

October 22, 2010

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The Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426
Via electronic filing

Re: Palomar Gas Transmission, LLC
Docket No. CP09-35-000
Palomar Pipeline Project

Dear Ms. Bose:

We are in receipt of the October 14, 2010 letter from Jeff Wright at the Federal Energy Regulatory Commission ("Commission" or "FERC") Office of Energy Projects. Provided herein is a project status update as requested for the Palomar Gas Transmission, LLC ("Palomar") project.

On September 1, 2010 the United States Bankruptcy Court for the South District of Texas, Houston Division issued an order which, among other things, rejected the precedent agreement for firm natural gas transportation service, between NorthernStar Pipeline Company, LLC ("NorthernStar") and Palomar. Consequently, the capacity held by NorthernStar on Palomar is now available for other parties.

Regarding the commercial status of Palomar, we continue to have discussions with parties interested in the unsubscribed capacity on the Palomar pipeline. As a part of that effort we are exploring ways to provide a regional solution which would utilize a portion of Palomar's capacity and provide customers in the Northwest U.S. with additional access to natural gas sources east of the Cascades. Palomar continues to receive interest from utility customers in Washington and Oregon. However, these entities are concerned about regulatory treatment from their state regulators. As a result, Northwest Natural Gas Company has taken a leadership role in meeting with state Commissioners in Washington and Oregon. Palomar expects that the result of these discussions will be either joint or separate workshop(s) with Washington and Oregon regulators near the end of 2010. The purpose of the workshop(s) will be to enable a dialogue between the parties in the region regarding the need for infrastructure additions into and within the region. Following the workshop(s), commercial discussions with local utilities are expected to have increased focus and clarity. Palomar anticipates that an open season would be held following the workshop(s).

Regarding route changes, Palomar and the Confederated Tribe of the Warm Springs Reservation executed an agreement on October 20, 2010, providing Tribal consent for the Bureau of Indian Affairs to issue a right-of-way grant across the Warm Springs Reservation. Consequently, any reconfiguration of project facilities associated with new commercial arrangements would also incorporate the Warm Springs Alternative as part of the proposed project. Between now and the end of the year, Palomar will work to ensure that stakeholders interested in or affected by the various route alternatives in the eastern segment of the project are informed of this pending change in Palomar's proposal.

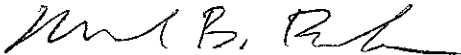
Regarding the western segment of the project between Molalla and Bradwood Landing, the open season will allow us to determine what, if any, commercial interest still exists along this path, and the project configuration will be adjusted accordingly.

While recent events have caused a bit of a delay in the project, we hope to have the commercial aspects of the project more clearly defined after the open season which will allow us to move the project forward. We appreciate the patience of the FERC staff as we deal with the current uncertainties associated with Palomar.

Palomar is e-filing this information in accordance with the Commission's Order No. 703, *Filing Via the Internet* guidelines, issued in Docket No. RM07-16-000 on November 15, 2007.

If you have any questions regarding this matter, please contact the undersigned.

Respectfully submitted,



Michael B. Burke
General Manager

CC: Jeff Wright, OEP
Doug Sipe, OEP
Elizabeth Anklam, OEP