

From: Simon, Timothy A.
Sent: 7/27/2011 1:32:25 PM
To: Cherry, Brian K (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=BKC7)
Cc:
Bcc:
Subject: RE: OPB - Ruby Pipeline to Open After \$3.5 Billion and a Year of Work

Thanks! They were on my panel at NARUC. El Paso is suppose to invite me to the grand opening.

From: Cherry, Brian K [mailto:BKC7@pge.com]
Sent: Wednesday, July 27, 2011 12:59 PM
To: Simon, Timothy A.
Subject: Fw: OPB - Ruby Pipeline to Open After \$3.5 Billion and a Year of Work

From: News Flash
Sent: Wednesday, July 27, 2011 11:25 AM
Subject: OPB - Ruby Pipeline to Open After \$3.5 Billion and a Year of Work

The Ruby Pipeline, a new natural gas pipeline spanning from Wyoming to Oregon, is scheduled to come on line this week. Oregon Public Broadcasting reports the natural gas industry has changed during the pipeline's construction. PG&E is mentioned.

Ruby Pipeline to Open After \$3.5 Billion and a Year of Work

By David Nogueras

Oregon Public Broadcasting, July 27, 2011

A new natural gas pipeline is slated to come on line this week, possibly as early as Wednesday. The Ruby Pipeline, as it's called originates in Opal, Wyoming and spans 680 miles before terminating in Malin, Oregon.

As David Nogueras reports in the year it's taken to complete construction, much in the natural gas industry has changed.

Construction crews converged a year ago near Lakeview, to bury the 42-inch pipeline. Ruby's parent company, The El Paso Corporation, spent a reported \$3.5 billion on the project.

Carl Kirst is an equity analyst for the investment bank, BMO Capital. He tracks financial developments in natural gas.

He says in one sense El Paso also buried some what of a time capsule out here, a snapshot of the natural gas industry at the time the project was first conceived, back around 2008.

“Given where the economy was and given where energy prices were, it was almost a foregone conclusion that not only did we need this additional outlet from the Rocky Mountains but people were already under discussion at that point of the next pipeline to be coming out of the Rocky Mountains,” Kirst says.

At the time, many pipeline companies were building routes from reserves in the Rocky Mountains to the eastern states according to Krist.

El Paso conceived of Ruby as a way to hedge against those bets and gain access to markets in Northern California.

El Paso cut a deal with the biggest player in Northern California, San Francisco-based **Pacific Gas and Electric or PG&E Corporation**. That deal, he says gave extremely favorable terms to the utility.

“And until the deal was basically locked up, there was a lot of inflationary pressure, you know steel prices, labor prices, that El Paso basically had to commit to. And basically when they committed to it is when the market basically topped out and things started falling apart.”

The recession, he says, changed the playing field. When Lehman Brothers went under taking much of the credit markets with it, El Paso was left scrambling to finance the massive project.

The company eventually managed to find a private equity partner. But by early 2009, he says the price of natural gas had been essentially slashed in half.

Kirst says that drop can be attributed to a glut of infrastructure projects, such as Ruby, as well increased production from shale gas projects from across the United States.

The drop in natural gas prices could hurt the profitability of Ruby. But the two Oregon counties that the pipeline runs through will still benefit. Lake and Klamath are entitled to tax revenue from the project.

Phil Israel is county assessor in Lake County. He says Ruby is expected to bring in more than \$1.8 million this year for Lake County alone. And that’s a lot.

“As far as property tax is concerned, it’s probably going to be 25 percent increase in property tax revenue,” Israel says.

Some environmental groups and ranchers also benefitted from the project.

During the construction phase, Ruby made payments into trust accounts to secure their cooperation.