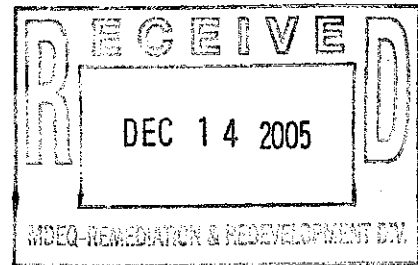


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December 12, 2005

Ms. Sybil Kolon
Environmental Quality Analyst
Department of Environmental Quality
Jackson State Office Building
301 E. Louis Glick Highway
Jackson, MI 49201-1556



RE: Response to November 18, 2005 Correspondence
Force Majeure - North Transmission Pipeline Leak/Evergreen System Shutdown

Dear Ms. Kolon:

This correspondence is in response to your letter of November 18, 2005, "Response to Claim of Force Majeure, North Transmission Pipeline Leak/Evergreen System Shutdown."

MDEQ: The apparent inadequacy of the leak detection system and possibly that the leak began before July 18, 2005.

PLS: PLS has no reason to believe that a leak began before July 18, 2005. As you are aware, the pipeline has been monitored using continuous pressure sensing devices and the information is sent by telemetry to computers for processing. This is a state-of-the-art technique for monitoring pipeline integrity. PLS believes that its leak detection system was adequate to timely detect the problem, and did so in this instance. Recently, PLS installed an additional flowmeter at the Porter lot. PLS has obtained an FCC license in order to boost the power of the transmission of data. This should resolve any future problems with distinguishing telecommunications issues from actual readings in the pipeline.

MDEQ: The lack of notice to Mr. Fotouhi for at least two weeks by PLS operators when equipment problems were identified on or before July 1, 2005.

PLS: The operators first noticed a problem with the communication system on Friday, July 15, 2005. The operators did not believe the situation was one that required notification of Mr. Fotouhi, as they believed the problem had to do with the flowmeter and the communication system that required routine calibration and adjustment, and not

with the actual pipeline pressure. On Monday, July 18, 2005, the next business day, the operators notified Mr. Fotouhi that due to a negative pressure, there was a possibility of a leak within the North Transmission Pipeline. As a result, the Evergreen and North Transmission pipeline were shut down and MDEQ was notified on Monday, July 18, 2005 (attached). PLS does not believe that the operators initial diagnosis of the problem was unreasonable, nor was a short delay to the next business day inappropriate under the circumstances.

MDEQ: The absence of a plan to monitor the condition of the pipelines

PLS routinely monitors the pipelines with a device called a "coupon". The coupon did not show deterioration in the pipelines. Although the loss of pressure indicates a leak, the precise cause of the leak(s) in the North Transmission Pipeline has not been determined, and may never be known for certain. PLS has no direct evidence that the leak was due to natural deterioration of the pipeline. The camera was unable to penetrate far enough into the pipeline to evaluate the cause of the leak. The damage could have been caused by any number of occurrences (such as a shift in surface loads or a subsurface geologic subsidence).

MDEQ: The absence of a contingency plan in the event of a pipeline failure

PLS: PLS does not agree that such a plan was necessary. PLS does not know of any pipeline that has a back-up pipeline in place or has a contingency plan to keep the operation of the pipeline in place during a failure. Typical sound engineering practices require only that pipe failure be promptly addressed by repair or replacement, which was what PLS has done in this situation. If DEQ has a different policy, PLS was not made aware of it.

MDEQ: The condition of the South Transmission Pipeline

PLS: As we discussed previously, PLS will install an additional 6" pipeline at the time that a transmission pipeline is installed for TW-18. The next step would be to secure access for the Washtenaw County Road Commission public-right-of-way for installation of a transmission pipeline from Porter lot to TW-18 (under way at this time). This should provide a fast solution in case there was a failure in operation of the South Transmission Pipeline.

Although this may be a moot question, I would like to respond to your statement that "*The DEQ did not learn about the shutdown or the leak until August 17, 2005.*" Previously, PLS provided a detailed chronology of events in regards to leakage of the North Transmission Pipeline. It is not the intention of this letter to provide the same chronology once again or to dispute the understanding of events between PLS and MDEQ. However, attached is a copy of an e-mail sent to you on July 18, 2005 informing you that the Evergreen System was shutdown due to a possible negative pressure. While I cannot speak to what DEQ did or did not understand about this message, from PLS

perspective, DEQ was notified promptly by PLS the first time it had information indicating a possible leak in the line.

Sincerely,

Farsad Fotouhi

Farsad Fotouhi
Vice President
Corporate Environmental Engineering

cc: Robert Reichel, MDAG
Alan Wasserman
Michael Caldwell