessments resulting from industrial development.

“Is it fact that the Finance Director of the Port of Coos Bay is the leader of the organization doing business as Coos County North Bay Urban Renewal Agency? And, if so, why is that not considered to be a conflict of interest?”

The Director of Finance and Administration of the Oregon International Port of Coos Bay serves as the Agency Administrator for the Coos County Urban Renewal Agency – North Bay District. The agency is governed by a current ten-member board which includes county commissioners, elected officials from the cities of Coos Bay and North Bend, port commissioners and two “at-large” public representatives. The Agency Administrator’s responsibilities include general bookkeeping and clerical activities, preparation of the annual budget for consideration and approval by the agency board and budget committee, and project management as required. There is no conflict of interest as the Agency Administrator takes direction from the agency board, which is responsible for all investment and policy decisions.

“I would like to read the Independent Economic study that was done to decide that this terminal is the direction for Coos County. Please supply me with that info.”

The original development group – Energy Projects Development LLC – evidently determined that Coos Bay was a viable candidate for an LNG terminal through in-depth analysis and research of North American energy markets, existing western U.S. natural gas pipeline infrastructure and an assessment of west coast ports. It is very likely that Energy Projects Development LLC produced an economic study or analysis for the Jordan Cove project to guide their development efforts and to provide benchmarks for investment and the projected return on that investment.

In most cases a private-sector company would consider that information proprietary due to market competition and investor relations issues. Inquiries about any economic analysis of the proposed LNG terminal should be made to Bob Braddock, Project Manager and Vice President of Jordan Cove Energy Project, L.P. He can be contacted at 541 266-7510.

It must be noted that the Jordan Cove Energy Project was not a direct recruitment by the Oregon International Port of Coos Bay or any other development entity locally or statewide. Energy Projects Development LLC made initial contact about available industrial waterfront property with Roseburg Forest Products and eventually executed an option with that firm. The Port became involved with the siting process as a means to maximize overall benefit to the community and to provide an improved vessel moorage for the LNG facility following passage of the Energy Policy Act of 2005 (EPAAct).

The following timeline describes the evolution of the Jordan Cove Energy Project from initial announcement to current status.

- *In August 2004 representatives of the Jordan Cove Energy Project announced their proposed development of an LNG marine terminal and storage tank facility for industrial property on Coos Bay’s North Spit. At that time they stated that they were continuing their due diligence and that further analysis of market demand could alter the scope of the project.*

- *The Jordan Cove developers filed a project application with the Oregon Department of Energy (ODOE) in November 2004, and ODOE held their first public meeting in January 2005.*
- *During April 2005 Jordan Cove representatives announced that after further analysis of the northwest energy market they intended to build two storage tanks on property they have under option from Roseburg Forest Products.*

Please note that at this point in the process the Jordan Cove Energy Project was (and for the most part continues to be) a private-sector driven proposal involving a property purchase option between Jordan Cove and Roseburg Forest Products. The Oregon Department of Energy permitting process provided State and local input to the final determination of approval or rejection of the application. The enactment of the Energy Policy Act of 2005 (EPAAct 2005) significantly reduced the Oregon Department of Energy's role in the siting process. (Please refer to the response to the first question.)

- *During April 2006 Jordan Cove filed their application with FERC. In May FERC notified Jordan Cove of their acceptance of the application and assigned a docket number. The FERC process is two-phase; the first is the National Environmental Policy Act (NEPA) pre-filing, and the second is review of the Environmental Impact Statement (EIS), the Waterway Suitability Analysis and the terminal security plan.*
- *In June 2006 the Port and Jordan Cove executed a property sale option for a parcel of land included in the Port's proposed acquisition of approximately 1,300 acres of property from Weyerhaeuser Company. The parcel is approximately 147 acres. The option also includes the opportunity to execute a long-term moorage lease in the proposed 48-acre waterway.*

With the passage of the EPAAct 2005, the Port choose to seek a more active and direct role in the FERC siting process to maximize the safety and security of the site for the community, out of interest for future development of maritime commerce in the Coos Bay harbor and to maximize possible opportunities for improvements to the Coos Bay deep-draft navigation system.

Prior to the passage of the EPAAct, the Port was in communications with the Weyerhaeuser Company to initiate negotiations for purchase of their North Spit property holdings. At that time other entities were also seeking to purchase the Weyerhaeuser property, however the Port did not believe those entities would be pursuing marine and/or marine industrial activities for the property that would create well-paying jobs for the community.

During the negotiating process, the Port proposed an option to Jordan Cove through which they would purchase a site for their LNG upland facilities (tanks, vaporization equipment and small power plant) and then lease a portion of a proposed waterway for the LNG tanker berth. The intent was and is to provide a more suitable location for the various components of the LNG import facility, while leveraging the investment Jordan Cove proposes to make in land acquisition, site preparation and waterway development.

The Henderson Ranch site relocates the tank facility further north and west of Runway 13-31 of the South Coast Regional Airport and moves the tanker berth from a location immediately west of the Roseburg chip export loading berth to a waterway away from

immediate proximity to the deep-draft navigation channel and away from other vessel traffic.

Jordan Cove now has an option on approximately 147 acres of the Weyerhaeuser Henderson Ranch parcel further to the northwest of their optioned Roseburg site. That option agreement includes a long-term lease for use of the waterway. The option also allows Jordan Cove to pursue direct purchase of the property from Weyerhaeuser if the Port cannot fulfill the terms of the agreement. The FERC permitting process is currently underway and will continue through 2006 and likely into the fourth quarter of 2007. Until a FERC decision is made, Jordan Cove is paying the Port \$120,000 per month as an option payment. This option payment covers the interest and principal payments due to lenders during the option period.

The Jordan Cove Energy Project represents a vital opportunity for the Port to achieve its Vision, Mission and Goals. The Port's Vision is to "promote optimal use of Coos Bay's deep-water port for the enhancement of the economy and quality of life in the region," and the Port's Mission is as follows: The Port will help build a diversified, healthy, stable regional economy through prudent management of its assets, advocacy for infrastructure improvements and collaboration with other public and private entities. Through the leverage provided by the marine infrastructure investments that the Jordan Cove project will be making in a waterway, the Port will have the opportunity to attain one of its goals; the development of a modern marine cargo terminal to help diversify the harbor's cargo base and create new well-paying jobs for the community.

The Port has continually acknowledged that FERC, through its permit application process, will make the final determination on whether the Coos Bay harbor is a safe and suitable site for the development of an LNG terminal and the extension of natural gas pipelines to connect the terminal to the existing pipeline grid serving the west coast. The FERC permitting process provides considerable opportunity for all interested parties to comment on the project.

"There is a regulation that was made after the rejection of the pulp mill to help define what should be on the North Spit. I would like a copy of that."

During February 1991, the Board of Commissioners adopted Port Ordinance No. 129, which amended an initiative measure adopted November 6, 1990, with the title of "Air and Water Limits on Future Transfers of Port Lands." A copy of Ordinance No. 129 is available at www.portofcoosbay.com/ord129.pdf.

In essence Ordinance No. 129 states that "unless approved by vote of the people at a general or special election, the Port shall not hereafter lease, sell or transfer any of its property for a proposed industrial use which would be..."

- a single point source discharger of waste water... in excess of 2 million gallons per day... or which would use or divert in excess of 2 million gallons of fresh water per day...*
- an air pollution source... which discharges or releases into the air one ton of total reduced sulfides per year...*
- an air pollution source which releases into the air toxic chemicals...*

Additionally the Board of Commissioners established “a citizens committee to advise the Port on actions which the Port should take for breach of provisions in leases, deeds or transfer agreements relating to compliance with federal, state or local environmental laws and regulations.”

To the best of our knowledge, the Jordan Cove Energy Project will not discharge or use/divert water in excess of two million gallons per day, nor will it discharge into the air one ton of total reduced sulfides per year or toxic chemicals. However the State of Oregon, through the FERC permit application process, has a specific role in ensuring project compliance with the Clean Water Act and the Clean Air Act. (Please refer to the response to the first question.)

“At the July 20th Port meeting, you (Port Executive Director Jeff Bishop) said the LNG vessels will be from Alaska and Australia. I know they ship LNG. Paul Friedman said the shipments would be Tobago and Trinidad. I have been studying the world market on LNG. A month ago they were trying to form a cartel, like the oil cartel because of the worldwide interest in LNG. Last week Libya announced they also will be exporting LNG. Some of the other major exporters are Russia, Nigeria, Norway, Indonesia, Algeria, Egypt, Abu Dhabi, Brunei, Oman, and Qatar. Not exactly friendly countries. Will it ONLY be Alaska or Australia? Who is Jordan Cove contracting with to bring in LNG to our beautiful bay?”

Currently there are at least 14 countries, including the U.S., exporting LNG in worldwide trade, and six to nine other countries have natural gas resources they hope to develop in the future.

In the Pacific Basin there are five existing LNG exporters and several potential projects.

The Pacific Basin exporters and the year they began exporting are as follows:

- U.S.A. – 1969
- Brunei Darussalam – 1972
- Indonesia – 1977
- Malaysia – 1983
- Australia – 1989

Potential Pacific Basin LNG Exporters: Russia is expected to begin LNG exports in 2007. LNG projects are proposed for Peru and Bolivia. Canada has undeveloped gas reserves and could become an LNG exporter.

In the Atlantic Basin there are six existing LNG exporters and several potential projects.

- Algeria – 1966
- Libya – 1971
- Nigeria – 1999
- Trinidad & Tobago – 1999
- Egypt – 2004
- Norway – scheduled 2006

Potential Atlantic Basin LNG Exporters: Angola / Equatorial Guinea / Venezuela

In the Middle East there are three existing LNG exporters and several potential projects.

- United Arab Emirates – 1977
- Qatar – 1996
- Oman – 2000

Potential Middle East LNG Exporters: Iran / Yemen

The Jordan Cove partners are likely negotiating with a number of potential suppliers to fulfill their long-term contract needs. Jordan Cove has discussed the possibility of

contracting for LNG from Alaska and Australia, but they have not announced a supplier deal at this time. However, they have assured Port staff that they will make every effort to secure a contract involving one or more of these preferred sources. Until such time as they announce a contract it would simply be speculation for the Port to predict which country may be supplying LNG to Jordan Cove.

The Port cannot comment on any remarks made by Paul Friedman of FERC.

Why should the people of Oregon, doing business as the Port of Coos Bay, or through any other taxing agency, be expected to spend one cent of taxpayer money to enlarge the harbor entrance, to make straight the Coos Bay channel, to widen the Coos Bay channel, to make improvements to the North Spit, to dredge the Coos Bay channel, to build two large vessel cargo unloading docks, to purchase very large sea going tugs; all that would not currently be required except for the LNG developer? Why should these costs that are related directly or indirectly to the LNG project not be borne by the \$4 billion annual sales Canadian LNG developer as a cost of doing business?

One of the specific tasks many public agencies are engaged in is the development of infrastructure that facilitates investments by the private sector to create and maintain jobs. City, counties and states do it through investments in the highway system and transit facilities, and in some cases by investing in aviation, rail and marine infrastructure. Port districts also make investments in many types of transportation infrastructure.

Recent examples of transportation infrastructure projects the Port has been engaged in include the North Spit rail spur, the ongoing rehabilitation of the Coos Bay Railroad Bridge and new marine facilities at Charleston. These projects have involved the use of federal and/or state funds for the development of new or the rehabilitation of existing transportation infrastructure and all projects ultimately benefit users and the community.

In the past (1983–1997) the Port was the local sponsor of the Coos Bay deep-draft channel deepening project. This project increased channel depth by two feet to provide clearance for fully laden ore vessels; inbound nickel ore from New Caledonia moving to Riddle, Oregon, and outbound copper concentrate ore moving via rail to Coos Bay and bound for a variety of Pacific Rim locations. Both of the terminals that benefited from this navigation system improvement were owned and operated by private-sector firms, and both terminals created jobs in the community and provided for additional work hours for the local longshore labor force.

The funding that supported the channel deepening project came primarily from federal and state sources, but private sector funds and Port resources were also utilized in the early stages of the project, primarily on feasibility studies. The deeper channel provided benefits to other Coos Bay cargo operations by allowing vessels to be loaded to deeper drafts. Maritime commerce in the harbor continues to benefit from these infrastructure improvements.

Diversification of the cargo base away from total dependency on forest products and wood fiber helped create new industrial jobs and helped sustain the existing longshore and waterfront workforce. However, international market forces caused demand shifts which curtailed shipments of ore commodities through the harbor. Additionally, those same market forces led to declines in the shipping of forest products and wood fiber.

In order to position the Coos Bay harbor so that the community can benefit from increasing trade between North America and Asia, primarily China, Port staff is pursuing initial analysis and feasibility review of needed improvements to the federal deep-draft channel in lower Coos Bay. We believe that navigation system improvements could help attract new commerce to the harbor. The Port is working with the U.S. Army Corps of Engineers through the Corps' Section 216 program to determine costs and other issues associated with widening the channel to 500 feet and deepening it to -55 feet Mean Lower Low Water (MLLW). This effort was initiated in March 2006. While a wider, deeper channel may benefit LNG tanker traffic, it is the Port's understanding that the Coos Bay Pilots would have no problems bringing in the size of tankers proposed to serve the Jordan Cove facility. They apparently demonstrated their expertise with these size vessels during simulator drills earlier this year. The channel improvements the Port is seeking are primarily in support of The Oregon Gateway project. Information about the Gateway project is available on the Port's website at www.portofcoosbay.com/orgate.htm.

The Port is proposing to partner with the Jordan Cove Energy Project to construct a two-berth waterway adjacent to the lower Coos Bay deep-draft navigation channel to accommodate a single LNG tanker berth and provide a single berth for a multi-purpose cargo facility. This waterway would be on the eastern edge of the Weyerhaeuser property commonly referred to as Henderson Ranch. Approximately 85 percent of the development costs would be paid by Jordan Cove, while the Port will be responsible for the balance to develop the cargo facility on the west side of the berth. Leveraging the waterway development maximizes the overall benefit to the community in infrastructure and jobs. The Port is consulting with a marine engineering and construction firm to establish project costs and timelines. Actual construction of the waterway would not occur prior to a final decision on the siting of the proposed LNG import facility.

Under the terms of the option agreement between the Port and Jordan Cove, the Port has the ability to provide and administer a master contract for marine facilities and equipment, and key services. Two exhibits within the agreement (www.portofcoosbay.com/jcoption.pdf – Exhibits F and G) detail the marine facilities and equipment, and various services that may be included in the master contract and how they would be funded through capital investments and tariffs paid by Jordan Cove. The marine infrastructure and equipment includes but is not limited to the waterway, turning basin, LNG dock, tug dock, identification system, navigation and marine traffic management systems, security and emergency equipment, fire station, fire truck, tug fleet (three vessels) and a security boat. Jordan Cove's capital investments will be sufficient to cover the purchase of any required infrastructure and equipment, and Jordan Cove's tariff payments under an executed master contract will cover the ongoing operating costs of tug crews, security boat crews, firemen and firehouse operations, annual maintenance for various system components and annual drills and exercises. Commercial Letters of Credit will be in place to protect all parties. Jordan Cove will have preferential use of all equipment and services, however use of equipment and services by others, specifically vessels calling at the multi-purpose cargo facility, will reduce overall costs for all users through economies of use and availability. Having marine equipment and services available for multiple users will create a competitive advantage for the Coos Bay harbor.

The Port is also involved with the proposed development of a lower bay turning basin related to the LNG project, but also designed to benefit other existing and proposed lower bay maritime commerce projects. Port staff is working with the U.S. Army Corps of Engineers to develop a 1,700 foot diameter turning basin in the deep-draft channel south of the proposed two-vessel waterway. The turning basin will serve the Roseburg Forest Products chip terminal and the proposed Jordan Cove/Oregon Gateway two berth waterway. Components of a navigation system must be able to accommodate vessels to maximum channel depth or greater at Mean Lower Low Water (MLLW), which is the average of the low tides. The proposed turning basin will have a depth of –45 feet MLLW.

The Port is providing a single response to the next group of questions/comments immediately following the last question/comment.

At the September Port of Coos Bay Commissioners meeting, please deliver to Jody McCaffree one copy of the most recent Port of Coos Bay Annual Report (in whatever form it exists) covering the operating calendar or fiscal years that include the period 1 July 2004 through June 2006. And, please provide one copy of any monthly or quarterly report during calendar year 2006. Please annotate all documents so the people may be certain of the total income and expenses of the Port and especially expenditures by the Port since mid 2004 in any matter related to LNG and natural gas pipelines; such as surveys, studies, reports, site specific plans, lands acquisition, attorneys fees, consultant fees, travel, entertainment, development of the Port to accommodate LNG and pipelines, etc.

At the September Port of Coos Bay Commissioners meeting, please deliver to Jody McCaffree one copy of the Port current year operating plan and budget. And, one copy of the Port operating plan and budget for out years. Again, please annotate each document so the people may clearly identify all planned income and expenditures related to any matter that may be LNG or pipeline related.

During the spring of each year the Port conducts a public budget process with its designated Budget Committee, which consists of the five Port commissioners and five residents of the Port District representing the public. All budget meetings are public. The Port holds a public hearing on the budget at the June meeting each year prior to the start of the new fiscal year (July 1 through June 30). The public is invited to provide comments at that hearing. The Port's budget is essentially the annual operating plan, in that it funds a variety of projects in the Port's various cost centers or business units that have been previously identified through project planning efforts and/or master plans. In the fall of each year, the Port District goes through a complete audit as directed under state statute. That audit is a public document. Both budget and audit documents are available to the public for a minimal photocopying cost when completed and finally adopted by the Board of Commissioners.

The Port also keeps accurate and comprehensive minutes of all Board of Commissioner's meetings. Those minutes are published on the Port's website – www.portofcoosbay.com. The monthly financial report, which is included in the monthly Commissioner's packet, is also available in hardcopy upon request.

Prior to June 2006, the Port had no direct income or expenditures related to the Jordan Cove LNG project. The Port and the Jordan Cove Energy Project executed a sell/buy

option agreement during June 2006 through which Jordan Cove has an option to purchase approximately 147 acres of property for its upland facilities if it is successful in obtaining Federal Energy Regulatory Commission (FERC) approval for the project. The agreement also includes an option through which the Port will execute a long-term lease with Jordan Cove for use of a single berth in the proposed waterway adjacent to the Jordan Cove parcel. The FERC permitting process is currently underway and will continue through 2006 and likely into the fourth quarter of 2007. Until a FERC decision is made, Jordan Cove is paying the Port \$120,000 per month as an option payment. This option payment covers the interest and principal payments due on the portion of the Weyerhaeuser property Jordan Cove is seeking to purchase from the Port during the option period.

The Port's Director of Finance and Administration is available to discuss all financial aspects of the Port's operations. The Port's administration office phone number is 541 267-7678.

Please tell the people who the experienced LNG and natural gas experts are on Port staff; and what are their credentials?

The Port District has never claimed to have LNG and/or natural gas experts on staff. However, the Port does have a competent, experienced and professional staff that has the expertise and skill to perform due diligence on any project. Port management staff has extensive experience in public administration, transportation planning and economic development. The staff also has the ability to secure outside expertise when required. During the past three years various members of the staff have been engaged in extensive research, including ongoing communications with a broad array of people directly involved in the LNG and natural gas industry, maritime safety and security and other related issues. The research and due diligence continues and the information gained is utilized to guide the Port's actions in regards to the Jordan Cove project.

The Port has long held the position that the FERC permitting process, specifically the Environmental Impact Statement (EIS) and the U.S. Coast Guard coordinated Waterway Suitability Assessment (WSA) will determine if an LNG facility on the North Spit and the transit of LNG tankers are safe and acceptable activities in the Coos Bay harbor. Additionally, the Office of Pipeline Safety of the U.S. Department of Transportation will assess the suitability and safety of any proposed natural gas pipeline route.

The Port is providing a single response to the next group of questions/comments immediately following the last question/comment.

Even the LNG developer has stated that there is risk associated with LNG. At the September Port meeting, may the people have one copy (to Jody McCaffree) of the Port of Coos Bay's risk assessment that assured the Port that support of the LNG project is in the safety and security interest of the people of Coos County?

Based on the findings of the Port of Coos Bay research, what does the Port of Coos Bay Commissioners consider to be a safe distance from a LNG transport vessel catastrophic event explosion and fire?

What are the risks to the people by transiting large LNG transport vessels, or by large LNG filled storage tanks, or by a LNG import terminal, or by enlarging the

harbor entrance, or as a result of significant dredging – all required to accommodate the LNG developer?

Having performed a risk assessment, please tell the people what will happen if there is a catastrophic event at the LNG transport vessel while in the Coos Bay channel, or at the LNG import terminal, or at the LNG storage tanks, or at the 36” pipeline; especially if the event occurs ½ mile or less from the communities of Charleston, Empire, and North Bend.

In the current Port plan, when there is a catastrophic LNG or natural gas event, and there is a many miles wide inferno as some government reports and those professionals most critical of LNG suggest may be the case, where will hundreds of first responders be coming from in a timely manner? Where will the trauma center to treat thousands be located? Where will the hospital beds be located?

The Energy Policy Act of 2005 delegated responsibility and authority for approving or denying applications for siting, construction, expansion or operation of LNG facilities and associated pipelines to the Federal Energy Regulatory Commission (FERC). The FERC permitting process, specifically the Environmental Impact Statement (EIS) with its various resource reports and the U.S. Coast Guard coordinated Waterway Suitability Assessment (WSA) will determine if an LNG facility on the North Spit and the transit of LNG tankers are safe and acceptable activities in the Coos Bay harbor. Additionally, the Office of Pipeline Safety of the U.S. Department of Transportation will assess the suitability and safety of any proposed natural gas pipeline route between Coos Bay and Malin, Oregon. At the FERC’s request, the Governor also has designated the Oregon Department of Energy as the state’s lead agency for working with the FERC on LNG import terminal safety and security issues.

Personnel from the FERC, the Coast Guard and the Office of Pipeline Safety have the specific knowledge, training and experience to objectively assess the safety and security issues associated with siting an LNG facility in the Coos Bay harbor and the transit of LNG tankers in lower Coos Bay. Additionally, local interests in safety and security are represented by the State of Oregon. The process will determine the hazards associated with LNG tankers and facilities, an assessment of the risks from the proposed operations and the proposed site, and whether the parties involved can properly manage risks to provide for the safety and security of the community, the waterway and waterway users.

As a cost savings for the people, will the Port agree to relocate its spacious and well equipped offices five miles to the North Spit and as a part of the LNG import terminal facility?

As additional development occurs on the North Spit, the Port may relocate its administrative office and staff from downtown Coos Bay to a suitable location at the Henderson Ranch parcel adjacent to TransPacific Parkway and near the Jordan Cove upland facilities. However, security regulations will not allow the Port to locate any future office facility within the Jordan Cove Energy Project terminal site.

The US Coast Guard’s orders at other LNG import terminals are to abandon the site if a LNG leak is suspected. Please assure the people that, in the event of a LNG leak, the Port personnel will remain on site to assure the peoples safety.

The statement in the first sentence of this comment is not accurate. The U.S. Coast does not have orders in place concerning abandonment of a site if an LNG leak is suspected. Coast Guard policy for all emergency situations – fires / oil spills / hazardous material incidents – is to fall back to a safe distance, assess the situation and then proceed with efforts to manage and solve the problem while minimizing risks. This information was provided by a Coast Guard officer involved in marine safety operations.

In actuality, the current scenario calls for Coast Guard personnel to conduct regular inspections of the LNG berth and terminal facility. Specific site requirements will depend on the Coast Guard review of the Waterway Suitability Assessment (WSA) and the Terminal Security Plan. At the present time, no Coast Guard personnel would be permanently assigned on site at the facility.

Assuming that the Port would eventually have its administrative office located on the North Spit in proximity to the Jordan Cove facility, staff would be subject to any and all directives issued by emergency response personnel. In the unlikely event of an LNG leak at the vessel berth or the storage facility, staff would comply if directed to evacuate.

How will the Port assure the peoples safety with one or two small US Coast Guard vessels and personnel that can not be at all four corners of a transiting and moored LNG transport vessel and in such a narrow channel? US Coast Guard personnel will not be able to see over or around the large LNG transport vessel?

The Waterway Suitability Assessment (WSA) performed by the U.S. Coast Guard as part of the FERC permitting process will determine the level of Coast Guard assets – marine and/or aviation – required to safely manage the transit of an LNG tanker from open ocean to a secure berth at the LNG moorage facility. The Coast Guard is equipped with modern communications equipment and other physical assets required to support marine safety and security operations in a variety of situations.

The Coast Guard, working with vessel owners and/or operators and terminal operations personnel, will have oversight for on-water activities involving LNG tankers and all other commercial marine traffic. Other involved parties will include ship assist vessels and local harbor pilots.

How will the Port or US Coast Guard stop an explosives laden aircraft from flying directly into a LNG vessel, or LNG storage tank, or LNG piping, that are a few feet from the end of active runways?

The Oregon International Port of Coos Bay has no authority in the area of aviation, aviation operations or U.S. air defense. This question should be directed to the Federal Energy Regulatory Commission (FERC), the U.S. Coast Guard and the Federal Aviation Administration (FAA). Security requirements increased dramatically in both commercial and general aviation in the years following the 9/11 tragedy. Given existing safeguards, it is extremely unlikely that an explosives laden aircraft would be in the air near the LNG facilities or the LNG tanker. If this question has been posed to FERC through the public comment process on the Jordan Cove Energy Project permit application process, then Jordan Cove will be providing a response through the FERC process.

The proposed LNG terminal and vessel waterway are not located “a few feet from the end of active runways.” An LNG tanker in the waterway would be at least 4,500 feet

from the north end of runway 13-31, while the storage tanks would be at 6,000 feet from the end of the runway.

The Port is providing a single response to the next group of questions/comments immediately following the last question/comment.

It is recognized that the planning of two huge LNG storage tanks on an unstable North Spit sand dune must take into consideration the affect of a worst cast offshore Oregon Cascadia Subduction earthquake and a tsunami. Before supporting any LNG import terminal effort that is planned to be so close to populated areas, did the Port consider all possible worst case scenarios of failure due to earthquakes, tsunamis, liquefaction, horizontal loads, wave and current loading, debris impact, etc? What were the Port's findings? These were concerns of the state of Oregon early last year when their Project Order in response to the Jordan Cove Energy Notice of Intent was released. The tsunami study site at Oregon State University, under the direction of Professor Dan Cox, is a recognized world wide as the preeminent facility for such study. Was there a North Spit site specific study done by Dr Cox and his people or by any other organization for the Port of Coos Bay; if so please provide Jody McCaffree with a copy of all studies done for the Port.

The first remark in this question/comment is not accurate. It is apparently a statement of opinion rather than fact. Compacted sand provides an excellent base for all types of construction. The development plans for the Jordan Cove site call for excavation of a suitable construction zone within the existing sand dune structure.

Based on findings of the Port of Coos Bay risk assessment, what will the effects of the expected 9.0 (or more) Richter scale Cascadia Subduction earthquake and resultant 30 to 100 foot tsunami waves have on the North Spit at Henderson Marsh; at the LNG import terminal; or on LNG transport vessels in the channel?

What will the affect of a 30 foot or higher tsunami wave surge be on a LNG vessel in the channel?

How will the Port assure the peoples safety if there is a 15 minute tsunami warning issued, there is a LNG transport vessel in the channel approaching the turn basin, and the US Coast Guard vessels appropriately abandon the LNG transport vessel to seek relatively safe harbor elsewhere in the channel?

The preceding questions should be addressed to the Federal Energy Regulatory Commission (FERC) through the federally-managed project permitting process.

The FERC permitting process mandates the project applicant to complete an Environmental Impact Statement (EIS). One of the resource reports in the EIS process is an analysis of geology and soils. Potential impacts involving possible earthquakes and tsunamis have been identified as possible environmental issues and will be addressed through the EIS. The Coast Guard-coordinated Waterway Suitability Assessment (WSA) segment of the FERC permitting process will also look at the safety and security issues involving the movement of LNG tankers in lower Coos Bay.

The Jordan Cove project has engaged a broad array of consultants throughout the development and permitting process, including geologists, soils engineers and marine safety experts.

The Port is providing a single response to the next group of questions/comments immediately following the last question/comment.

Having considered all possible hazards to the people, assuming a worst case vessel scenario (other than explosion and fire) of a single propeller driven 950 foot long LNG transport vessel that is one mile offshore, loaded with LNG product, is inoperable because a propeller shaft roller bearing must be replaced, requiring propeller removal, what would the port plan be, i.e., to bring a crippled ship into the Coos Bay channel to unload product, to demand that the owner / operator take a fully loaded LNG vessel to some remote dry dock for repair first; to boil off the LNG product into the air knowing that asphyxiation of people downwind is possible; or?

Where is the nearest dry dock to accommodate a 950 foot long, fully loaded, LNG transport vessel?

Based on the Port of Coos Bay risk assessment findings, should a catastrophic event occur and a LNG transport vessel runs aground in or outside the Coos Bay channel, perhaps alongside the New Carissa, how will LNG product be safely removed?

How will a fully or partially loaded burning moored LNG transport vessel be safely removed in a timely manner from its Henderson Marsh dock, at low tide, during night time hours, and when it must make the 1 ½ hour trip passing the nearby populated communities of North Bend, Empire, and Charleston to be sent to the open sea before explosion?

The preceding questions should be addressed to the Federal Energy Regulatory Commission (FERC) through the federally-managed project permitting process.

The FERC permitting process mandates the project applicant to complete an Environmental Impact Statement (EIS). One of the resource reports in the EIS process is an analysis of the reliability and safety of the project. Additionally, the U.S. Coast Guard will coordinate with FERC on a thorough review and analysis of the Waterway Suitability Assessment (WSA) and the Terminal Security Plan.

In the event of a maritime incident, the U.S. Coast Guard will work directly with the vessel owners and/or operators, other emergency responders and all available and required marine service providers to manage the event and take whatever actions are necessary to protect the public. The FERC permitting process will assess the capabilities and equipment needed to handle emergency response.

LNG tankers are the most expensive, technologically advanced and safety-engineered non-military vessels in service. The chance of any of the described events occurring is extremely limited. However, the Port believes that the WSA does call for the analysis of a spill event involving the LNG cargo. An explosion involving LNG is not likely since LNG is not transported or stored under pressure and vaporized LNG – natural gas –

must be in a range of 5% to 15% gas to air mixture, in the presence of an ignition source, in order to burn.

Since the first commercial shipments of LNG in the mid 1960s, the LNG tanker fleet segment of the international marine transport industry has moved more than 33,000 LNG cargoes more than 60 million ocean miles without an accident causing loss of life or damage to the environment.

Additional questions and comments with Port responses will be posted to the Port's website at www.portofcoosbay.com as they are completed.