Calais LNG's Response to Chair Lessard

- November 23, 2010 letter from David Van Slyke and
- December 2, 2010 letters from David Van Slyke and Harold Ian Emery

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David B. Van Slyke
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November 23, 2010

By Electronic and U.S. Mail

Susan M. Lessard, Chair
Maine Board of Environmental Protection
17 State House Station
Augusta, Maine 04333-0017

Re: Calais LNG

Dear Chair Lessard:

This letter is in response to your letter to me of November 19, 2010 concerning a November 17, 2010 letter from Steven Carothers and Gail Roberts (hereinafter collectively "Carothers") regarding the viability of a certain option agreement regarding property owned by Carothers that makes up a significant portion of the property upon which Calais LNG is proposing to build its pier and LNG receiving terminal. Carothers states in the November 17th letter that Calais LNG failed to exercise the option or to make the August 31, 2010 payment required under the option agreement and that, as a result, the option terminated and Calais LNG no longer has title, right or interest in the property.

As you know, for purposes of the BEP proceedings to evaluate Calais LNG's permit application, the project and this proceeding have been suspended for the past three plus months while Calais LNG's managing member (GS Power Holdings LLC) has been in the process of transitioning the project to a new financial partner. As part of the process of transitioning the project to new financial backers, the parties involved initiated discussions with Carothers to re-negotiate the option agreement to more appropriately reflect the current economic climate. Those negotiations have been ongoing since prior to the expiration of the option agreement.

Calais LNG does not intend to withdraw its applications at this time. The project is in the final throes of transitioning majority ownership of the project from GS Power Holdings LLC to a new managing member for Calais LNG. Once that occurs -- and project funding is in place -- title, right and interest to the Carothers property will be secured and various modifications to the project applications will be submitted to the DEP, BEP and the parties to this proceeding (including information on financial capacity as well as on title, right and interest). Further, the additional information that was required to be provided to the various cooperating agencies (e.g., DMR, IF&W and SHPO) will be completed and submitted.

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The applications should remain pending for the following reasons:

- The project has been in suspended animation since mid-August and the fact that title, right or interest has not been maintained during that entire timeframe has not impacted any party, the Department or the Board.
- The project has been actively attempting to re-secure title, right and interest during this timeframe.
- Before the project can go forward, the applicant will have to provide supplemental information on the topics of title, right and interest as well as on the financial capacity. It is the applicant's burden of proof on those issues (as well as many others) and the project, appropriately, would be summarily dismissed if the proceedings were re-started and there was not an adequate demonstration of title, right or interest.
- Calais LNG has expended over $20M on this project to date, and the DEP and BEP have also expended significant resources reviewing this effort. Further, all of the intervenors (both for and against the project) have spent time, effort and money to be involved with the current project. Withdrawal or dismissal of the applications at this point would waste the significant efforts made to get the proceeding to this point, efforts that would need to be duplicated once Calais LNG re-files the applications.

We respectfully request, therefore, that the Board extend the continuance in this matter until January 15, 2010.

Last, Calais LNG appreciates the Chair's recognition of the significant efforts being made to bring this important project through the BEP process.

Very truly yours,

David B. Van Slyke

cc: Service List

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December 2, 2010

By Electronic and U.S. Mail

Susan M. Lessard, Chair
Maine Board of Environmental Protection
17 State House Station
Augusta, Maine 04333-0017

Re: Calais LNG

Dear Chair Lessard:

I have enclosed a letter to you from Harold Ian Emery, dated December 2, 2010, regarding the Calais LNG project.

Very truly yours,

David B. Van Slyke

Enclosure
cc: Service List
Harold Ian Emery
Arthur Gelber

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CALAIS LNG

A Clean, Secure Energy Future for Maine & the Maritimes

December 2, 2010

Susan M. Lessard, Chair
Maine Board of Environmental Protection
17 State House Station
Augusta, Maine 04333-0017

Re: Calais LNG

Dear Chair Lessard:

I am pleased to inform you that on November 24, 2010, North East Energy Development, LLC ("NEED") purchased all of the interests of GS Power Holdings LLC in both Calais LNG Project Company, LLC and Calais Pipeline Company, LLC (collectively, "Calais LNG"). NEED is a Maine LLC, and its principals are myself and Arthur Gelber.

We recognize that the Board has put the processing of the applications for this project on hold for several months. The new management of Calais LNG is vigorously pursuing efforts to get the project back on track, and is undertaking the following efforts in that regard:

- Renewing prior discussions with Steven Carothers and Gail Roberts (hereinafter collectively "Carothers") to promptly re-secure title, right or interest ("TRI") to the property owned by Carothers upon which Calais LNG is proposing to build the bulk of its marine terminal and LNG receiving facility; and
- Re-initiating efforts to provide the additional information previously requested by various state agencies (e.g., DMR, IF&W and SHPO) that was the cause of the initial postponement of the BEP hearings.

Calais LNG anticipates that it will be able to re-secure TRI and provide updated portions of its applications to address TRI and any other issues by January 15, 2011. Further, responses to the additional information requests will be completed and submitted to DEP by Calais LNG by February 15, 2011.

The re-constituted Calais LNG management team is excited about this project and will do whatever it can to move this process along as expeditiously as possible.

Sincerely,

Harold I. Emery

Harold Ian Emery

cc: Art Gelber
Service List