

PNG Prepares to Expand Pipeline System

This is the first in a series of newsletters that will be distributed during the KSL Project to keep interested parties informed of project developments.

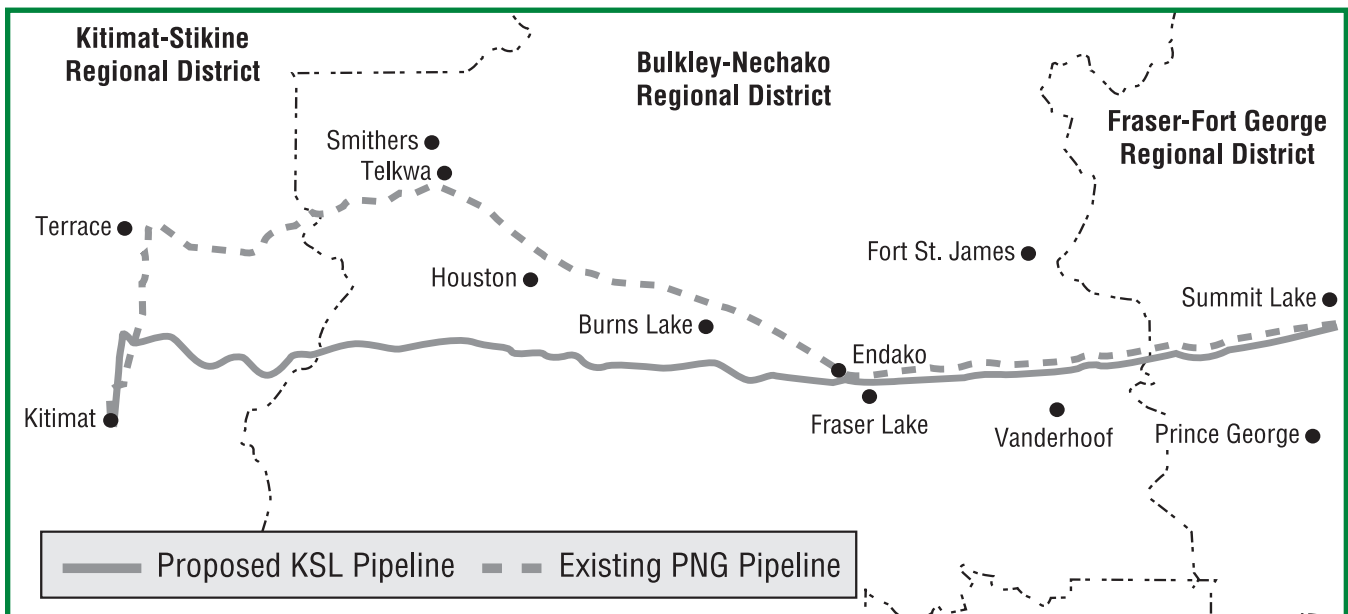
The Kitimat-Summit Lake Looping (KSL) Project is a Pacific Northern Gas (PNG) proposal to construct and operate new natural gas facilities that would increase the capacity of the existing PNG transmission system between Kitimat, B.C. and Summit Lake, B.C. The facilities will transport natural gas from the Kitimat LNG regasification terminal near Kitimat, to the Duke Energy pipeline system at Summit Lake, near Prince George.

The eastern portion of the approximately 470 km pipeline will be constructed primarily within or adjacent to the rights-of-way of the existing PNG pipeline system between Endako (just west

of Fraser Lake) and Summit Lake. The western half of the project will be constructed primarily within new rights-of-way adjacent to other existing linear developments, such as roads and power lines, between Kitimat and Endako.

Project Update

The Kitimat LNG terminal received approval under the *BC Environmental Assessment Act* and requires the KSL Pipeline to be in service in the fall of 2009. PNG is commencing field studies for the KSL Project in preparation for its own environmental assessment application. Open houses are scheduled for this fall in communities along the pipeline route.



Project Benefits

The KSL Project will:

- allow PNG pipeline system flow to be bi-directional (westerly or easterly), allowing natural gas to flow both from and into the Duke Energy pipeline system;
- provide natural gas transportation revenues over which the fixed costs of operating the PNG system can be spread, helping to stabilize rates for PNG's core residential and commercial customers;
- decrease PNG's dependence on Duke Energy facilities, enabling PNG to provide a more secure supply of natural gas to its customers at competitive rates;
- not disrupt operation of the existing pipeline.

Additionally, PNG and its contractors will rely upon local supply sources where available for the provision of goods and services. A socio-economic impact assessment will be included in the project's Application for an Environmental Assessment Certificate and will identify the anticipated employment and income impacts arising from project construction.

Pipeline Facilities

For the purpose of the project review, the scope of the KSL Project includes the following facilities:

- approximately 470 km of 762-mm (30-inch) diameter pipe;
- one or more new compressor station(s) to be equally spaced along the proposed pipeline system;
- isolation valves along the pipeline;
- Supervisory Control and Data Acquisition (SCADA) System linking pipeline and compressor station facilities to control centre;
- meter/odorant injection stations at Kitimat and Summit Lake and possibly a third near mid point;
- communication system and power supply to service compressor stations, meter stations and other pipeline facilities;
- temporary construction workspace, access roads, potential work camps, pipe and material storage areas, and equipment laydown areas;
- pipeline maintenance activities and vegetation management along the right-of-way.



Existing compressor station near Vanderhoof

Current Project Schedule

Consultation:	ongoing through all project phases
Planning and environmental field studies:	2nd half 2006
Submit project application:	early 2007
Regulatory review:	late 2007
Clearing and construction:	late 2007 through late 2009
System start-up:	late 2009

Environmental Commitment

PNG is committed to the preservation of a clean and healthy environment throughout the construction and operation of the KSL Project. We will build on our successes and use the experience gained from operating our existing pipeline system for nearly 40 years to ensure an environmentally responsible project. Environmental protection, health, and safety are corporate and personal responsibilities for Pacific Northern Gas, our employees, and our contracted services.

Proposed Project Studies

The following project impact assessment studies will be undertaken:

- Physical Environment/Geotechnical
- Soil and Soil Productivity
- Vegetation
- Water Quality and Quantity
- Aquatic Life and Habitat
- Wildlife and Wildlife Habitat
- Species at Risk or Species of Special Concern
- Air Quality
- Socio-Economic Conditions
- Socio-Community Conditions
- Land Use
- Heritage and Archaeological Resources
- Traditional Land and Resource Use
- Human Health
- Cumulative Effects Assessment

Regulatory Review and Approvals

The KSL Project requires the review and/or approval of provincial and federal Regulatory authorities, including:

- B.C. Environmental Assessment Office (EAO)
- B.C. Oil and Gas Commission (OGC)
- B.C. Utilities Commission (BCUC)
- Canadian Environmental Assessment Agency (CEA Agency)

Provincial and federal ministries and departments involved in the review of the project include:

- B.C. Ministry of Environment
- B.C. Ministry of Forests and Range
- B.C. Agricultural Land Commission
- B.C. Ministry of Agriculture and Lands
- B.C. Ministry of Tourism, Sports and the Arts (Archaeology Branch)
- B.C. Ministry of Aboriginal Relations and Reconciliation
- B.C. Ministry of Transportation
- B.C. Ministry of Energy, Mines and Petroleum Resources
- B.C. Ministry of Health
- Environment Canada
- Fisheries and Oceans Canada
- Natural Resources Canada
- Transport Canada
- Health Canada

The public, First Nations as well as local and regional governments will also be involved in the review of the project.

Activity Scheduled for 2006

- First Nations and public consultation including open houses and meetings with interested parties
 - Environmental studies
- Geotechnical studies and preliminary engineering

Project Review

The KSL Project is subject to review under both the British Columbia Environmental Assessment Act, SBC 2002, c.43 (BCEAA) and the Canadian Environmental Assessment Act, SC 1992, c.37 as amended (CEAA).

The comprehensive review by federal and provincial government agencies is facilitated through a single, harmonized environmental assessment process by the B.C. Environmental Assessment Office and is open to the full participation of stakeholders and the general public.

The project requires an Environmental Assessment Certificate, under the B.C. Environmental Assessment Act. The KSL Project Application for an Environmental Assessment Certificate will include an identification and assessment of potential project impacts and will propose measures to eliminate or mitigate these impacts, where warranted.

Consultation

PNG is committed to involving local communities and other interested parties through an open and interactive public consultation process that is fully integrated with the project review.

The KSL Project consultation and communications program includes First Nations, landowners, local governments, environmental organizations, relevant federal and provincial authorities, as well as commercial interests.

The following regional districts, municipalities and communities are being consulted:

- Kitimat-Stikine Regional District (Kitimat, Terrace)
- Bulkley-Nechako Regional District (Smithers, Telkwa, Granisle, Houston, Burns Lake, Fraser Lake, Fort Fraser, Fort St. James, Vanderhoof)
- Fraser Fort George Regional District (Summit Lake).

Attempts have also been made to inform all individuals who own property potentially affected by KSL Project right-of-way and/or temporary workspace requirements.

Open Houses are scheduled for this fall in communities along the pipeline route.

Contact Us

If you require any additional project information, contact us by:

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Existing PNG right-of-way