

# KING & SPALDING

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March 2, 2007

The Honorable Magalie R. Salas  
Secretary  
Federal Energy Regulatory Commission  
888 First Street N.E.  
Washington, D.C. 20426

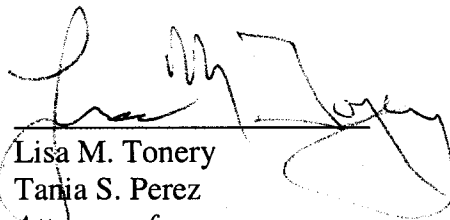
**Re: Downeast LNG, Inc. and Downeast Pipeline, LLC  
Docket Nos. CP07-52-000 and CP07-53-000**

Dear Ms. Salas:

Enclosed for filing in the above-referenced dockets is an original and seven copies of the executed Host Community Benefits Agreement entered into between Downeast LNG, Inc. and the Town of Robbinston, Maine.

Should you have any questions about this filing, please feel free to contact the undersigned.

Respectfully submitted,



Lisa M. Tonery  
Tania S. Perez  
*Attorneys for  
Downeast LNG, Inc. and  
Downeast Pipeline, LLC*

Enclosure

cc: Ms. Shannon Dunn  
Mr. George Willant

HOST COMMUNITY BENEFITS AGREEMENT

This Host Community Benefits Agreement ("Agreement"), dated as of the 18<sup>th</sup> day of December, 2006, is by and between DOWNEAST LNG INC., a corporation organized under the laws of Delaware ("DELNG") and THE TOWN OF ROBBINSTON, MAINE (the "Town").

WITNESSETH:

WHEREAS, DELNG is pursuing the permitting, construction, development and operation of a liquefied natural gas ("LNG") import terminal to be located at Mill Cove within the Town (the "Project").

WHEREAS, the Town wishes to support the Project, recognizing the significant economic and other benefits the Project will bring to the Town and its residents, and the surrounding communities; and

WHEREAS, DELNG, in recognition of the Town's past and continuing support of the permitting, construction, development and ongoing operation of the Project, is willing to agree to provide the Town and its residents, as well as the surrounding area, with certain host community benefits, all on the terms and subject to the conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual promises of the parties contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. General Terms and Conditions. The parties agree and acknowledge that, except as expressly provided elsewhere in this Agreement, the obligations of DELNG hereunder shall be subject to, and conditioned upon, and shall be commenced promptly following the completion

of, the receipt of all licenses, permits and approvals from governmental authorities deemed necessary or advisable by DELNG for the construction and operation of the Project (with terms and conditions satisfactory to DELNG), the start or completion of construction of the Project (as applicable to specific terms of this Agreement) and the commencement of operations of the Project, (specifically the commencement of the delivery of LNG to the Project). This Agreement shall be terminable by DELNG in the event that any of the foregoing conditions is not fulfilled within five (5) years after the date of this Agreement. This condition shall be deemed to have been waived or fulfilled upon DELNG's commencement of construction of the Project.

2. Property Taxation. DELNG recognizes and affirms its obligation to pay its property tax obligation to the Town (before and after the fulfillment of the conditions set forth in Section 1 hereof), which it acknowledges and agrees shall be based upon the assessed (fair market value) of the Project, without deduction for plant depreciation or amortization, as calculated by the Town in accordance with applicable laws. In order to secure such payment obligation, DELNG will obtain and maintain in effect, at all times during the construction and operation of the Project, a bond, letter of credit or other form of security in favor of the Town covering three full years' estimated property tax obligations with respect to the Project, which amount shall be modified and adjusted from time to time to reflect changes in the amount of such tax obligation. DELNG further agrees that, on or prior to October 31 of each year, it will pay to the Town the then-current estimated property taxes (as estimated in good faith by the Town) with respect to the Project for the immediately following tax year of the Town. Any overpayment or underpayment will be calculated and paid within 30 days after the Town establishes final tax obligations for the tax year in question.

3. Community Development Fund. DELNG agrees to establish a community development fund (the "Fund") exclusively in the name of the Town, to which DELNG will

initially contribute the sum of \$100,000 per calendar year, which contribution shall be increased to a yearly contribution of \$1,200,000 upon commencement of Plant operations (i.e., receipt of the first commercial delivery of LNG to the Project by ship), subject, however, to a dollar-for-dollar reduction equal to the amount (if any) by which DELNG's annual tax payments to the Town exceed \$1,500,000. Such contributions to the Fund will be paid on or prior to June 1 of each calendar year (beginning on the June 1 immediately following commencement of Project construction). The fund will be administered by a group of Town residents, specifically responsible for the management of such funds. DELNG places no restrictions on the use of said funds.

4 Fire, Emergency and Security Services.

(a) DELNG agrees to pay to the Town (or to reimburse the Town) all capital costs (estimated to cost of \$500,000) associated with the maintenance, improvement or expansion of the firehouse facility and the fire equipment of the Town arising out of increased need due to the operations of the Project, in all cases to the extent required in connection with permits, licenses or approval issued by the Federal Energy Regulatory Commission ("FERC") or the United States Coast Guard ("USCG") or any other federal or state licensing agency or as otherwise agreed to mutually in writing by DELNG and the Town. The parties agree and acknowledge that the annual operating expenses of the Town's fire services, including without limitation, labor costs, would be included in the Town budget, except any future equipment and capital expenditures directly associated with the LNG facility. In addition to the foregoing, DELNG agrees to pay for or reimburse the Town for the initial costs of training fire personnel, as and to the extent agreed upon by DELNG and the Town's fire department.

(b) DELNG agrees to pay to the Town (or reimburse the Town) all reasonable capital costs and operating expenses associated with the provision by the Town of emergency services

and security protection that may arise out of or be required in connection with the operation of the Project, in each case as and to the extent required by applicable laws or regulations or under permits issued by FERC, USCG or any other current or future federal or state regulatory body.

The parties acknowledge and agree that the Town does not presently have any capability (equipment, infrastructure or personnel) for the provision of such emergency services or security protection.

5. Economic Development.

(a) In connection with the construction of the Project, subject to and conditioned upon the availability of sufficient qualified local firms and personnel, DELNG will set aside 5% (in terms of aggregate dollars of contract value) of the construction contracting for the Project that is to be performed within the State of Maine for contractors that are based in Washington County and were doing business as of July 11, 2005. In addition, DELNG will exercise its commercially reasonable efforts to provide suitable incentives such that construction contractors for the Project employ as many Washington County local workers as possible, subject to an adequate supply of qualified local workers. DELNG will make available to qualified hires, as needed, up to five months of basic construction job training through a qualified training institution or entity selected by DELNG, the cost of which training will be borne by DELNG.

(b) Subject to and conditioned upon the availability of a sufficient pool of qualified local workers, DELNG will exercise its commercially reasonable efforts to maximize the levels of employment of local workers by DELNG in the operation of the Project following completion of construction, with "local worker" being defined for purposes of this Section 5 as a person who resided in Washington County on or before July 11, 2005 or who has graduated from a high school located in Washington County. Residents of the Town as of July 11, 2005 would be deemed to have hiring rights preferential to other local workers from Washington County.

DELNG agrees that, subject to the reasonable availability of qualified workers, if on the third anniversary of the commencement of the Project's operations, local workers comprise fewer than sixty percent (60%) of the full-time equivalent positions at the Project, DELNG shall pay to the Town the sum of Fifty Thousand Dollars (\$50,000) for every ten percent (10%) by which DELNG has failed to meet this sixty percent (60%) goal of employment of local workers, prorated for fractions of such ten percent (10%) increments. By way of example, if actual employment of local workers at the Project on such third anniversary were to equal 48% of full-time equivalent positions, DELNG would make a payment of \$60,000 to the Town. Such payments would apply annually, based upon yearly employment percentages. DELNG agrees that it will pay for the costs of any training required for local workers hired to work at the Project, and that such workers shall receive payroll during such training period. DELNG also agrees to support the formation by the Town and the functioning of an employment review committee that will monitor employment levels at the Project and in connection with its construction and operation and report to the Town with respect to the level of compliance by DELNG with respect to this Section 5. DELNG will provide a report to the Town within sixty (60) days following the third anniversary of the commencement of the Project's operations (and annually thereafter) with respect to the number of full-time equivalent employees as contemplated by this Section 5(b). Any payments due from DELNG hereunder shall be made concurrently with the delivery of such reports.

(c) DELNG will provide annual reports to the Town with respect to its efforts under this Section 5, including without limitation any objectives set forth herein that have not been achieved.

6. Washington County Economic Trust Fund. DELNG has agreed to contribute an estimated \$500,000 each calendar year during the operation of the Project to the Washington

County Economic Trust Fund. DELNG agrees to see to it that the Town will hold not less than twenty-five percent (25%) of the positions on the Board of Directors of such trust fund, provided that qualified residents of the Town are available and willing to serve. DELNG will work with the Board of Directors of such fund to determine administration, use and any restrictions on the funds. The DELNG Sustainable Economic Development Plan, released in July of 2005, would serve as the basis for the fund development.

7. Compensation for Affected Homeowners and Business Owners.

(a) DELNG agrees to pay compensation to the owner(s) of any such affected business in the amount of the irrevocable loss experienced by any business based in the Town which was in operation as of July 11, 2005, which business is determined by an independent arbitrator to have been adversely affected solely by the construction and operation of the Project. The cost of any such arbitration proceeding, which shall be conducted in accordance with the arbitration provisions of this Agreement, will be borne by the substantially non-prevailing party.

(b) DELNG agrees to pay to each owner of residential property whose property abuts the Project, whose property is located immediately across Route 1 from the Project, or whose property is on the shoreline of Mill Cove and faces the shoreline portion of the Project site (where such owner was the owner of the property as of July 11, 2005) (an "Affected Property"), one of the three following alternative amounts chosen by such homeowner:

- (i) a one-time impact fee equal to \$25,000 per homeowner;
- (ii) if the homeowner sells his or her property to a disinterested party in a bona fide, arms' length transaction, the amount by which such homeowner's cost to purchase or construct a home and property in the vicinity of the Town reasonably similar to the Affected Property (in a bona fide arms' length transaction), including reasonable moving

expenses, exceeds the proceeds of the sale of the Affected Property received in such bona fide, arms' length transaction; or

(iii) if the homeowner sells his or her property to a disinterested party in a bona fide, arms' length transaction, and does not receive the current assessed market value of the property in the sale, an amount equal to the excess of (A) the assessed market value of the Affected Property immediately prior to July 11, 2005 (escalated to reflect average residential home price appreciation in Washington County since such date), as determined by an independent appraiser reasonably acceptable to DELNG, over (B) the sale price of such property.

DELNG agrees that, upon request, other property owners who are not subject to the preceding provision but whose property is located within a half mile of the Project, will be assessed in good faith by DELNG to determine if the payment by DELNG of some form of compensation would be appropriate and equitable.

8. Environment and Health. DELNG agrees to operate the Project in compliance with all applicable federal and state environmental, health and safety laws and regulations, including without limitation those governing light and noise levels and air emissions. In addition, it will exercise commercially reasonable efforts (i) to minimize light and noise levels, consistent with the Project's operational needs, between the hours of 10:00 p.m. and 6:00 a.m. and (ii) to utilize the cleanest burning and most energy efficient motors and vehicles in order to minimize air emissions. DELNG agrees from time to time to make those upgrades and alterations to the Project and associated machinery and equipment as may be mandated pursuant to changes in federal and state laws and regulations applicable to environmental, health and safety matters. In order to provide the Town with information concerning environmental, health and safety matters, DELNG will devise, implement and maintain in place a quick alert system to



monitor air quality exceedances and to make emissions and discharge data available to the Town in a timely manner and in an understandable format, as well as to periodically make information available to the Town and its residents about LNG facilities and LNG transportation in general and with respect to the Project in particular. To support this effort, DELNG will support the formation and maintenance of a permanent committee of Town residents to perform ongoing monitoring of environmental, health and safety issues associated with the Project.

9. School, Education and Assisted Living Home. Upon commencement of construction of the Project, DELNG will fund the construction of a new school within the Town (at an estimated cost, including land acquisition, of \$5 million) to replace the existing school located on Route 1, adjacent to the Town's fire station, at a size that meets the reasonable projected growth in school population (as mutually determined in good faith by DELNG and the Town). It is the parties' intent that such school would be operational by the start of Plant operations. The Town and DELNG will mutually agree on the site and design of a new school, with DELNG purchasing the land. In addition, DELNG will construct, at its sole expense, an outdoor multi-sports recreation complex and playground to be located in the Town on land agreed to by the Town and DELNG, which land shall be purchased by DELNG, at an estimated cost, including land acquisition, of \$250,000-\$500,000. DELNG will study the feasibility of retrofitting the existing school into an assisted living facility (ten (10) units) for the elderly residents of the Town and, if such retrofitting is determined feasible and cost-effective, DELNG agrees to fund the costs of such renovation. If such renovation is not feasible or cost-effective, DELNG will, at its sole expense (but not to exceed \$3 million), construct a new assisted living facility (ten (10) units) for elderly residents of the Town. It is the parties' intent that such assisted living facility would be operational by the start of Plant operations. DELNG will fund, each year during the operation of the Project, two college scholarships of \$5,000 each for

attendance by Town residents at accredited colleges and universities located within the state of Maine.

10. Road Repair and Transportation. DELNG will pay the cost of contractors retained by the Town or the State of Maine, as applicable, for repairing any material damage done to Town or state roads during the construction or operation of the Project that is directly attributable to such construction or operation, which repair shall be done to the reasonable satisfaction of the Town, but in no event shall DELNG bear any expense for improving any such road to a better condition than it was in before such damage occurred. DELNG agrees to be responsible for the maintenance and cleaning of such roads during construction of the Project to the extent that the need for such cleaning or maintenance is attributable to such construction activity. DELNG agrees that none of its shipping activity or staging associated with the construction or operation of the Project will be conducted at the Town's boat landing. DELNG further agrees that the total number of ships allowed to deliver LNG to the Project annually will be determined pursuant to the approval and permitting processes of the regulatory agencies having jurisdiction over such matters.

11. Energy Distribution Costs. DELNG agrees to study the technical and legal feasibility of delivering to Town residences in existence as of July 11, 2005, natural gas at wholesale Northeast market prices for the lifetime of the Project, and agrees that if natural gas cannot be so delivered due to technical constraints or economic infeasibility, DELNG agrees to pay the out-of-pocket costs (excluding any tax consequences of such payments) of local distribution for propane or home heating oil during the period that the Project is operational. Such costs shall not exceed the cost of transporting such fuel from the propane or heating oil terminal located nearest to the Town. Estimated distribution costs are typically about 25% of the total retail fuel cost to the consumer (e.g., \$2.00 per gallon fuel oil, \$0.50 per gallon

distribution). DELNG shall pay the energy distribution costs for participating Town residents directly to the energy distribution company that delivers the gas, propane or heating oil.

12. Monitoring; Decommissioning Costs. DELNG agrees to reimburse the Town for the reasonable expense of hiring a part-time clerk or other qualified official who will be an employee of the Town and who may be physically located at the Project during construction and operation throughout the Project's existence in order to ensure that the Project complies with all applicable licenses, permits, approvals, laws and regulations. DELNG further agrees to put into place and to maintain a form of financial security chosen by DELNG in an amount sufficient to fund the estimated costs of decommissioning and dismantling the Project at the conclusion of its scheduled operational life in accordance with the requirements of applicable federal and state laws, regulations, licenses, permits and approvals, the amount of which financial security instrument shall be revised no less frequently than every five years in order to keep pace with changes in such estimated costs.

13. CPI Escalator. DELNG agrees that the dollar amounts set forth in this Agreement shall be subject to increase to reflect changes in the Consumer Price Index (New England – All Urban Consumers) between the date of this Agreement and the date of the payment or expenditure contemplated thereby, as reasonably determined by DELNG.

14. Suspension or Termination of Benefits. At the option of DELNG, any or all of the benefits contemplated by this Agreement to be provided by or at the expense of DELNG shall be suspended or terminated in the event that, and (in the case of a suspension) for so long as, the Town, directly or indirectly, (a) appeals to any administrative or judicial body any federal, state or local permit, license, approval or determination (including but not limited to any of the foregoing issued by the Maine Department of Environmental Protection (“DEP”)) relating to DELNG or the Project, or (b) imposes, through policy, ordinance or other act or failure to act,

any substantial or material limitation on DELNG's ability to operate the Project in accordance with permits and licenses issued by DEP or any other governmental agency or body with respect to DELNG of the Project, or (c) causes any other change in law to occur (including without limitation a change in law mandating the payment or provision of host community benefits by a facility such as the Project). This Section 14 is not intended to preclude the Town from exercising any statutory authority it may have to act in its own interest under applicable law, but rather to provide a contractual means for DELNG to withhold certain benefits under this Agreement until resolution of the action taken by the Town. Should the action taken by the Town described in clause (a) above result in a final determination in favor of the Town (in which the Town is the substantially prevailing party), then the suspension or termination described above shall be discontinued and the amounts previously withheld by DELNG pursuant to such suspension shall be promptly paid in full to the Town. In the event that such action results in a final determination in which the Town is not the substantially prevailing party, such suspended amounts shall be retained by DELNG and shall not be payable to the Town.

15. Future Regulations and Laws. DELNG agrees to pay any and all additional costs directly associated with any future Federal and State requirements and regulations, regarding permitting, construction, plant operations and delivery, as well as plant decommissioning not already addressed in this agreement, that under normal circumstances would be considered municipal appropriations and fall within the Town Budget.

16. Legal Expenses. DELNG agrees to continue to pay all legal expenses incurred by the Town in relation to the project, until such time as it is deemed operational. DELNG would not be liable to pay any legal expenses associated with any adversarial proceeding (before a court, administrative body or other governmental agency) brought by the Town or to which the

Town is a party lawsuit filed by the Town against DELNG. Both parties agree this Section 16 will cease upon the receipt of the first commercial delivery of LNG.

17. Miscellaneous.

(a) This Agreement is intended by the parties to integrate all prior discussions and writings, including memoranda, term sheets, and similar expressions of intent into a single, complete statement of the understandings of the parties with respect to the matters covered by this Agreement and the documents referred to in it. Accordingly, the parties agree that this Agreement supersedes all prior agreements and understandings between the parties with respect to its subject matter (including the letter dated December 15, 2005) and constitutes a complete and exclusive statement of the terms of the agreement between the parties with respect to its subject matter. In addition, the parties agree that this Agreement may not be amended except by a written agreement executed by the party to be charged with the amendment. The parties further agree and acknowledge that

(i) this Agreement has not been entered into under undue time pressure, and that both parties have had an adequate opportunity to review this Agreement with counsel,

(ii) no oral assurances have been given by either party that this Agreement is an interim agreement or that a more comprehensive agreement is or will be forthcoming,

(iii) there are no oral conditions or promises that supplement or modify this Agreement, and

(iv) this Section 17(a) does not constitute “boilerplate”, but rather is a critical substantive provision of this Agreement.

(b) This Agreement may be amended only by a writing duly executed by both parties.

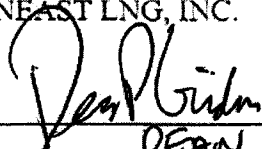
(c) Any and all disputes arising under this Agreement or in connection with its subject matter shall be resolved in accordance with arbitration conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association ("AAA"), before a single arbitrator chosen by AAA, which arbitration proceedings shall be conducted in Portland, Maine. The substantially prevailing party in any such arbitration proceeding shall be entitled to recover from the substantially non-prevailing party the substantially prevailing party's costs and expenses in connection with such arbitration, including without limitation reasonable attorneys' fees.

(d) Any amounts due but unpaid hereunder shall accrue interest at a rate of 1% per month until paid, and the defaulting party shall be responsible for the reasonable attorneys' fees of the non-defaulting party incurred in enforcing the terms of this Agreement.


(e) This Agreement shall be assigned to and assumed by any purchaser or other transferee of all or substantially all of the assets comprising the Project, by means of a writing reasonably satisfactory to the Town.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be duly executed by their authorized representatives as of the date first above written.

DOWNEAST LNG, INC.

By:   
Name: DEAN GREDIS  
Title: PRESIDENT, DOWNEAST LNG

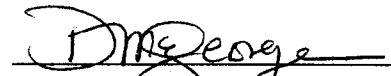
THE TOWN OF ROBBINSTON, MAINE

By:   
Name: Tom Mahaffey  
Title: 1st Selectman

**Certificate of Service**

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at New York, NY this 2<sup>nd</sup> day of March, 2007.



Dionne McCallum-George

*On behalf of*

*Downeast LNG, Inc. and*

*Downeast Pipeline, LLC*