



Express

4300 Wilson Boulevard
Arlington, Virginia 22203

June 30, 2006

David R. Craig
County Executive
Harford County Government
220 South Main Street
Bel Air, Maryland 21014

Re: Proposed Mid-Atlantic Express Natural Gas Pipeline

Dear Mr. Craig:

I am writing to respond to letters you have written to the Federal Energy Regulatory Commission ("FERC") dated June 13, 2006 (which was subsequently delivered to the editor of the Aegis newspaper) and to certain landowners in Harford County that reside along the route that has been proposed for the location of a natural gas pipeline.

First, in your letters you mistakenly identify the pipeline being proposed as a "liquefied natural gas pipeline." In fact, the pipeline we are proposing is simply a natural gas pipeline similar to the many hundreds of miles of natural gas pipelines that already exist in Harford County serving homes, businesses, and power generation facilities. I say "similar" because the pipeline we are proposing, while larger than most of the existing pipelines in the County, will be constructed and maintained to standards and technology significantly more advanced than those pipelines that currently run throughout the County. Specifically, we will follow the most recent versions of the U.S. Department of Transportation regulations for materials, design (yield strength, wall thickness, etc.), component requirements, worker qualifications, construction techniques (welding, inspection, depth of cover and distance to other structures, etc.), installation of corrosion and inspection controls, restoration programs and techniques, operations (surveillance, damage prevention programs, public awareness programs, etc.), and all other issues related to natural gas pipeline safety and reliability.

Next, you write that AES "misrepresented and overstated" the economic benefits associated with the pipeline project. The economic representations we have consistently made with respect to the pipeline include the following:

- Total expected capital cost of \$250 million.

- Approximately twelve months to two years of union construction labor (300,000+ union man-hours) that would employ 100 or so persons. The persons employed would be selected from the union labor roles; accordingly, it is not within our control to say exactly where the direct employment opportunities will arise.
- Indirect and induced expenditures during the construction period, i.e., hotels, restaurants, small parts suppliers, fuel for the construction vehicles, etc., that would go to local businesses.
- Indirect and induced expenditures during the operations period. As we have not made any decisions as to the location of the maintenance/inspection office, we cannot say at this time whether permanent (direct) employees would be situated in Harford County.
- Local property taxes based on the value of the facilities within Harford County.
- Importantly, the potential to reduce both natural gas and electricity prices in Harford County (as part of the greater Mid-Atlantic Region that the pipeline project is intended to serve) by narrowing the gap between supply and demand in a region where the price of natural gas sets the price of electric power almost half of the hours each year.

If these benefits differ from what you believe were represented to you, I would welcome the opportunity to meet with you to discuss them further. If you believe other representations were made by persons employed by AES that are not accurate, please let me know what those were and I will investigate promptly.

With respect to a variety of statements you make in your letters regarding safety and potential incidents related to the pipeline, I assume that the County has procedures in place to address such concerns due to the many miles of older vintage natural gas pipelines already routed throughout the area. As we move our project from the concept stage to a better understanding of the exact route and design, we would welcome the opportunity to discuss how our proposed pipeline might fit in with those existing plans. We would also work with the County to determine whether additional resources would be needed or would be beneficial to the County in meeting its overall emergency response and planning requirements. As a first step in this determination, I offer our availability to work with the County's fire and emergency responders to assess their interest in additional training and/or other needs relative to natural gas pipeline safety. In this latter regard, AES is fully committed to compensate the County for its fair share of any added resources that may be determined to be needed.

The environmental issues you note in your letters will be addressed in the process under which we will request approvals for the project from all appropriate regulatory agencies. We expect the application to be filed later this year after we have completed the required studies and analyses. Once filed, federal, state, and local regulators will review every aspect of the project. Specific areas of review include potential impacts in the following areas:

- Water use and water quality.

- Impacts on fish, wildlife, and vegetation, including threatened or endangered species.
- Cultural resources.
- Soils.
- Land use and recreation.
- Socioeconomics, including impacts (both positive and negative) on local resources.
- Aesthetics.
- Air quality.
- Noise.
- Safety and reliability.

I am sure you are familiar with the depth of analysis needed for final approval of any project of this size as the input you have already provided to FERC is helping us define the extent of both our studies and the scope of review. Be assured that the analysis will be at least similar to, if not more extensive than, the procedures to which the County is subject when it proposes to construct new water or sewer lines, roadways, or municipal or public structures. If it cannot be shown that potential impacts will be avoided, minimized, or mitigated to an acceptable degree, the project will not be approved.

If the County has made a policy decision to oppose natural gas pipeline projects within its jurisdiction (whether before or after completion of final routing, design, and environmental impact analyses), I would appreciate being so informed. If not, I respectfully ask that you keep an open mind with regard to an opinion on the project until such time as the required analyses and formal reviews are completed.

Sincerely,



Kent J. Morton
Project Director

cc: All Harford County Council Members