

OREGON INTERNATIONAL PORT OF COOS BAY  
Coos Bay, Oregon

SPECIAL COMMISSION MEETING

Monday, September 29, 2008

7 p.m.

Port of Coos Bay Council Chambers, 125 Central Ave, Suite 230, Coos Bay OR 97420

**ATTENDANCE:**

**Commission:** David Kronsteiner, President; Caddy McKeown, Vice President; Brady Scott, Treasurer; Commissioners Jerry Hampel and Dan Smith were out of town and excused.

**Staff:** Jeffrey Bishop, Executive Director; Mike Gaul, Deputy Executive Director; Martin Callery, Director of Communications and Freight Mobility; Donna Nichols, Director of Finance and Administration; David Koch, Port Counsel; Andrea Wall, Executive Assistant.

**Media and Guests:** Alex Rich, *The World*; Gordon Young, Channel 14; Ray Penny, FONSI; Dan Smith, Oregon Resources; Camby Collier; Roberta Stewart; Joe Stoneburg, Weyerhaeuser; Diane Phillips, OCAP; Richard Chasm, LOWCD; M.A. Hansen; Dick Leshley, Yellow Cab; Robert Vandervelden; Sam Roth; Debra Roth, Century 21 R/E; Ken Messerle, Coast Consulting; Tim Bishop; Arnold Hill; Jody McCaffree; Bill McCaffree; Steve Jones; Steve Pickering; Andy Nasburg; Edward M. Tyrell; Joseph Morgan, M.D.; Kip & Jenny Gumm & Marvin Caldera, ILWU, Local 12; Marjorie Feldman; Francis Quinn; Roy Hemmingway, JCEP; Jan Dilley; Ruby Starr; Mary Margaret Muenchrath

1. **CALL TO ORDER:** The President called the Special Commission meeting to order at 7p.m.

The Commission then adjourned to an Executive Session at 7:03 p.m.

The Open Special Commission meeting was re-opened at 7:12 p.m.

2. **PUBLIC COMMENTS:** The Commissioners requested that everyone limit their comments to three minutes and to discuss only the subject we have before the Commission tonight. If someone else covers what you were going to say, please refrain from saying the same thing again, just say you agree with what was said before.

**Ray Penny:** Mr. Penny represented FONSI, Friends of New and Sustainable Industry. He read two letters in support of the LNG/Weyerhaeuser project. The first letter was to the Commission President from Mr. Jon Barton; the second letter from Mr. Harry Abel Jr. Both letters are attached at the end of these minutes.

**Camby Collier:** Ms. Collier said she was interested in this transaction. She does not understand why the Port can't own the property by itself and not with Jordan Cove. She feels LNG is detrimental to the community. Ms. Collier cited the 4<sup>th</sup> Amendment to the Constitution, the right of the people to be secure in their homes.... shall not be violated.... etc. She went on to state that there is even a man from FERC who is against the project and says that there are other ways to take care of energy. The community needs manufacturing and tourism, not big industry.

**Jody McCaffree:** Ms. McCaffree wanted to make two points. She read a statement for point number one which is attached at the end of these minutes. Point 2 said that there needed to be full public disclosure on the Weyerhaeuser deal. She has also included a statement regarding the Port's approval of the Option Agreements from May 2006 which is attached at the end of the minutes.

**Richard Chasm:** Mr. Chasm has been a real estate agent since 1992 and he talks to appraisers all the time. He feels that the Port needs new appraisals; the market has changed dramatically. Appraisals are based on a series of assumptions and those assumptions are no longer valid. The values have gone down.

**Diane Phillips:** Ms. Phillips represents Citizens against the Pipeline and the group is made up of effected landowners. She feels the Port should slow down and get a lot of public input. She feels that Jordan Cove keeps changing the project and making it bigger. There are a lot of safety issues which should be addressed.

**Jan Dilley:** Ms. Dilley says she is confused and thinks the Port can control whether or not the Jordan Cove project continues. She does not want the Port to extend the agreement. She wants it renegotiated.

**Ruby Starr:** Ms. Starr lives in Empire near the Bay. She is concerned about all the extra people in town, all the construction going on and the trucks. Our streets are already too busy. She feels we need to keep local jobs and enhance them. Ms. Starr does not feel that the amount of income FERC says will be coming into the community is accurate. She wants tourist money and social security money from retirees. She sited what has been done in Bellingham WA and how beautiful it is.

**Steve Jones:** Mr. Jones wanted to know if we are renewing the existing contract or redoing sections of it or what. The President said he was welcome to write his questions down and give them to the Board, but this was for comment only. Mr. Jones continued and said he was against LNG. He drove the pipeline recently and said there were many signs on the route against the pipeline. He wants more public input pertaining to the contract. He said this is not going to happen in 2009 - it will be a lot further out than that.

**Steve Pickering:** Mr. Pickering feels that if LNG goes in there will be little else coming in. No one will want to site on the North Spit with LNG there. He feels it is up to the Port to stop this project; it is not right for this community. He thinks the Port is too involved with Jordan Cove and need to step back from that involvement. He talked about refining plants in El Paso, Texas and said they were ugly - he doesn't want that here.

**Dr. Joseph Morgan:** Dr. Morgan said he has been in Coos Bay for 43 years and he is concerned about the air quality and health problems the LNG facility will bring into the area. He feels that there will be many more problems and people will be moving away from here.

**Jennifer Gumm:** Ms. Gum represents ILWU, Local 12 and is speaking for Marvin Caldera and Frank Williams. She said we support extending this agreement. They are very happy with what the Port is doing. She lives in Glasgow and said that she is more scared of the pulp mills and the chip tankers than she is of LNG. The Pacific Maritime met with PMA who represents Maersk and told Maersk about LNG being next door. This did not bother Maersk at all. The Local feels that the Port is being responsible and thinks that they do have the best interests of the community in mind.

**Tim Bishop:** Mr. Bishop has lived in this community for 50 years and says that this Weyerhaeuser project is important for the Port. This area has had businesses open and close, schools close, etc. We need to look past the citizens against everything. When the natural gas pipeline was being put in, these same people were out there trying to scare people and nothing happened. Jordan Cove is a stand-up company and the transfer monies are starting to hurt the hospitals and the area.

**Roy Hemmingway:** Mr. Hemmingway is a consultant to the Jordan Cove Energy Partners project. He wanted to apologize that Mr. Braddock had previous commitments and was unable to attend tonight's meeting.

**Mary Margaret Muenchrath:** She said that we are selling this community short; there will be jobs coming here. We don't want the congestion. We don't want the pipeline going through our yard in front of our house. She is very upset about the eminent domain. The Port Commission was appointed to represent the people – we are the people and we don't want this project. Our land values will go down. We have wood here, why can't we bring in a company to build windows.

**M.A. Henson:** Ms. Henson is from Myrtle Point. The Port needs to know that our project is affecting four counties, not just Coos, and 385 landowners. The pipeline people will only give you 25% to 75% of the value of your land or they will do eminent domain. Dan Laden said that there will only be 5-8 jobs on the pipeline and maybe 114 to the terminal. We are losing tourism in the south county. This pipeline will be crossing our tributaries and big rivers and will ruin them. Safety is an issue. There was a pipeline explosion just a couple of weeks ago. Williams won't give anyone any straight answers about the explosion or why it happened.

**Robert Stewart:** Ms. Stewart is from Bandon, downwind from the pollutants. She is concerned about the convoluted process and the total amount of pollutants that would be put out. She referred to an ordinance that the Port passed with controlled the amount of pollutants. Where is that – why aren't we using it.

### 3. **ACTION ITEM:**

- A. To consider extending the Jordan Cove/Weyerhaeuser agreements.

Mr. Bishop showed a power point presentation on the Weyerhaeuser Land Option – Extension Agreements.

The Port entered into an option agreement with Weyerhaeuser which was two years in length however, Jordan Cove possessed a six-month extension option which they exercised. The price of the option is the purchase price and Weyerhaeuser must repay the purchase price if the option is cancelled. The Port had two years to perform due diligence. The agreement provides for the Port to exit, but at that time Jordan Cove can pick it up directly with Weyerhaeuser. In the agreement, the Port indemnifies Weyerhaeuser from future clean-ups. The Port did extensive due diligence and purchased insurance to pay for the clean-up in the event it happens. After extensive due diligence, the site was declared clean and received a certification from DEQ.

The Port negotiated a PPA (Prospective Purchase Agreement) with the State of Oregon. The Port borrowed \$10 million from a bank and \$15 million from the State. Both of these loans have debt service.

The Port entered into an option agreement with Jordan Cove Energy Partners. This option has three sections.

- An option to buy 147 acres
- An option to lease a berth area

- A non-binding exhibit to serve as a guide to future negotiations

The monthly charge for the option was \$120,000 in the initial term and was \$160,000 for the first extension.

The Port's option with Weyerhaeuser is for 1,300 acres. Jordan Cove Energy Project has an option to acquire 147 of those acres leaving a net balance of 1,153 acres. The net balance of the Weyerhaeuser deal is now 1,153 acres. Jordan Cove has an option to lease an area to build a berth on 48 of those acres. This now leaves a net balance of 1,105 acres.

The Jordan Cove purchase will cost \$3.1 million and the Jordan Cove Prepaid lease will cost \$7.9 million. Total pre-payment by Jordan Cove would be \$11 million. This amount will be used to pay off the \$10 million bank loan and to purchase environmental insurance.

The Port will have a remaining real estate portfolio of 1,105 acres and a remaining loan with the State of Oregon for \$15 million. There are two options for paying that loan.

- From proceeds of land sales
- From the property tax paid by Jordan Cove Energy Project via Intergovernmental agreement with the County Urban Renewal Agency.

The Jordan Cove project is expected to cost between \$750 million and \$1.2 billion. At the existing tax rate of \$15 per \$1,000 the project would produce about \$10 million annually in property tax. The project rests wholly in the Urban Renewal District. Jordan Cove is not eligible for a 15 year rebatement on their taxes. The Urban Renewal District has pledged approximately \$1.5 million annually toward the State loan, which would meet the debt service. The remaining \$7.5 million can be spent on infrastructure to create new employment opportunities. The net effect of the Weyerhaeuser purchase to the existing Coos County Taxpayer is zero (\$0). Jordan Cove Energy Project is further required to back this loan with a commercial letter of credit.

The agreement with Jordan Cove has the option for the Port to participate in the construction of the berth. The agreement has an exhibit entitled Investment Agreement and an exhibit entitled Services Agreement. Neither of these exhibits are currently binding on the parties (because they say they are not binding).

The Jordan Cove project would have about 1.5 vessels per week coming into Coos Bay.

Investment Agreement - Should Jordan Cove and the Port agree, the Port would build the marine structures in the slip area. Since the Port is the permit applicant for the berth it is likely that the investment agreement option will be used. The reasoning behind this opportunity is economy of scale. 85% of the marine structure proposed would have to be constructed if the facility was to be a single berth facility. This would offer significant savings to the Port for the construction of a second berth, which will create a sound foundation for the development of a multi-purpose terminal. The Port has postponed permitting for the second berth but has not abandoned the idea entirely, especially in the light of the recent Coast Guard established security zone that would allow use of a second berth. National policy pertaining to ballast water regulation is anticipated and will remove the impediment the berth faced.

Services Agreement – The reasoning behind this opportunity is also economy of scale. 100% of the marine services provided at the marine terminal would have to be paid by Jordan Cove. This would offer a tremendous competitive advantage to the Port in marketing a new terminal to other users.

Both the Investment Agreement and the Services Agreement, if enacted, would require Jordan Cove to pay for their fair share of costs. Both of the agreements, if enacted, would require guarantees and letters of credit from Jordan Cove.

New Extension – The Weyerhaeuser Option Extension is for a term of one year and the cost is \$100,000, which is applied toward purchase. Weyerhaeuser is guaranteed use of the option payment for the duration of the term or up to closing whichever happens first. The Jordan Cove option extension is for a term of one year. The cost is \$100,000. Jordan Cove agrees to pay quarterly option payments of \$480,000 to the Port of Coos Bay and a final option payment of \$160,000 up to the end of the term or until closing. The Umpqua loan is extended for a term of one year with a \$10,000 fee. The loan from the State of Oregon's term already extended two-years beyond the Weyerhaeuser option. The State loan agreement is amended to acknowledge the extension of the Weyerhaeuser and Jordan Cove options.

If we did not do the new extension, it would not stop this project; it would just remove the Port from overseeing the operations.

Resolution 08/09-2 amends Resolution 05/06-11 to reflect the extensions and amendments to the four instruments mentioned tonight.

Upon a motion by Commission Scott (second by Commissioner McKeown) the Board of Commissioners approved Resolution 08/09-2 and authorized the Executive Director to execute the extension agreements with Weyerhaeuser, Jordan Cove, Umpqua Bank and the State of Oregon approved to form by Port Counsel.

Commissioner Scott said that he appreciates all of the support from this community to the Port. We don't just represent those who come to meetings – we represent everyone in the community and it is all about balance.

Commissioner McKeown said that we do take our jobs very seriously. We do hear from people in the grocery store and on the phone, both pros and cons. She also wanted to reiterate that this project will move forward no matter if the Port is involved or not and she feels it is prudent for the Port District to be involved and to be overseers of the operations.

4. **ADJOURN:** The Special Commission Meeting was adjourned at 8:40 p.m.