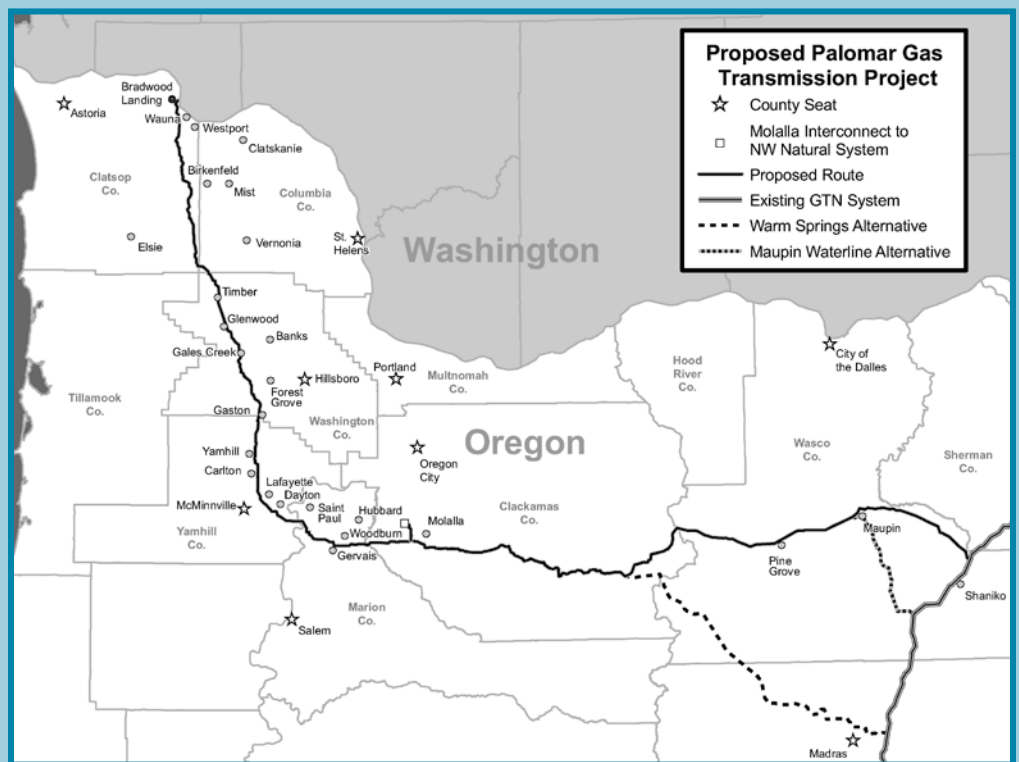


Palomar Connection





Letter from the Project Manager

Palomar's Commitment to Consultation

This past fall marked the three-year anniversary of the announcement of the proposed Palomar Gas Transmission pipeline project. Since that September, Palomar has had the privilege and opportunity to speak with hundreds of Oregonians about this important infrastructure project. Perhaps more importantly, Palomar has had the opportunity to hear stakeholders' concerns, statements of support, and suggestions for improvements to the proposed project, and we have appreciated the extensive exchange. We believe that consultation is a key part of the development of this project.

In reflecting on this milestone, I took inventory of the outreach that has been performed since the first stakeholder meetings in the fall of 2006:

By the numbers...	
Meetings Palomar has held with stakeholders	261
Public open house meetings sponsored by Palomar	8
Citizens who attended the open house meetings	250+
Scoping meetings attended by Palomar	7
Voice messages and e-mails to which Palomar has responded	311

Yet as significant as this activity is (and these figures don't include ongoing outreach with potentially affected landowners), it is the manner in which Palomar has used stakeholder input and incorporated it into the project's design and planning that is the real standard by which our consultation program should be measured. As project manager, I assure you that the feedback we've received has influenced the project's development -- from the methods we use to communicate with you to the location of the proposed pipeline route to the mitigation measures we propose to implement when constructing across agricultural lands.

Mitigation planning was based in part on stakeholder feedback. We received extensive input from government agencies, tribes, environmental organizations, and other stakeholders. These programs will protect and benefit sensitive natural resources along the proposed pipeline route to provide a net environmental improvement in the area.

You will have another significant opportunity to comment on and influence the Palomar project when the Federal Energy Regulatory Commission (FERC) issues its Draft Environmental Impact Statement (DEIS). Once the DEIS is published in the Federal Register, you will have 90 days to comment on it in writing or in person at public meetings FERC will conduct to gather input directly from landowners and other stakeholders. The meetings will likely be held at some of the same locations as previous open houses and FERC scoping meetings. FERC will send you further information about the DEIS and the public meetings. The information will also be available on Palomar's web site (www.palomargas.com).

Palomar is committed to building and maintaining strong relationships with the communities along the proposed route. We recognize that an important part of being a good neighbor is honoring our commitments and maintaining regular communication.

I encourage organizations interested in the Palomar project and the regulatory process to contact Palomar to schedule a meeting. We can be reached toll-free at **1-866-220-0268** or e-mailed at info@palomargas.com.

Sincerely,

Henry Morse, Project Manager

Pipeline Benefits

Perhaps the most important long-term benefit that Palomar will bring to Oregon is enhanced security of the natural gas supply serving the state. Palomar will increase the reliability of natural gas infrastructure in Oregon and provide access to additional supply, either domestic or imported.

The most immediate benefits that Palomar will bring to Oregon and communities along the proposed pipeline route will result from the actual construction of the pipeline.

Jobs for Oregonians, investment in our communities

In this time of economic uncertainty, Palomar will provide **well-paying jobs for Oregonians**. During two years of construction, the Palomar project will create approximately 2,000 construction jobs. A substantial number of those jobs will go to Oregonians qualified to work on pipeline projects. Of the 220 timber-removal jobs created in the first year of the project, well over half will be filled by Oregonians.

With an estimated project payroll of \$100 million, pipeline workers will make **significant expenditures**

in communities along the pipeline route. Assuming non-local workers stay in hotels, motels, or apartments during construction, the estimated total rent that will be paid would be nearly \$30 million, with an additional \$2 million during the timber-removal portion of the project.

In addition, Palomar estimates that local purchases made on items such as food and beverages, fuel, and construction-related materials will be in the neighborhood of \$300 million.

Also significant are the tax revenues the state of Oregon will receive as a result of Palomar and redistribute to counties along the proposed pipeline route. It is estimated that Palomar will pay more than \$9 million in property taxes each year. In addition, workers will pay taxes on the salaries they earn in Oregon.

Facility/County	Length (Miles)	Taxes Generated (Est.)
Mainline		
Wasco	55.1	\$2,296,874
Clackamas	63.6	\$2,651,201
Marion	14.7	\$612,777
Yamhill	22.9	\$954,599
Washington	27.8	\$1,158,858
Columbia	2.0	\$83,371
Clatsop	30.8	\$1,283,915
Molalla Lateral		
Clackamas	3.8	\$158,405
Total	220.7	\$9,200,000

Note: These estimates are based on Palomar's preferred route, identified in Palomar's FERC filing in December, 2008.

Environmental Stewardship

Protecting and respecting the environment

A predominant concern on any pipeline project is how the environment will be protected. With input from government agencies and other stakeholders, Palomar has proposed mitigation strategies to avoid or minimize impacts associated with the construction and operation of the pipeline and to restore habitat on the right-of-way following construction.

In our experience, environmental impacts due to pipeline construction are temporary and short-term for the most part, particularly when a rigorous restoration effort is implemented. For longer-term impacts such as clearing of forest habitat where resource values will take longer to recover or where safe operation requires clearing of trees over the pipeline itself, Palomar will implement extensive off-site compensatory mitigation. Palomar's goal is that the project will ultimately result in a net benefit to the environment through the combination of these measures.

The following chart illustrates implementation examples of each mitigation measure:

Conservation Measure	Implementation Example
Avoidance	Adjusting the route to avoid almost all stands of old growth forests or Oregon white oak legacy trees
Minimization	Reducing construction work space in old growth forests, wetlands and other sensitive habitats
Restoration	Erosion control, planting and seeding of native species based on site-specific, ecologically appropriate designs, monitoring and control of invasive species
Compensatory Mitigation	Streambank enhancement projects, road de-commissioning on Mt. Hood National Forest, culvert replacements to restore fish passage



Palomar has analyzed potential impacts on endangered species and has identified avoidance, minimization, restoration, and compensatory mitigation measures to ensure no significant impact on these species, including the northern spotted owl, salmon and steelhead, and marbled murrelet. The US Fish and Wildlife Service and NOAA Fisheries will, through the Endangered Species Act consultation process, provide formal opinions regarding Palomar's proposals to FERC, which may in turn require additional measures.

The Mt. Hood National Forest has identified an array of off-site projects that it wishes Palomar to undertake, including road de-commissioning, stream enhancements, and proven forestry practices to speed return to old-growth conditions. Such projects would serve to offset impacts to resources caused by pipeline construction and for which Forest Management Plans require special consideration.

Through permitting under the federal Clean Water Act and related state laws, Palomar will restore all wetlands and waterbodies upon

completion of construction, utilizing plant species native to the individual site. To compensate for the time it takes for the plants to grow back to pre-construction levels, Palomar will also fund the creation or restoration/enhancement of wetlands off site, again with the goal of “no net loss” of wetland functionality.

In addition, Palomar is volunteering to implement or fund projects through its “Environmental Stewardship Plan” that will benefit habitats considered sensitive by the state of Oregon, including habitats for migratory birds and sensitive wildlife in general.

In developing this proposal Palomar gave special consideration to areas along the pipeline route where other mitigation measures had not previously been proposed. Palomar also coordinated with federal, state and tribal natural resource agencies to identify sensitive species and habitats and identified potential projects to fund based on:

- The number of resources that the project would benefit;
- The project’s proximity to the proposed pipeline route;
- The primary and secondary stakeholders involved; and
- The potential for community involvement.

Palomar’s environmental stewardship proposal focuses on three broad resource areas:

Focus Area	Beneficiary Example
Endangered species	Steelhead, coho salmon, prairie plants
Oregon High Value habitats*	Oak woodlands, sagebrush steppe
Migratory birds	Various species

**Identified by the Oregon Department of Fish and Wildlife as areas of concern that overlap with the Palomar Project*

Palomar identified a number of potential projects to support mitigation efforts in these focus areas. The following examples illustrate how individual species will benefit from these projects:

- The **Beaver Creek Project** in Yamhill County would benefit many aquatic resources including endangered anadromous fish, lamprey, native turtles, amphibians, and the freshwater habitats on which these species rely.
- The **Bologna Creek Restoration Project** in Grant County, along with other projects to remove invasive plant species and western juniper, would benefit habitats such as grasslands and sagebrush steppe, along with shrublands that have been converted from their natural state. Migratory bird species, native-range plant species, sage grouse, endangered fish, and big game would benefit from the improved forage, nesting habitats, and water quality associated with the removal of western juniper.
- The **Bonesteel Park Upland Prairie Restoration Project** in Yamhill County, where habitat types have been converted from their natural state for agriculture, development and forest practices, would improve and restore habitats such as upland prairies and white oak savannahs. These actions would also benefit many species of migratory birds such as the acorn woodpecker and streaked horned lark, federally listed plants and butterflies, native turtles, and amphibians.

Funding such additional programs through the environmental stewardship proposal goes above and beyond regulatory requirements designed to mitigate significant resource impacts. Consequently, Palomar will not only ensure security of natural gas deliveries west of the Cascades, but will provide a net benefit to the Region’s natural resources.

Environmental Review Process

Palomar is here

August 2007 – Palomar requests FERC Pre-Filing Process.

2007-2008 – Palomar holds open house meetings.

2007-2008 – FERC conducts scoping meetings.

Dec. 2008 – Palomar submits application to FERC.

June 2009 – FERC conducts scoping meetings and Palomar holds open house meetings for Warm Springs and Maupin alternatives.

→ FERC prepares Draft EIS.

January 2010 - FERC issues Draft EIS.(Anticipated)

January 2010 - FERC begins public comment period and holds meetings in the project area.(Anticipated)

FERC responds to comments, revises and issues Final EIS.

FERC and other federal and state agencies determine whether to issue approvals.

FERC commissioners grant or deny certification.

