



Letter to the Community

I would like to thank the people of Robbinston for their recent vote of confidence in Downeast LNG and our proposal to build an LNG import terminal at Mill Cove. By a vote of nearly three to one, you have told us to keep moving forward, and we are.

From day one, we have engaged in an honest discussion with Robbinston residents and the people of Washington County about our plans. We have received many questions about the project, as well as many positive suggestions about how to make it better. We have listened to each other and learned from each other, which is why I believe the town vote was so positive.

Our opponents dismiss the vote, saying that it “shows that residents have not truly been informed of the consequences and changes a LNG complex will impose on the Town of Robbinston and the Bay.” They know that’s not true, and so do the people who voted.

Still, we recognize that not everyone supports this project, and that we must maintain a dialogue with all area citizens on both sides of the issue and on both sides of the border as we move ahead through the permitting process. That’s what we have been doing all along and that’s what we’ll continue to do. The second half of this letter addresses misinformation that we believe is important to correct so the public understands the facts about our project. We hope that by presenting both sides directly it is helpful to you.

For now, on behalf of the Downeast LNG, let me just say thank you once again for your support. It means a great deal to me personally and to the ultimate success of the project.

Best regards,

A handwritten signature in black ink that reads "Dean P. Girdis". The signature is written in a cursive style.

Dean Girdis

Status and Studies

- Downeast LNG’s FERC NEPA PreFiling Request was approved on January 25. The full pre-filing text is available on our website (www.downeastlng.com) and we will continue to post all of our FERC filings on our website for easy access.
- Several new studies have been initiated, including assessments of marine fauna, archaeology, air quality, noise, and environmental evaluations of the various pipeline routing options.
- The Downeast LNG office in Robbinston has “opened” after delays in getting our internet service set up. We’ve begun purchasing the office furniture basics and are slowly building up!

The Facts

Downeast LNG is grateful for your support and committed to providing you the facts regarding our project and our progress in making it happen. As such, we are again providing information to clarify any errors or confusion caused by a recent letter to you from Save Passamaquoddy Bay (SPB). Although the vote was very strongly in favor of Downeast LNG moving forward, we feel strongly that errors in fact should be set straight so you continue to fully understand our project plans and choices.

Project Revenue

SPB: *“They (Downeast LNG) have indicated they earn \$0.40 (40 cents) per 1,000 cubic feet of LNG re-gasified....it appears their annual income will be approximately \$72 million.*

The Facts: SPB is confusing residents by suggesting our profit is \$72 million, when this figure represents revenues, not profit. The average revenue for regasifying LNG is about \$0.40 per 1,000 cubic feet. DELNG annual revenues would therefore be about \$73 million.

\$73 million revenue = 500 million cubic feet per day X \$0.40 (per 1,000 cf) X 365 days

In business accounting terminology, annual revenue is the same as annual income. However, it is not profit. Once expenses are subtracted, such as the \$400 million loan for building the LNG plant, operating expenses, and taxes, the typical profit is 8 – 12%. (DELNG stated in our public presentation on December 28th that the typical profitability of an LNG import terminal is 8 – 12%).

We have also chosen to use a regasification system that is very environmentally favorable – but it requires us to use 2% or more of the LNG we receive to do so. This means our profit will be less than other similar facilities that do not use submerged combustion vaporization.

The “Deal”

SPB: *“Do you think it (DELNG’s proposal to Robbinston) compares favorably with another LNG proposal for the area; i.e. approximately \$14 million a year for Pleasant Point and Perry?”*

The Facts: The current proposal made to Pleasant Point, as it reads from the Quoddy Bay website, states “Quoddy Bay LLC is leasing the Split Rock site from the Passamaquoddy Tribe for approximately \$8 million per year, contingent on throughput of gas.” Second, the Perry Improvement Association recently outlined (Quoddy Tides, December 23, 2005) a \$1 million annual commitment Quoddy Bay LLC has made to the Town of Perry. Thus the total proposal to both the Passamaquoddy Tribe and the Town of Perry is \$9 million annually.

The DELNG proposal of about \$4 million compares very favorably to this proposal. It is



important to note that the DELNG project has 500 mmcf of gas throughput, as compared to 2,000 mmcf (or 2 bcf) for the Quoddy proposal. Thus, even though the DELNG project is only 1/4 as large we are offering 100% more on a gas volume basis.

SPB: *“Will DELNG pay its property tax upon the assessed (fair market value) of the plant? Which is it going to be: fair market value or assessed value? There can be a difference between the two!”*

The Fact: DELNG has committed to paying the fair market value of \$400 million. Typically this may be much higher than the assessed value.

SPB: *“What’s to prevent the state from offering them a “deal” for coming here which would relieve them of a large part their real property tax burden?”*

The Fact: Downeast LNG has never asked for any special real property tax treatment from the town, county or state, nor will it.

SPB: *“You may recall from the (DELNG) proposal presented at the initial meeting last summer, DELNG included an answer to a hypothetical questions about noise generated. They said: “Very little” in their answer sheet. Why is the specter of a noise problem arising now? If there is “very little” noise why even discuss? If there are noise limitations, it can’t be a very quiet operation.*

The Facts: The information that Downeast LNG has provided regarding noise is in response to specific questions from the people of Robbinston. Our response to these questions, noted at our initial meeting in July and through the FAQs document on our webpage, is that very little noise is generated. Specifically, we have noted at several town meetings that the noise level for a LNG facility at its property boundary would be well under 60 decibels. This compares to 90 decibels for a passing truck on Route 1.

The Robbinston Advisory Committee wanted to include a reference to the minimization of noise in the agreement so DELNG included such a reference. Any large development project that falls under NEPA and thus requires an environmental impact statement must discuss noise levels. More to the point, many local towns reference noise minimization. For example, even the *Robbinston Land Use and Development Code* discusses noise limitations!

Experience at Cove Point, Maryland

SPB: *“Cove Point is over 1,000 acres.”*

The Facts: Cove Point sits on 1,017 acres, of which 108 are developed for the LNG facility, 800 are under conservation management, 190 acres are freshwater marsh and 80 acres make up a county park. Moreover, the Cove Point import terminal itself is much larger than that proposed for Robbinston. Cove Point has five LNG storage tanks with room for a sixth. Downeast LNG plans to build one storage tank, and has room for a second tank if needed in the future.

SPB: *“We’ve heard about the residential area right outside the gate. Well, the gate is a LONG way from any part of the facility.”*

The Fact: The main gate to Cove Point is about 700 feet from a residential street. The gate is in fact not a long way from any part of the operating facility, it is in fact about 900 feet from an LNG tank and other operations.

SPB: *“An aerial view of the facility shows a lot of woods surrounding it without a house in sight.”*

The Fact: The Downeast LNG Newsletter No. 4 clearly shows houses about 2,000 feet from the facility. The proposed DELNG facility as well will have woods between it and homes.

SPB: *“It appears that at the time our people visited there... the facility may not have been operating normally...”*

The Fact: When the Robbinston Advisory Committee visited the LNG facility was operating at full capacity.

SPB: *“It also appears that visitors were not given the chance to see the extent of light pollution caused by night security lights.”*

The Fact: Cove Point LNG is closed to visitors in the evening. The Robbinston Advisory Committee could have visited the area surrounding the LNG facility at night but did not.



Safety Issues

SPB: *“Why does the US Coast Guard escort LNG tankers with armed gunboats? What do they know that we’re not being told?”*

The Facts: The only LNG ships that are escorted by US Coast Guard armed gunboats is in Everett, MA. Following 9-11, US Coast Guard armed gunboats regularly patrolled all of Boston Harbor, and because LNG ships have to enter a busy port and transit beneath the Tobin Bridge, a major access route to Boston, they are given special attention. It is possible but unlikely that armed gunboats will be deemed appropriate for the DELNG Project. They are not used at Cove Point, Elba Island, Lake Charles, or in Puerto Rico.

SPB: *“We previously discussed a disaster which occurred in Kalakama, Nigeria...A leak in an underground 28 inch pipeline carrying LNG. The smell of gas had been reported previously but officials took no action...Can anyone guarantee absolute safety for this facility?”*

The Facts: As we noted in an early presentation, the news story SPB references was incorrect. It was not an LNG pipeline that leaked but a gas supply pipeline for an LNG project.

Environmental and safety regulations in Nigeria cannot be reasonably compared to US standards and practices. A known and reported gas leak would not go unaddressed here. Each facility is required to develop environmental management systems and safety controls that are regularly inspected and updated. Employees are extensively trained in safety prior to employment and on an ongoing basis throughout plant operations. The facility itself is audited annually by FERC and the US Coast Guard to ensure its compliance with safety and other operating permits.

As for guaranteeing absolute safety, no one can credibly offer an absolute guarantee. We are faced with warnings about hazards we confront daily, including that using cell phones while pumping gasoline can cause an explosion. Static electricity while pumping gas can also cause an explosion. Yet we still pump gas on cold winter days because we determine that the benefits and normal safety precautions far outweigh the risks. For development projects, the permitting process itself examines the benefits and risks associated with specific proposed sites and projects, and projects are not built if they don’t measure up.

Useful Life of the Facility

SPB: *“The promoters are offering old technology...El Paso Corporation now is operating an LNG tanker having its own regasification facility right on board the ship...the ship connects to a buoy terminal at sea and sends gas directly to the regional pipeline.”*

The Facts: “Old” technology in this case means a proven and reliable technology. The process of cooling natural gas to liquid form for shipping, storage, and regasification is well established. El Paso Corporation (now known as Excelerate) has built two ships such as SPB describes for use in the Gulf of Mexico. However, Excelerate’s two ships have only offloaded three cargoes of LNG over the past year, whereas a typical LNG ship averages 30 – 50 voyages annually, due in large part to the hesitancy of LNG producers to rely upon an as yet unproven technology.

Moreover, this technology could be unfeasible in the open waters of the Northeast given our high wind and wave regimes, as compared to the calmer waters of the Gulf of Mexico. This technology also requires the LNG ship to remain in place for 5-7 days while regasifying the LNG, as opposed to 14 hours to unload LNG into storage tanks, which is unlikely to result in lower costs as SPB suggests.

SPB: *“Also there are plans to ship natural gas carried at high pressures (not in liquid form)...discharging directly into regional distribution lines through at sea terminals...with such changes in technology what is the useful life of the proposed facility?”*

The Facts: Again, Downeast LNG is committed to using proven technologies. Several companies have proposed the development of pressurized natural gas cargo ships, but none are in commercial operation. The useful life of the proposed facility is 30 years at a minimum.

***WE HOPE THAT THIS REVIEW
OF THE FACTS ABOUT LNG TECHNOLOGY
AND THE DOWNEAST LNG PROJECT
IS HELPFUL TO YOU.***