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January 6, 2009

Mr. J. M. Robinson  
Director of Gas, Environment, and Engineering (PJ 11)  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, DC 20426

Dear Mr. Robinson:

This Letter of Recommendation (LOR) is issued pursuant to 33 C.F.R. § 127.009 in response to the Letter of Intent (LOI) that Downeast LNG submitted on December 20, 2005, proposing to transport liquefied natural gas (LNG) by ship to the Downeast LNG facility proposed for operation in Mill Cove, Robbinston, ME. It conveys the Coast Guard's determination as to the suitability of Passamaquoddy Bay, Western Passage, and Head Harbor Passage (hereafter Passamaquoddy Bay Waterway) for LNG marine traffic as it relates to navigational safety and maritime security. In addition to meeting the requirements of 33 C.F.R. § 127.009 and other applicable guidelines, this letter fulfills the Coast Guard's commitment to provide information to your agency under the Interagency Agreement signed in February 2004.

After reviewing the information in the applicant's LOI and completing an independent evaluation of the waterway in consultation with a variety of local port stakeholders, I have determined that the Passamaquoddy Bay Waterway is suitable for the type and frequency of marine traffic associated with this proposed project, provided that all of the recommended risk mitigation measures outlined in Section 4.6 of the attached Waterway Suitability Report (WSR) are fully implemented by the applicant. If and when these measures are put into effect, I conclude that they will sufficiently mitigate the identified risks associated with LNG traffic on the Passamaquoddy Bay Waterway to make it fully suitable for LNG vessels bound to and from the proposed facility. My determination is based on review of the information provided in accordance with 33 C.F.R. § 127.007(d)(3) through (d)(6) and in consideration of the items listed in 33 C.F.R. § 127.009(b) through (d)(6). The reasoning behind my determination is outlined below and in the attached WSR.

The Coast Guard has completed a comprehensive review of the LOI that Downeast LNG submitted and the Waterway Suitability Assessment (WSA) for the Downeast LNG facility that Det Norske Veritas submitted on behalf of Downeast LNG on December 19, 2006. This review was conducted following the guidance provided in the two applicable U.S. Coast Guard Navigation and Vessel Inspection Circulars (NVICs) in effect during this time frame, NVIC 05-05 and NVIC 05-08. The review focused on the navigational safety and maritime security risks posed by LNG marine traffic and the measures needed to responsibly manage those risks. During the review, the Coast Guard consulted a variety of stakeholders, including the Passamaquoddy Bay/Downeast Regional Sub-Committee of the Area Maritime Security Committee, the Maine and New Hampshire Port Safety Forum, and other ad hoc groups identified in Section 1 of the attached WSR.

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While this letter has no enforcement status, the determinations, analysis, and ultimate recommendation as to the suitability of this waterway, as contained in this letter, would be referenced in concert with a Captain of the Port Order, should an LNG transit be attempted along the Passamaquoddy Bay Waterway. Such an Order would be issued pursuant to my authority under the Ports and Waterways Safety Act of 1972, as amended by the Port and Tanker Safety Act of 1978, 33 U.S.C. § 1223 *et seq.*, and other applicable authorities.

For further information, please contact my project officer, Mr. Alan Moore, at (207) 767-0338, or email: Alan.H.Moore2@uscg.mil.

Sincerely,



J. B. McPHERSON  
Captain, U.S. Coast Guard  
Captain of the Port, Sector Northern New England

Enclosures: (1) WSR  
(2) WSR (Redacted version with SSI material removed)

Copy: Commander, First Coast Guard District (dl, dp, dpa)  
Commander, Coast Guard Atlantic Area (Ap)  
Commandant, U.S. Coast Guard (CG-5222, CG-0941)  
Coast Guard Civil Engineering Unit Providence  
Downeast LNG