

## Williams News

Williams announced in May that it has entered into a definitive agreement to sell substantially all of its power assets to Bear Energy LP, a unit of The Bear Stearns Companies Inc. The agreement encompasses Williams' 7,500-megawatt portfolio of power contracts and certain other assets. The transaction is expected to close within the next six months.

Williams' exit from the power business allows it to focus on its core natural gas businesses and reduces any related business and financial risks. Williams will continue to manage its gas production through its Midstream, and Exploration and Production business units.

## Pipeline Movers and Shakers

There have been a number of personnel changes in Northwest Pipeline's operations and technical services organization that we believe will enhance Northwest's ability to serve its customers. They are as follows:

■ Effective April 30, 2007, Larry Hjalmarson was named vice president of gas pipeline operations. Larry reports to Randy Barnard, senior vice president of technical services and operations, and is responsible for overseeing the operation of more than 15,000 miles of interstate natural gas pipeline, including the Transco, Northwest Pipeline and Gulfstream pipeline systems. From 2004-2007, Larry served as director of operations for Northwest Pipeline. Prior to that, he worked for Williams in Venezuela.

He will relocate to Houston.

■ Barry Orgill, formerly district manager of the Pocatello District, was named the new director of operations for Northwest. Barry will be moving to Salt Lake City.

■ Pete Richards was named director of gas management and control for Northwest and reports to Larry Hjalmarson. Pete will continue to be responsible for gas control monitoring and measurement.

■ Rose Mary Lewis was named director of Northwest's technical services. Rose Mary will be responsible for managing most of Northwest's capital, and operation and maintenance projects, and for providing technical support to Northwest's operations.



Some of the recently appointed personnel at Northwest. Left to right: Dave Dean, Rose Mary Lewis and Barry Orgill.

■ Dave Dean was named director of gas pipeline optimization. Dave will be responsible for a variety of efforts designed to further streamline processes and minimize costs, such as examining design, construction and material specifications.

## Colorado Hub Connection Project Update

During the month of May, Northwest held a successful open season for the proposed Colorado Hub Connection project that would include the construction of a lateral that will tie the Greasewood Hub and/or Meeker Hub to Northwest's mainline near Sand Springs, Colo.

The open season offered interested parties three types of service:

1. **Lateral only service that would provide transportation from the hubs to Northwest's mainline under an incremental lateral rate schedule;**
2. **Service that would combine lateral and available mainline capacity at the rolled-in system-wide rate for firm deliveries off the south-end of the system; and**
3. **Hub-to-hub service that would provide transportation between the hubs under an incremental lateral rate schedule.**

Northwest received expressions of interest from eight different parties indicating interest in a combination of the services offered. Northwest is in the process of evaluating the expressions of interest to define the scope of the project and to execute binding precedent agreements.

Northwest hopes to have all commitments in place before the end of the year to initiate the permitting process and to meet a planned November 2010 in-service date.

# Summer Maintenance Update

As usual, summer is a busy season because Northwest primarily uses these months to perform important and necessary maintenance on the pipeline. A full schedule of maintenance projects has been posted to Northwest's 1Line Web site for the months of July and August. Volume impacts and schedule dates are stated as accurately as possible, but are subject to change based on the variable nature of the factors involved in the projects. We communicate schedule changes to customers as quickly as possible through the 1Line Web site.

Northwest's 2007 maintenance program kicked off in early spring and has ramped up considerably in June. Most of this year's maintenance will occur between June and September. Year-to-date, Northwest has incurred a total of 14 impact days. Of these, 12 impact days resulted from planned maintenance, including three days for stopple fitting installations between the Cisco and Pleasant View compressor stations; five days for pigging facility installations between the Lava and Pocatello, and Caldwell and Baker compressor stations; and four days for annual compressor inspections at the Buhl and Burley stations.

We had two unplanned impact days between the Green River and Muddy Creek compressor stations to investigate anomalies discovered as a result of the pigging in this corridor that was conducted in May.

Customers should be aware that as sections of Northwest's mainline are inspected internally with pigging tools and when critical anomalies are discovered, they will be remediated immediately and pressures and flows may be reduced. For the Green River to Muddy Creek segment, Northwest is expecting additional data from its in-line inspection vendor the week of July 16, at which time it may be necessary to take actions similar to that which occurred during the week of June 25. Northwest will communicate such information as timely and accurately as possible to its customers.

## Maintenance and Nominations South through La Plata

Primary nominations south through the La Plata B Compressor Station have consistently exceeded its design capacity of 349,000 Dth/d for a number of months. Although Northwest has been able to

accommodate this elevated south flow, higher ambient temperatures are reducing compressor efficiency and Northwest may not be able to continue this over scheduling. In addition, Northwest will be performing two months of anomaly investigations beginning in July that will require a flow reduction of approximately 34 MDth/d.

Customer cooperation in reducing firm nominations south through La Plata B will be critical to avoiding operational flow orders and deficiency days.

There are several major maintenance projects still to be completed this year. Projects posing the greatest operational challenges and potential for impact days are listed in the table below.

Please refer to the maintenance schedule on Northwest's Web site for a complete list of all maintenance.

Projects	Dates
Spokane (pigging facility installations)	July 9-31
Pleasant View to La Plata C/S (anomaly investigations)	July 10-Sept. 7
Caldwell (unit inspections)	July 16-20
Washougal C/S to Willard C/S (hydrotesting)	July 16-20
Pocatello C/S to Lava C/S (hydrotesting)	July 16-20
Muddy Creek C/S (ESD test)	July 17-19
Kemmerer C/S (unit inspections)	July 23-27
Kemmerer C/S (unit inspections)	August 6-9
Spokane Mead Lateral (hydrotesting)	August 6-10
Pegram C/S (fuel gas modification)	August 8-9
Lava C/S (fuel gas piping modification)	August 21-22
Plymouth C/S to Goldendale C/S (pigging facility installations)	August 29-30

## Gas Quality

Northwest Pipeline continues to work with its customers to define gas quality and interchangeability requirements, particularly as it relates to potential LNG supply. Based on customer feedback, Northwest has also expanded its effort to include sources of biogas. At the most recent Gas Quality and Interchangeability meeting held in Portland, Ore., on June 7, meeting participants concluded that addressing biogas, including agricultural methane (aka moothane) and landfill gas, is more critical than imported LNG interchangeability. It was concluded at the Portland meeting that biogas will probably enter the Northwest system sooner than imported LNG.

Several utilities, including a number directly connected to Northwest, have formed a group to fund a GTI study on dairy waste and landfill gas. Given this, Northwest will be pursuing two parallel paths with respect to gas quality and interchangeability:

1. Northwest will continue to evaluate imported LNG interchangeability, but will primarily monitor appliance testing efforts and FERC orders in various pending cases, and
2. Northwest will also concentrate on biogas and its participation in the GTI study.

***Gas quality and interchangeability meeting presentations and summaries may be viewed and downloaded on the 1Line Web site – please go to the “Downloads” section for Northwest Pipeline.***

## Northwest Pipeline Completes Parachute Lateral

Northwest Pipeline received authorization from the Federal Energy Regulatory Commission on May 16, 2007, to place its 30-inch Parachute Lateral Pipeline into service.

The approximately 38-mile pipeline and related facilities will provide 450,000 dekatherms of natural gas per day from Williams’ production facilities in Garfield County, Colo., to the Greasewood Hub in Rio Blanco County, Colo., where interconnects can be made to other interstate pipelines that access various markets.

“Completion of the lateral provides us with additional opportunities to provide transportation capacity from the rapidly growing western Colorado supply region to other expanding natural gas markets throughout the United States,” said Phil Wright, president of Williams Gas Pipeline.

In 2006, Northwest conducted an open season to solicit binding contractual commitments for firm transportation service on the Parachute Lateral. During 2005, Williams Power executed a precedent agreement to provide secure transportation service on the lateral.

## Customer Survey Action Plan

Your feedback regarding the Energy Insights and Mastio & Company surveys is important to Northwest. We appreciate your input and take it seriously. In fact, Northwest’s scorecards incorporate customer survey goals and affect our compensation.

We formulate our customer survey action plan based on the areas where you identified gaps between importance and performance and where you gave us the lowest scores. For the next two years, designated teams will concentrate on the following four areas:

### Meter Station and Facility Costs

The executive sponsor of this team is Dave Dean, Williams Gas Pipeline director of facilities optimization, whose primary responsibility is to drive costs out of new facilities and maintenance capital work. The Northwest interconnect team lead is Mike Franklin, engineer III. The team’s goal is to lower costs and improve turn around time on interconnects and meter station modifications. Some of the tactics planned to achieve these goals are to choose a single point of contact in engineering to manage new reimbursable projects; to standardize detailed design packages for most common interconnect sizes; to further develop “modular” design concepts and continue the drive toward standardization; and to review all processes from initial customer request to project completion.

Because you have identified communication as being crucial for your business, Northwest’s engineering department will also continue to focus on clear and timely communication, especially about changes in the scope or cost of a project.

### Reliable Operations

Reliability is always of paramount importance, and with the new federal pipeline integrity requirements, communication of our integrity plan implementation is critical. Pete Richards, director gas management and control, is the team sponsor,

*Continued on page 4*

## Customer Survey Action Plan

(continued from page 3)

and Jane Harrison, manager marketing services, is the team lead. The team's goal is to continue to manage integrity work to maintain highly reliable service for years to come and to communicate our successes and discoveries to our customers.

To reach these goals, the team will continue to employ best practices for meeting integrity management requirements in such areas as corrosion and cathodic protection, the use of EMAT and other in-line inspection tools and minimizing customer impacts. We will also continue to focus on providing as clear and accurate communication as possible.

### Rep Effectiveness

Ed Brewer, director marketing services, is the team sponsor, while Dave Madsen, manager marketing services, is its lead. The team's objectives are to improve scheduling processes, ensure that reps understand their customers' business and to train all reps to be more effective backup reps and schedulers. Some ideas to achieve these goals are to schedule lunch and learn sessions for marketing services in order to gain a better understanding of the broad spectrum of our customers' businesses and to cross-train primary and secondary reps more effectively.

### Northwest Passage

Ed Brewer is the team sponsor for the Northwest Passage system enhancements, while Mike Rasmuson is the team lead. In October 2005, Northwest began an effort to improve the performance and reliability of Northwest Passage.

The first phase of this effort was completed in June 2006, and included new hardware, monitoring tools and fail-over capabilities to ensure continued reliability of Northwest Passage. Beginning in 2007, Northwest Pipeline started the second phase of the enhancement project, which is to improve the usability of Northwest Passage. In 2007, you can expect to see a new and improved informational postings Web site. We are also evaluating moving Northwest Passage to a pure Internet-based technology, which means ultimately having a new look and feel.

Feedback will be utilized to help us develop improvements to the system. Stay tuned for news and updates.

## Pacific Connector Gas Pipeline Team Prepares for FERC Filing

Applications for the Pacific Connector Gas Pipeline (Pacific Connector) and the Jordan Cove Energy LNG import terminal will be filed with the FERC in the autumn, with a proposed in-service date in the fall of 2011.

During the past several months, the Pacific Connector project team has met with the United States Fish and Wildlife Service, the United States Forest Service, the Bureau of Land Management and other project stakeholders to address their questions and concerns with the Pacific Connector project and its potential impacts to the region. From day one, the project team has been committed to working with these stakeholders to ensure that Pacific Connector files a complete application, which should enable the Federal Energy Regulatory Commission (FERC) to process the application in a timely manner. As an example of this, during the pipeline routing process the team evaluated, with input from several stakeholders, over 1,000 miles of alternative routes before settling on the current preferred route that will be filed in the application.

At the end of June, draft resource reports were submitted to the FERC for review. These reports include information about the project scope, socioeconomics, fish, wildlife and vegetation, water use and water quality, soils, cultural resources, geological resources, land use, recreation and aesthetics, air quality and noise, reliability, and safety.

The Pacific Connector is a proposed interstate natural gas transmission system designed to transport natural gas from the proposed Jordan Cove LNG import terminal, to be located at Coos Bay, Ore., to various delivery points in southern Oregon. The proposed pipeline includes approximately 230 miles of 36-inch diameter pipeline between Coos Bay and Malin, with interconnects to Northwest Pipeline near Myrtle Creek, Avista Corporation's pipeline system near Shady Cove, as well as Pacific Gas and Electric Company's gas transmission system, Tuscarora Gas Transmission and Gas Transmission Northwest, all located near Malin.

# Gary Kotter's Swan Song



*Gary's second to the last day in the office.*

Gary Kotter, manager of certificates and tariffs for Northwest Pipeline, retired on July 6, 2007. When Gary started as an expeditor for Northwest's purchasing department in October 1974, he probably never dreamed he would still be with the company more than 32 years later.

Gary transferred to the certificates department in 1976, where he remained in one capacity or another until his final day. For the past 20 years, he carried the title of manager.

Gary's contributions to Northwest Pipeline were immeasurable and went beyond the scope of tariffs and certificates. Referred to as "Dr. Know" and "Mr. Institutional Knowledge," his advice was sought by many within Northwest Pipeline and throughout the industry.

With his virtual total recall, it wasn't surprising to see why other departments leaned so heavily on Gary's expertise. He possessed a thorough understanding of system hydraulics and facility design parameters, including the underlying displacement capacity principles. Over the years, he provided extensive input on most service-related contracts and associated tariff changes and implementations.

Employees will always remember Gary's penchant for minuscule handwriting. It's been rumored that he could write an entire novel on a single package of tiny Post-it notes. A magnifying glass was often necessary in order to decipher his edits but it was always worth the effort.

Gary's knowledge, expertise and unique sense of humor

will be sorely missed by anyone who has had the opportunity to work with him. It will be hard to fill Gary's shoes; however, Lynn Dahlberg, manager of certificates and tariffs, has taken over Gary's duties and will do a great job of filling his spot.

Fortunately, the Kotter name will continue at Northwest because his son Xan is one of Northwest's marketing services representatives.

We wish Gary well in his retirement and future endeavors.

## Some of Gary's major accomplishments:

- Certificates for major expansion projects, including:
  - Pre-build project related to ANGTS (240 MMcfd in 1981)
  - Expansion I (433 MMcfd in 1993)
  - Expansion II/NWN expansion (144 MMcfd in 1995)
  - Jackson Prairie expansion (300 MMcfd in 1999)
  - Rockies expansion (175 MMcfd in 2003)
  - Evergreen expansion (276 MMcfd in 2003)
  - Capacity Replacement project (360 MMcfd in 2006)
  - Kern River California action, 2002 expansion and 2003 expansion projects
  - Georgia Strait Pipeline project (approved in 2002 but never built)
- Certificate approvals for scores of customer-driven delivery facility projects
- Restructuring-related certificates and abandonment approvals, including:
  - Initial blanket transportation certificate (1988)
  - Final firm sales conversions/unbundling (1992/1993)
  - Spin-down of gathering/processing (1992)
  - Volume 2 special rate schedule abandonments (1990-2006)
- Developed open-access tariff provisions responsive to Orders 436, 636, 587 and 637