

EXHIBIT 1

Transcript of the Testimony of **050610cIng**

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1 Board's consideration of potential impacts to
2 existing uses, and the Board's understanding of the
3 public's concerns relating to the passage of LNG
4 tankers through Head Harbour Passage to the site.

5 While this ruling allows the limited
6 introduction of information on safety and security,
7 the parties are urged not to devote significant time
8 at the hearing to an examination of issues which are
9 beyond the Board's jurisdiction to decide.

10 And we ruled -- and some of it is going to have
11 to be specific to the evidence that is offered, and
12 we ruled on some objections; and I was just
13 reviewing last night and this morning some of the
14 objections. We did allow information on the impacts
15 of potential spills in the water. We also allowed
16 evidence from the safety records of LNG facilities
17 and tankers. So we could clarify that a little bit
18 or provide a little more detail to the parties on
19 what would likely be admissible and what wouldn't.

20 CHAIR LESSARD: Well, there are -- there are
21 a number of items, and some of these overlap. In
22 making the determination of need or -- as it relates
23 to this project, need in a global sense for natural
24 gas is the -- in a location is the province of FERC.
25 It's less the province of the State of Maine or this

1 Board in its proceedings.

2 When we were discussing need in this ruling, it
3 was in the context of alternatives analysis as part
4 of NRPA and that the need to go through a wetland as
5 opposed to around it or in some way is based on
6 mitigation, et cetera; but the ruling was not
7 intended to imply that this Board was going to get
8 into a discussion of the global need for LNG as a
9 fuel in this context.

10 MS. BENSINGER: If you want me to address the
11 regulation, the -- and several of the parties
12 mentioned this. The applicant has already submitted
13 information with its application about the need for
14 the project. The Natural Resources Protection Act
15 and the wetlands rules in particular do envision a
16 consideration of need for the project. In
17 particular, in Section 9 with regard to the
18 alternatives analysis, it says the applicant is
19 required to or -- an alternatives analysis -- the
20 applicant must demonstrate whether a practical
21 alternative exists, and it must demonstrate the
22 need, whether public or private, for the proposed
23 alteration.

24 So there is -- the door is opened under the
25 Natural Resources Protection Act for information

1 with regard to need, and that's what the procedural
2 order envisions; but as the Chair was saying, I
3 don't recommend that the Board engage in a detailed
4 analysis of the energy picture in the country, and I
5 don't think we have the time or the resources or the
6 expertise to do that.

7 But to that end, I don't see the Site Law
8 argument of the parties that the Site Law allows or
9 requires the applicant to meet some burden of proof
10 with regard to need under the Site Law; but under
11 the Natural Resources Protection Act, the Department
12 itself and the Board by adopting these rules has
13 said need is part of the analysis of the
14 reasonableness of the impacts to the wetlands and
15 the streams.

16 CHAIR LESSARD: The other -- Nancy.

17 MS. ZIEGLER: Go ahead.

18 CHAIR LESSARD: There is more. Well, the
19 economic benefit discussion, the 486-A(1) under 38
20 allows a discussion of economic impact, but the
21 criterion that we'll be evaluating this on does not
22 include economic impact as an environmental
23 consideration on its own as a criterion. There has
24 been some mention of the fact that there's some dual
25 test of things that would have to pass -- maybe

EXHIBIT 2

**MOVE TO STRIKE TESTIMONY IN
ITS ENTIRETY**

STATE OF MAINE
DEPARTMENT OF ENVIRONMENTAL PROTECTION

IN THE MATTER OF

CALAIS LNG PROJECT COMPANY LLC)
LNG Receiving, Storage and Vaporization Terminal, Calais, Maine)
Send-Out Pipeline, Calais, Baileyville, Baring, and Princeton, Maine)
)
Air Emissions Application #A-1029-71-A-N,)
Site Location of Development Application #L-24843-26-A-N,)
Natural Resources Protection Act Applications #L-24843-TG-B-N,)
#L-24843-IW-C-N, #L-24843-L6-D-N, #L-24843-4P-E-N)
Waste Discharge Application #W-9056-5O-A-N)

Exhibit DELNG-1

**PRE-FILED DIRECT TESTIMONY AND EXHIBITS OF
DEAN GIRDIS**

Regarding Alternatives and Project Need

June 2, 2010

I. Background

My name is Dean Girdis. I am employed by Downeast LNG (“DELNG”) as its President. I am responsible for the day-to-day operations of DELNG, including project development, community development, financial, operational, and commercial areas, as well as the oversight of DELNG employees and consultants.

I received a Bachelor of Science degree in Entrepreneurial Studies from Babson College in 1986 and a Masters of Science degree in Rural Resources and Environmental Policy, from

Wye College, University of London in 1993.

I have been working in energy development for 21 years with almost 13 years in the LNG sector. Prior to DELNG, I worked at PFC Energy, an energy consultancy, for three years as Director of Gas and Power, focusing on strategy, competition, and markets in the LNG, gas, and power sectors, principally with multinational and national oil and gas companies. An area of my specialization was the assessment and evaluation of LNG regasification terminals and LNG and gas market development including review of commercial terms and community development issues.

I also worked for four years with the World Bank on energy project development and financing, gas and power reform and sector restructuring, renewable energy, and development of competitive gas and power markets in Africa and Asia with a focus on China. While at the World Bank, I was Project Manager for a sixteen-month term advising the Chinese Government on LNG terminal development along its eastern coast. In this capacity, I provided detailed technical, economic, and financial analysis of the power sector in coastal provinces, including the assessment of the regulatory environment for power and oil and gas investments, the calculation of market value of natural gas in the power, industry and household sectors, the review and analysis of available energy supply sources, the identification and assessment of project structure and proposed gas regulatory frameworks, and the financial modelling and analysis of financing options and strategies.

II. Introduction

A. Purpose of Testimony

Under Chapter 310, Section 5(A) of the DEP's rules, an "activity will be considered to

result in an unreasonable impact if the activity will cause a loss in wetland area, functions, or values, and there is a practicable alternative to the activity that would be less damaging to the environment.” The applicant must provide an analysis of alternatives in order to demonstrate that a practicable alternative does not exist. Determining whether a practicable alternative exists includes utilizing, managing or expanding one or more other sites that would avoid the wetland impact. DEP Reg. 310.9(A). Specifically, Calais LNG’s alternatives analysis must analyze whether a less environmentally damaging practicable alternative to the proposed alteration, which meets the project purpose, exists. Further, determining whether a practicable alternative exists includes demonstrating the need for the proposed alteration. DEP Reg. 310.9(A)(4).

The purpose of my testimony is to address the need for the proposed wetland alterations associated with the Calais LNG regasification facility. There is no need for those alterations because the Calais LNG project itself is not needed.

The proposed Calais LNG (“CLNG”) project, and associated Maritimes and Northeast (“M&NE”) pipeline expansion, is too large and expensive to make it commercially viable, and as such, the impacts on wetlands are unnecessary and wasteful of the natural resource and use. Specifically, two of the project’s stated objectives in the application’s purpose and need section cannot be fulfilled. Calais LNG cannot: (a) deliver competitively priced gas to the market or (b) improve the reliability of energy supplies to New England given its higher pipeline transportation costs, when compared to alternatives. As a result, the project (and its associated M&NE pipeline alterations) will lead to unnecessary wetland impacts.

B. CLNG Project Purpose

Calais LNG proposes to develop a one billion standard cubic feet per day (“bscfd”) LNG

regasification terminal to meet gas supply requirements in New England. Calais LNG stated that their project has three energy objectives:

1. Provide at least one bscfd of competitively priced natural gas capacity to address the baseload and peaking natural gas needs in New England;
2. Provide storage capabilities proximate to the New England market; and
3. Improve reliability of energy supplies to New England.¹

In support of fulfilling objective 1, CLNG stated in its Draft Resource Report 1 (submitted as an addendum to its DEP application) that “*only natural gas that is competitively priced will be able to address the identified market demand.*” CLNG further stated, in fulfillment of objective 3, that the project will “improve reliability of energy supplies in New England, by both diversifying sources of natural gas and improving electric grid reliability.”²

CLNG stated in its Site Location and Development application that the proposed project is a well-suited solution to mitigating high prices in New England because it could provide needed storage and would be able to dispatch to meet peak needs.³

In the CLNG Natural Resources Protection Act application, CLNG stated that Canaport is not a viable system alternative “because natural gas supplies from Canaport must travel 90 miles further via pipeline than supplies from Calais LNG before reaching the U.S., [so] the price of delivered gas to New England from the Canaport project will reflect higher transportation costs relative to Calais LNG.”⁴

¹ Calais LNG Draft Resource Report 10, December 2008, page 2.

² CLNG Draft Resource Report 1, December 2008, page 4.

³ CLNG Site Location and Development application, January 2010, page 7.

⁴ CLNG Natural Resources Protection Act application, January 2010, page 10.

CLNG further stated that one of DELNG's "crippling infirmities" was that the DELNG sendout pipeline is "approximately 50 percent longer than the Preferred Pipeline route for Calais LNG."⁵ By implication, the longer DELNG pipeline route has more impacts and will cost more.

As will be discussed in more detail below, CLNG cannot fulfill its project need and objectives, to deliver reliable and cost competitive natural gas to New England, because there are more appropriate alternatives to the project, such as the DELNG project, that can fulfill these project objectives with less wetland impact.

As will also be discussed in more detail below, CLNG's alternatives analysis also is deficient because the DELNG site is a reasonable alternative that meets the CLNG project need. The proposed CLNG site has total affected wetlands of 49 acres, as opposed to the DELNG site which affects only 28 acres of wetlands.⁶

III. Discussion

A. CLNG Gas Supply Cost

CLNG states that it can supply lower cost natural gas than alternative supply sources. Specifically, in CLNG's Resource Report 1 (December 2009) filed with the Federal Energy Regulatory Commission ("FERC"), CLNG stated that "Calais LNG anticipates beating market prices for significant periods."

The introduction of any additional gas supply sources in New England will increase gas supply options, encourage competition, and ultimately lower prices. This applies to any gas or LNG source, and is not specific to CLNG.

⁵ CLNG Draft Resource Report 10, December 2008, page 2.

⁶ CLNG Resource Report 10 – Alternatives Analysis, December 2010.

The U.S. has the largest and most transparent gas market in the world, comprised of numerous gas supply basins throughout the U.S. and Canada. Gas supply sources compete directly for customers and are priced based on regional trading hubs. All gas (and LNG) in the U.S. is supplied via contracts that are based on the price of gas in the regional trading hubs. Thus, LNG suppliers receive the market price for their product based on the regional trading hub -- they will not supply a terminal at below market prices.

B. CLNG requires expansion of the M&NE pipeline.

As noted in a filing by M&NE with FERC: “In order to provide the additional expansion capacity sought by Calais, it would be necessary for Maritimes to construct and operate various lengths of natural gas pipeline loop in Maine and New Hampshire that would total approximately 231.4 miles.”⁷

At present all capacity in the M&NE pipeline is fully contracted. An additional 200 million standard cubic feet per day (“mmscfd”) of capacity could be available if the planned compression-only Phase V expansion is undertaken. Some additional capacity also could be requested through capacity release from existing shippers. However, for the CLNG terminal to be commercially viable, it or its terminal customers must be able to secure downstream firm pipeline transportation capacity for at least 60% of its baseload terminal capacity, or 600 mmscfd in order to move gas from the terminal to markets or end users. It is very unlikely that CLNG could secure this capacity without a costly expansion of M&NE. In comparison, the DELNG project is half as large and proposes to secure only 300 mmscfd of firm capacity on the M&NE, 65% of which would be available via the planned Phase V expansion.

⁷ CLNG Resource Report 1, December 2009, Appendix 1-G, Environmental Resource Identification of Anticipated Downstream Pipeline Systems Expansion Requirements.

In a recent filing with the BEP in the CLNG proceeding, the Industrial Energy Consumers Group (“IECG”) stated that: “there is no reason Calais LNG or any other shipper could not purchase transport capacity on the M&NE through the vibrant secondary natural gas capacity release market.” Although this statement is technically correct, it ignores several important facts. As a preliminary matter, a secondary capacity market is generally comprised of released capacity and interruptible capacity. There is no guarantee that either interruptible or released firm transportation capacity will be available at any future date, specifically during winter and summer peak periods when gas demand is high. If sufficient downstream capacity is not available, the CLNG facility will not be able to dispatch any regasified LNG, and, as such, it cannot fulfill the market need.

Second, and most important, use of only interruptible or released capacity fundamentally ignores the commercial structure of LNG import transactions and terminals. An LNG importer will not enter into a long-term terminal use agreement (which agreements are necessary to support financing required by terminal developers for construction) whereby it purchases the ability to utilize import and storage capacity in an LNG terminal absent a firm guarantee that it will have the ability to move its gas from the terminal through interconnected downstream pipelines to end users or markets. Due to the lack of long-term firm take-away pipeline capacity, the CLNG terminal would be unable to serve as a baseload gas supply option for the region. For this reason, no LNG import terminal has been built anywhere in the world without either firm pipeline capacity or dedicated power plants available immediately adjacent to the terminal.

Accordingly, sufficient firm take-away pipeline capacity must be available downstream of the CLNG terminal to provide the necessary commercial certainty required for (1) an LNG

importer to enter into a terminal use agreement with the terminal developer and (2) the terminal developer to obtain necessary financing required to construct the terminal. If an LNG importer does not have a guarantee of sufficient firm transportation capacity downstream of the terminal, there is no certainty that its LNG can be regasified and shipped to buyers on a timely basis. An LNG marine shipment is typically scheduled for delivery at least two months in advance, yet the pipeline capacity release market generally is a day-ahead market. Although it is possible that long-term capacity release could be made available from existing shippers, it is unlikely that such releases would be sufficient to support a terminal use agreement for a large LNG terminal the size of CLNG.

Thus, the CLNG project requires expansion of the M&NE pipeline. Without firm pipeline transportation, the CLNG project would not fulfill project need and would create avoidable wetland impacts.

C. CLNG is not a competitively priced source of gas to New England.

Given the proposed capacity of the CLNG project, an expansion of the M&NE is required and unavoidable. Any such pipeline expansion would most likely result in either a “rolled in” or a higher incremental rate (due to higher construction costs). A rolled in rate (*i.e.*, the same rate for new and existing customers) is a possibility only if the new facilities would benefit existing customers as well as new customers. Given the higher construction cost, a rolled in rate would increase the tariff for existing customers and likely would not be approved by FERC.

The construction of any incremental capacity (beyond 200 mmscfd), will require a looped pipeline, far more expensive than the Phase IV M&NE compression-only expansion completed

for Canaport LNG. Since the construction of M&NE in 1999, pipeline construction costs have more than doubled. In 2007, the 850 mmscfd Brunswick pipeline lateral for Canaport LNG cost about \$400 million, almost \$5 million per mile. More recently, CLNG estimated the cost of its one bcf/d lateral to the M&NE at \$4.3 million per mile.⁸ Using the CLNG per mile construction cost estimates, the 231-mile M&NE capacity expansion noted above would cost approximately \$1 billion. Assuming standard project financing terms⁹ and a 20-year commitment by CLNG for the entire one bcf/d of capacity, the required tariff to finance the project would be approximately \$1.83 per thousand cubic feet (“mcf”), much higher than the \$0.57/mcf tariff for current capacity holders.

CLNG stated in its DEP and FERC resource report filings that “Calais LNG enjoys an economic advantage relative to all potential alternative sources of natural gas.” This statement is not defensible. As the analysis above and supporting table below demonstrates, CLNG will have the highest transportation costs of regasified LNG to consumers in Maine and to southern New England.

Project	Lateral Pipeline to M&NE Interconnect	M&NE Tariff	Total Pipeline Cost
Calais LNG	\$0.08	\$1.83 (with looping)	\$1.91
Canaport LNG	\$0.28	\$0.56 ¹⁰	\$0.84
Downeast LNG	\$0.10	\$0.56 (no looping)	\$0.66

Notes:

- Canaport LNG lateral (Brunswick pipeline), is 96 miles; CLNG lateral is proposed to be 20.7 miles; and DELNG lateral is 29 miles.
- No fuel charges are included.

⁸ CLNG Site Location of Development application, Section 3, Table 3-1 Estimated Cost, page 3

⁹ Equity 25% and debt 75%; 7% interest rate; and a threshold leveraged equity after tax IRR of 12%.

¹⁰ Maritimes & Northeast Pipeline Recourse Rate, March 4, 2010

- Estimate of M&NE tariff for CLNG is based on independent engineering studies of looping the M&NE pipeline only in Maine.
- DELNG plans to secure 60% of its capacity with firm transportation -- 200 mmscfd of capacity from the M&NE (uncompleted) Phase V expansion and 100 mmscfd through capacity release of current shippers.

As presented in the above table, the CLNG terminal has a higher pipeline cost, as compared to DELNG, of \$1.25/mcf (\$1.91/mcf - \$0.66/mcf). Introducing a more expensive supply of natural gas to the region will not mitigate the higher prices that consumers pay in New England, but will only exacerbate the problem. Thus, CLNG cannot fulfill its objective of supplying competitively priced LNG to New England.

In addition, CLNG cannot fulfill its third objective, to “improve reliability of energy supplies in New England,” because it will not be able to attract LNG supply due to its higher costs than alternative LNG terminals. For any LNG project in Maine to be commercially viable, it must have total pipeline transportation costs similar to or lower than competing options, such as the Canaport LNG project in New Brunswick.

As a result, there is no need for the project – or for the proposed wetland alterations -- because the project objective cannot be fulfilled.

IV. Conclusion

Based on my review, I believe that there are practicable alternatives to the CLNG project that would be less damaging to the environment, because there is no need for the project’s wetland alterations. A more practical solution would be to develop a smaller LNG terminal with less wetland impacts that could meet gas demand growth in New England. Any such alternative would need to secure sufficient firm pipeline capacity on the M&NE pipeline, at transportation costs that would allow it to compete with alternative supply options, such as Canaport LNG. DELNG is such an alternative.

Dean Girdis

Dean Girdis

Date: June 2, 2010

STATE OF Washington, DC
COUNTY OF _____

Personally appeared before me the above-named Dean Girdis and made oath that the foregoing is true and accurate to the best of his knowledge and belief.

Dated: 05/28/10

Subscribed and sworn to (or affirmed) before me
this 28 day of May Year 2010
Name of Signer(s)

[Signature]
Notary Public

My commission expires:

Notary Public, D.C.
My Commission Expires January 1, 2012

DELNG-2

EXHIBIT 3

MOVE TO STRIKE IN ITS ENTIRETY, INCLUDING ALL EXHIBITS, OR IN THE ALTERNATIVE, PAGES 3-6 HIGHLIGHTED BELOW AND RELATED EXHIBITS.

DIRECT TESTIMONY OF SUSAN REID

Q. What is your name?

A. Susan Reid.

Q. What is your current occupation?

A. I am a senior attorney for the Conservation Law Foundation (CLF) and Director of CLF's Clean Energy and Climate Change Initiative in Massachusetts. I have been at CLF for five (5) years. Before that I served as a litigation associate at several private law firms and as the policy director and staff attorney at a non-governmental environmental advocacy organization. My resume is attached as CLF/SC - 11.

Q. What does your work at CLF entail?

A. I work on a variety of projects aimed at increasing our use of clean energy resources in Massachusetts and New England, avoiding investment in new carbon-intensive energy resources, and reducing reliance on fossil fuels. For example, I have worked in support of the Cape Wind Offshore Wind Energy Project, shutting down coal-fired power plants, increasing energy efficiency, and reducing carbon intensity of fuels.

Q. What is your experience with and/or knowledge of the natural gas and liquefied natural gas fields?

A. As part of my responsibilities at CLF I have been tracking the development and use of natural gas, whether in the form of "traditional" natural gas (extracted from throughout North America and delivered via pipeline) or "non-traditional" natural gas (from tight shale formations or imported as LNG and then re-gasified). I have played a significant role with respect to CLF's advocacy regarding a number of LNG projects, including LNG facility proposals for Fall River, MA (Weavers Cove) and Outer Brewster Island in Boston Harbor, as well as two offshore

facilities in Massachusetts Bay (the Accelerate/Northeast Gateway and Suez/Neptune projects). In this work, I have testified personally, submitted comments and/or presented evidence and pleadings in proceedings before the Federal Energy Regulatory Commission, federal appellate court, legislative committees and community meetings. In doing so, I have reviewed industry and government analyses of the supply and demand for natural gas and LNG, and have become familiar with the infrastructure requirements to bring natural gas and LNG to the Northeast and to distribute natural gas to residential, commercial and industrial users. I also have analyzed and commented on the environmental impacts of proposed LNG projects and have presented a number of talks addressing these issues, including my recent participation at the April 30, 2010 New England Electricity Restructuring Roundtable panel presentation regarding “Potential New Natural Gas Supplies for New England: Panacea or Curse?” The agenda and list of panelists for that April 30, 2010 roundtable is attached. CLF/SC – 12.

Q. What is the purpose of your testimony?

A. My testimony is intended to address Calais LNG’s stated project purpose and its alternatives analysis, as set forth in its NRPA application. CLF/SC -13 and 14.

Q. Generally, what is CLF’s position on natural gas?

A. CLF has viewed natural gas as an important transitional fuel that is cleaner burning than coal or oil. Indeed, over a decade ago CLF was one of the first proponents for new combined cycle natural gas power plants to replace New England’s aging power plants. This advocacy helped foster a transition to greater reliance on natural gas for electric generation, such that the percentage of electricity generated by gas-fired plants in New England increased from 5% in 1990 to 38% in 2009. Brandien, Peter, “Natural Gas and Power Generation in New England,” April 30, 2010 Restructuring Roundtable. CLF/SC -15 at 2. CLF believes that natural gas will

continue to play an important role in New England's energy picture over the near term, but we strongly believe that renewable energy – such as wind, solar, low-impact hydropower and tidal – as well as energy efficiency measures, conservation and smart grid technology, will play increasingly more important roles as solutions that are needed now and over the long term. That is especially true if the New England region is to meet its target of reducing CO2 emissions to 80% below 1990 levels by 2050.

Q. Do you concur with that position?

A. Yes – I am one of the principal architects of that position.

Q. Have you played a similar role in developing CLF's position on LNG?

A. Yes.

Q. What is that position?

A. First, it is important to note that liquefying natural gas is just a method to allow transport of natural gas, both locally, as is proposed to be done in Brewer, Maine by Maine Liquid Methane Fuels LLC, see CLF/SC – 16, and over great distances, as with the LNG shipped to the Everett, MA Distrigas facility that travels on average 2700 nautical miles. Jaramillo, P., et al, Comparative Life-Cycle Air Emissions of Coal, Domestic Natural Gas, LNG and SNG for Electricity Generation, Environ. Sci. Technol., 2007, 41, 6290 – 6296 (“Carnegie Mellon report”). CLF/SC – 17.

Second, because liquefied natural gas from overseas involves extra “steps” in delivering it to markets – it must be liquefied, transferred to specialized tankers with super-cooled containment, transported across oceans, offloaded to storage tanks and then re-gasified – its carbon footprint over its entire lifecycle is significantly greater than the carbon footprint of traditional domestic natural gas. On average, for every megawatt of electricity generated, a

combined cycle gas plant using domestic natural gas emits 1250 lbs of CO₂ over its entire lifecycle (i.e., from its extraction to its burning as a fuel) while a combined cycle plant using LNG from overseas emits 1600 lbs of CO₂ on a lifecycle basis. CLF/SC - 17 at 6293 and Fig. 1. LNG also has greater lifecycle emissions of NO_x and SO_x than domestic natural gas. *Id.* at 6293-94 and Table 1. Thus, from an environmental perspective, LNG is an inferior fuel as compared to traditional domestic natural gas.

Third, the need for any new LNG supplies or infrastructure in New England has declined precipitously in recent years. As recently as 5 years ago, it appeared that LNG might be an increasingly important component of sufficient supply for meeting the demand for natural gas in the United States. But as noted by independent gas industry analysts, *see, e.g.*, Russell Gold, *Bad Call*, Wall Street Journal, Feb. 8, 2009 (CLF/SC - 18), those projections proved to be significantly overly exuberant. Of the 55 new or expanded terminals that were under consideration in North America in 2005, seven have been built and most of those sit idle. *Id.* at 1. As discussed below, the New England region is projected to have a sufficient supply of natural gas through 2035 as a result of the development and operation of one new on-shore LNG terminal and two off-shore LNG terminals in the New England/Maritimes region and the development of a new source of natural gas from a massive underground tight shale formation in the Northeast region.

With these facts in mind, CLF generally has urged that there be a proactive approach to the siting of LNG facilities, including a coordinated regional analysis of the demand for natural gas and comparative analysis of LNG terminal proposals. On a project-specific basis, we have been involved in reviewing virtually all of the individual LNG terminal proposals in New England over the past ten years. We have actively opposed particularly flawed LNG project

proposals such as the Weaver's Cove LNG project and the now abandoned Outer Brewster Island LNG project that had been proposed on state and federal parkland in the Boston Harbor Islands. We also have filed comments with the FERC on both the Calais LNG project and the Downeast LNG proposal, in each case calling for a regional analysis by FERC. We also carefully scrutinized the two deepwater LNG terminals (Northeast Gateway and Neptune) off the coast of Massachusetts, and ultimately did not oppose these projects because we concluded that they entail far fewer environmental and public safety impacts than the Weaver's Cove LNG project, the Outer Brewster Island LNG project, or LNG projects proposed for Passamaquoddy Bay in Maine.

In the last three years, the two new deepwater LNG terminals have been constructed and become operational off the coast of Massachusetts and the new Canaport LNG terminal went into operation in New Brunswick. The Canaport facility delivered on average 400 million square cubic feet per day (mmscf/d) this past year and projects to deliver more than 700 mmscf/d this year into the regional market. CLF/SC – 19 and 20. The Northeast Gateway facility has received 7 shipments since receiving its first shipment in November 2009, and has delivered natural gas to market at the rate of 150 mmscf/d – 500 mmscf/d. CLF/SC – 21. In addition, the Neptune facility is currently operational and expected to receive its first LNG shipment in August of this year, with the ability to deliver similar amounts of natural gas to market as the Northeast Gateway facility. CLF/SC - 22.

During the same period of time, the implementation of plans to extract considerable volumes of natural gas from the Marcellus Shale formation in the northeastern United States has dramatically changed the landscape for the natural gas market in the region. See, e.g., CLF/SC – 23. The so-called “beast from the east,” the Marcellus Shale formation that stretches from

western New York through Pennsylvania and into Ohio and West Virginia, is widely seen as a game-changer. See, Levitan, Richard L., "Future of Natural Gas in New England and Interaction with Electricity Markets," April 30, 2010 Restructuring Roundtable, CLF/SC – 24 at 9-12, and U.S. Energy Information Administration 2010 Annual Energy Outlook ("2010 AEO") at 72-73. CLF/SC - 25. Given these developments and considering LNG's increased greenhouse gas emissions as compared to traditional natural gas, CLF believes that the benefits of any new LNG infrastructure or supply in New England are limited and outweighed by the associated environmental impacts.

Q. Based on your review of the Calais LNG NRPA application, what is your understanding of the project purpose?

A. My understanding of the project purpose is based on the application itself, which states in the Activity Description that "Calais LNG will provide greater access to clean and affordable energy supplies and increased reliability to the consumers of Maine and New England" (CLF/SC 13 at 2) and that it is intended to "help meet both baseload demand growth and pressing peak needs for natural gas in New England." *Id.* at 3. Or, as stated in the Alternative Analysis of the NRPA application, the Project is intended to meet "the demand for natural gas in New England." CLF/SC – 14 at 2.

Q. Based on your knowledge of and experience in the New England energy market, what is your evaluation of the validity of the Calais LNG project's stated purpose?

A. The presumption that LNG is necessary to meet baseload demand growth and pressing peak energy needs is as outdated as the sources referenced in the Calais LNG application. See CLF/SC - 13 at nn. 1, 3 and 4 (relying on analysis from 2005 and 2008 that rely on even older data). If one were to examine the more up-to-date independent analyses from 2009 and 2010

instead, the evidence is quite clear that gas supplies to the Northeast have increased considerably as a result of three primary developments: 1) the increased capacity of long-distance pipelines that supply New England with most of its natural gas; 2) the development and operation of the Canaport facility in St. John, New Brunswick and the two facilities off the coast of Massachusetts, more than doubling the infrastructure capacity to accommodate supply of non-traditional natural gas; and 3) the large amounts of natural gas being produced, or expected to soon be produced, from the tight shale formation known as the Marcellus Shale. See "Pipelines expanding to move Marcellus shale gas," Pipeline and Gas Technology, CLF/SC – 26, and Ribbeck, Phil, "LNG: Reliable Gas Supply for the Northeast U.S.," April 30, 2010 Restructuring Roundtable. CLF/SC – 27. Accordingly, the Calais LNG's stated project purpose of meeting an increased demand for natural gas in New England has been outstripped by actual developments in the natural gas and LNG markets over the last 5 years.

Q. Have you reviewed Calais LNG's alternatives analysis?

A. Yes, with particular attention to the No Action Alternative and System Alternatives Analyses. CLF/SC - 14 at 2-12.

Q. What was the result of your review?

A. Based on my review of the analysis presented in the application, the supporting materials and other information readily available to the applicant and the Department, the no-action alternative and the system alternatives both present preferable alternatives to meeting the project purpose without changing the surrounding environment, the standard properly set forth by the applicants in the application. Id. at 2.

Q. Please explain the basis for your conclusion.

A. With respect to the No-Action Alternative, the standard identified by Calais LNG is appropriate: if the avoided effects of the no-action alternative are greater than the lost benefits of the no-action alternative, then the no-action alternative is superior. *Id.* at 2. However, Calais LNG's alternatives analysis has several fundamental flaws.

First, as noted above, the assumption that New England needs additional supplies of natural gas to meet its energy needs is outdated and incorrect. See CLF/SC – 18, 23-27. Tellingly, Calais LNG has introduced no evidence regarding any existing un-met need for natural gas supply in the region. Moreover, the 2010 AEO projected that the annual increase in natural gas consumption in the Northeast region through the year 2035 across the residential, commercial, industrial, electric power and transportations sectors would be under 1%. CLF/SC – 25 at Table 117.

Second, the no-action alternative treats this project as if it were an energy *generating* project, rather than a project that will at best potentially supply a *fuel source* for generating heat or electricity. Thus, the applicant's evaluation of alternatives to gas-fired energy generation is just the type of "apples to oranges" comparison that it professes to seek to avoid. CLF/SC - 14 at 2. To argue, for example, that the "increased use of intermittent renewables may increase the need for Calais LNG" ignores the fact that Calais LNG will not be generating power and thus would have no capacity, in and of itself, to balance any intermittent generation from renewable energy. A true "apples to apples" comparison in the natural gas context, by contrast, would require comparing this project with the availability and characteristics of other natural gas storage and delivery facilities and infrastructure.

Third, the no-action alternative entirely fails to take into account the change in domestic supply from the development of the Marcellus Shale formation, discussed above. As noted

above, extraction of natural gas from that formation has radically changed the natural gas supply picture, and the expansion of the existing pipeline infrastructure to deliver that gas to New England cannot be ignored. See CLF/SC - 23-26.

Fourth, Calais LNG relies on outdated materials as the basis for evaluating energy conservation options and the development of renewable energy fuel sources such as wind. Moreover, the recent settlement of the MPRP transmission case calls for the creation of a smart grid that will be able to better meet peak power demands, will give consumers greater ability and incentive to use electricity more efficiently, and will promote distributed generation that will use renewable resources such as solar, hydro or wind. These developments and updated projections cut against Calais LNG's analysis of the no-action alternative.

With these fundamental flaws, it is no surprise that Calais LNG's no-action alternative analysis reaches a flawed conclusion. A true "apples to apples" comparison using up to date information would reveal that a facility to import and regasify LNG to supplement existing gas supplies would be of little benefit for meeting New England's current and projected energy needs, and that the significant impacts to the quality and use of the natural resources in Passamaquoddy Bay outweigh any such benefit.

Q. And what is the result of your review of Calais LNG's System Alternatives Analysis?

A. The System Alternatives Analysis is just as flawed.

First, the System Alternatives Analysis draws a false distinction between U.S. and non-U.S. LNG terminals so that it can discount the substantial supply of natural gas that the Canaport terminal in St. John is currently providing and is expected to provide to the New England region for the next 25 years. The Canaport facility is focused on serving the Northeastern United States

market, supplied on average 400 mmscf/d this past winter, and projects to provide almost twice that amount by the end of 2010. CLF/SC – 19-20.

Second, the applicant's System Alternatives Analysis treats the new LNG terminals in the region as if they were not operational already. Specifically, the analysis fails to recognize that the Canaport LNG terminal, as well as the Northeast Gateway offshore LNG terminal, have been and will continue to be operational, supplying up to the same amount of gas that the project proponents intend to supply at maximum throughput capacity – approximately one billion square cubic feet per day (“bscf/d”). It also fails to recognize that the Neptune offshore LNG terminal is partially operational and is anticipated to be fully operational this month or next, with a natural gas throughput capacity similar to that of the Northeast Gateway facility.

Third, Calais' discussion of the price of gas delivered to New England from the Canaport facility is disingenuous, since the cost to the supplier to deliver its natural gas via existing pipelines primarily has an impact on the supplier's bottom line rather than on the market price of the gas itself, particularly in conditions of abundant supply as we have today. To suggest that pipeline delivery costs alone will somehow make one supplier's natural gas more expensive than another is an overly simplistic and unrealistic assessment

Fourth, Calais' attempt to dismiss the Canaport facility as a viable system alternative on the basis that Repsol “has reserved only .7 bscf/d of capacity on the M&NE pipeline” (CLS/SC - 14 at 10) is particularly unavailing given that Calais has no reserved capacity on that pipeline at all.

In addition, the System Alternative Analysis' discussion of pipeline expansion ignores entirely the huge resources presented by the Marcellus Shale formation and its proximity to New England. Instead, it focuses on the costs and difficulties of expanding existing pipelines 1700

miles from the Gulf coast supply basins as opposed to from sources of shale gas in western New York or Pennsylvania, a considerably shorter distance. See CLF/SC – 26. The analysis also ignores the likelihood that the existing M&NE pipeline would have to be looped to enable any gas from the Calais LNG project to be delivered to the New England market, entailing significant additional cost – roughly \$550 million using the \$2.35 million/mile figure that Calais LNG uses in its Analysis. CLF/SC – 14 at 12.

Q. What is your ultimate conclusion concerning Calais LNG’s Alternatives Analysis?

A. Calais LNG’s Alternatives analysis, and particularly the No-Action and System Alternative Analyses, are significantly and demonstrably flawed due to the applicant’s reliance on improper assumptions, out-of-date data and ignorance of the reality of other LNG projects and sources of natural gas that have come on line over the course of the past 2-3 years. Those projects and sources of natural gas are enough to meet New England’s current and projected needs for natural gas at least through the year 2035. Consequently, the need for this project is vanishingly small at best, and preferable alternatives exist to meet the project purpose while avoiding the environmental impacts of the project.

Personally appeared before me the above-named Susan Reid and made an oath that the foregoing is true and accurate to the best of her knowledge and belief.

Dated: June 2, 2010
Susan Reid

Susan Reid

Notary:

[Signature]

Commission: expires 4/21/2017

EXHIBIT 4

**MOVE TO STRIKE HIGHLIGHTED
TESTIMONY BELOW**

PREFILED SWORN TESTIMONY OF GREG DEXTER

Q. What is your name?

A. Greg Dexter.

Q. What do you do for a living?

A. I have been an independent investor since 1982, prior to that, I worked at IBM from 1963-1982.

Q. Where do you live?

A. I am a resident of Bridgeport, Connecticut but I also live for about 6 months out of the year here in Calais, Maine.

Q. Where exactly in Calais do you live?

A. I own the property that forms the southern border of the Calais LNG terminal facility. CLNG owns an option for that land that is currently owned by Mr. Brown. The northern 1200' of my property is directly adjacent to the proposed terminal location. [CLFSC-1].

Q. How long have you owned that property?

A. Since 1987.

Q. Please describe your property.

A. My property in Calais is 12 acres, with 400' of river frontage on the St. Croix River and 250' along Route 1. It is a rectangular piece of property with the northwest corner comprising approximately one acre with 150 feet frontage on Route 1 owned by Les Cook cut out of it. [CLFSC-1]. My house has an observation deck on the roof.

Q. When do you stay at the house in Calais?

A. Intermittently throughout the year. I love it in the winter here when it isn't so foggy and damp, so I stay here for the month of February, this year I will be here for the months of May, July, August. Sometimes I am up here for Christmas and the New Year.

Q. What do you do while you are here in Calais?

A. Well, I live here, so I do whatever it is that people do when they live somewhere. In addition, I go snowshoeing, hiking, and boating. I enjoy the scenic views and use this as my get-a-way.

Q. Do you own a boat?

A. I own many. I have 2 canoes, a sailing dory, a Pembroke 19' skiff, a 24' Aquasport, a 18' outboard skiff to set moorings, a couple of dinghies, a 33' Pearson sailboat and a 26' motor sailer that is stored at the boatyard in Eastport while repairs are being completed.

Q. Where do you use your boats?

A. I use them to go up and down the St. Croix River, I like to go down to Eastport, I've always had ambitions to go to St. Andrews but haven't made it yet.

Q. What do you do while boating?

A. I observe marine life, grab my binoculars and watch the eagles and osprey, I enjoy the weather and when I have guests I will only go when it is clear. If I'm by myself, I will sail when it is foggy, which happens frequently up here.

Q. Do you anticipate your use of the water to be impacted by the proposed LNG facility?

A. Yes, my property has 400 feet of frontage on the St. Croix River adjacent to the proposed terminal, so every time I want to take my boats out, I will effectively be within the security zone and face the prospect of being confronted by armed security while I'm on my own property, on the beach and on the river! Attached is a photo of my mooring – the use of this mooring would be quite restricted. [CLFSC-2] I expect to be severely restricted in my use of the water, which was one of the primary reasons why I bought this property to begin with.

Q. What exactly were the factors that brought you to this area to begin with?

A. In the 70's, I had a custom boat built in East Blue Hill. I drove up to check on its progress and when I arrived I thought the area was just beautiful. I wanted to own waterfront land, so I kept driving until I could afford waterfront and this is where I ended up.

Q. Do you have any concerns about the LNG proposal?

A. Yes, my property is going to be 2000 feet away from the storage tanks, so I will be able to see the lights at night and I will be able to see the whole pier from my observation deck. So it impacts the aesthetics of my property. And while I recognize LNG has a good safety record, it still is a safety concern.

Q. Do you have any other concerns?

A. Yes, I am concerned about the impact this will have on my property value. My property is probably worth between \$300-\$400K right now, I had hoped that it would increase to \$500K, but if this LNG terminal goes in, I can't see getting more than \$250K. That is a 50% reduction in value. That reduction has already started with the recent zoning change to accommodate this facility and I have appealed that zoning decision.

Q. Do you own any other property in the area?

A. Yes, I have property in Robbinston that I bought there in 1986. It currently has a house sitter staying there.

Q. Please describe that property.

A. It is 14 acres with a mobile home on it and it has 400 feet of river frontage.

Q. Do you pay property taxes on both of these properties?

A. Yes.

Personally appeared before me the above-named Greg Dexter and made an oath that the foregoing is true and accurate to the best of his knowledge and belief.

Dated: May 1, 2010

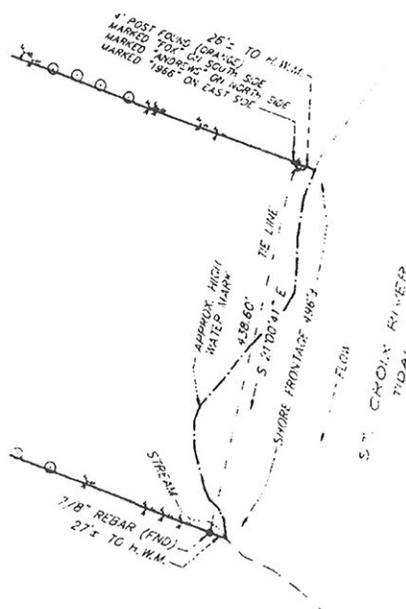
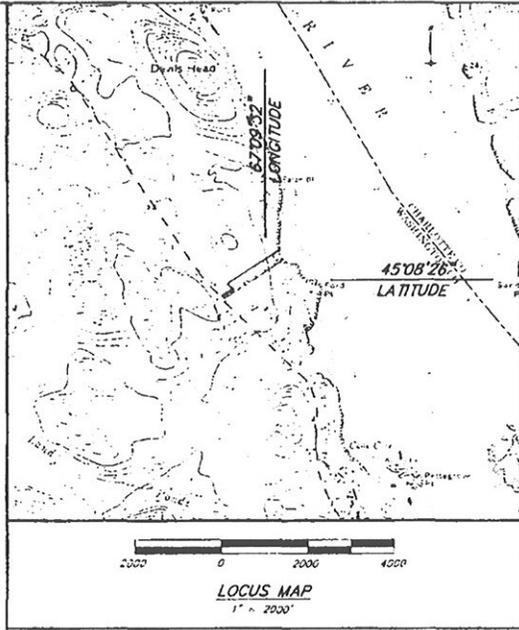
[Signature]
Greg Dexter

Notary: [Signature]

Commission expires: _____

RONALD J. GARDNER
Notary Public, Maine
My Commission Expires August 8, 2012

EXHIBIT
CLF/SC - 1

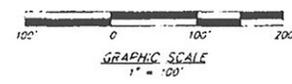


NOTES:

1. ALL BEARINGS DEPICTED ON THIS PLAN ARE BASED UPON MAGNETIC NORTH AS OBSERVED DECEMBER 28, 1992.
2. ROAD LAYOUT IS BASED ON THE MAINE STATE HIGHWAY COMMISSION RIGHT OF WAY MAP FOR FEDERAL AID PROJECT NO. F-644-2 (11), DATED NOVEMBER 1963 AND RECORDED IN THE WASHINGTON COUNTY REGISTRY OF DEEDS IN PLAN BOOK 1, PAGE 80.
3. REFERENCE IS MADE TO A SURVEY PLAN TITLED "PLAN OF SURVEY-ROBERT AND KAY BORER PROP" BY A. HUMPHRIES R.L.S., DATED FEBRUARY 20, 1985, AND RECORDED IN THE WASHINGTON COUNTY REGISTRY OF DEEDS IN HANGER 2, SLIDE 25.
4. ALL BOOK AND PAGE NUMBERS REFER TO THE WASHINGTON COUNTY REGISTRY OF DEEDS (W.C.R.D.)
5. THE SECOND OWNER OF THE PARCELS SHOWN IS GREGORY DEXTER, 128 PIERCE AVENUE, BRIDGEPORT, CONNECTICUT 06604.

LEGEND

- 5/8" REBAR w/ SURVEYOR'S I.D. CAP (SET)
- UTILITY POLE
- ⌵ CONIFEROUS TREE
- DECIDUOUS TREE
- - - - - ELECTRIC LINE
- PROPERTY LINE
- - - - - RIGHT-OF-WAY LINE
- - - - - EDGE OF ROADWAY



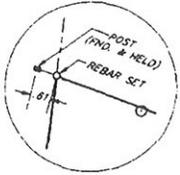
STANDARD BOUNDARY SURVEY

I CERTIFY THAT THIS PLAN CONFORMS TO THE STANDARDS OF THE MAINE BOARD OF REGISTRATION FOR LAND SURVEYORS FOR A CATEGORY 1, CONDITION 3 SURVEY, EXCEPT NO REPORT WAS PROVIDED.

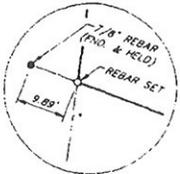
Almer M. Huntley, Jr.
 ALMER M. HUNTLEY, JR. PLS 883
 DATE Jan 9, 1993

PLAN OF LAND IN CALAIS, MAINE WASHINGTON COUNTY PREPARED FOR GREGORY W. DEXTER	FIELD WORK: S.E.H.
	COMPUTATIONS: J.H.M.
	DRAFTING: J.R.S.
	CHECKED: A.M.H.
	SCALE: 1" = 100'
DATE: JAN. 9, 1993	

	HUNTLEY SURVEYING AND ENGINEERING, INC. PROFESSIONAL LAND SURVEYORS & CIVIL ENGINEERS 34 CENTER STREET - P.O. BOX 587 NACHIAS, MAINE 04654
	JOB NO. 92-22 SHEET 1 OF 1



DETAIL B
SCALE: NONE



DETAIL A
SCALE: NONE

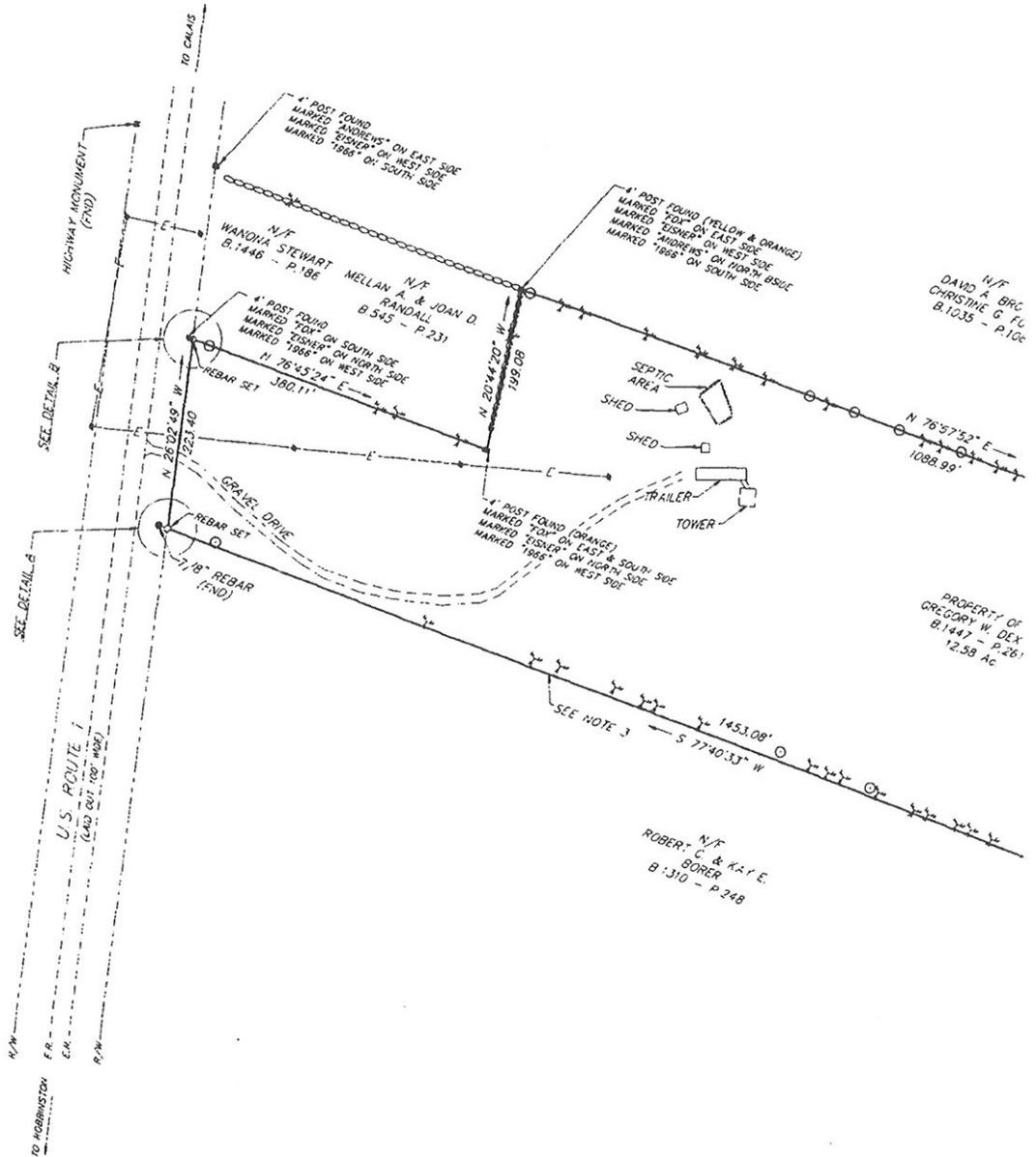


EXHIBIT
CLF/SC - 2

DEXTER MOORING BETWEEN FORD POINT AND DEVILS HEAD

