



**Economic
Development Center**

Application for Financial Assistance

1. Applicant Information

Company Name: EMPIRE STATE PIPELINE AND EMPIRE PIPELINE, INC.
Address: 6363 Main Street
Williamsville, New York 14221
Phone No.: (716) 857-7536
Fax No.: (716) 857-7439
Email Address: kraemerr@natfuel.com
Fed. Id. No.: 38-2850873 (Empire State Pipeline)
Contact Person: Ronald C. Kraemer

Principal Owners/Officers/Directors: (for both entities)
(list owners with 15% or more in equity holdings with percentage ownership)

David F. Smith - President
Ronald C. Kraemer - Vice President
Ronald J. Tanski - Treasurer
James R. Peterson

Corporate Structure (attach schematic if Applicant is a subsidiary or otherwise affiliated with another entity)

Form of Entity:

- Corporation (Empire Pipeline, Inc.)
- Partnership (General _____ or Limited _____; number of general partners _____ and, if applicable, number of limited partners _____).
- Limited Liability Company/Partnership (number of members _____)
(Empire State Pipeline, joint venture) **SEE EXHIBIT A.**
- Sole Proprietorship

If a corporation, partnership, limited liability company/partnership:

What is the date of the establishment
Empire State Pipeline, established December 12, 1988
Empire Pipeline, Inc., incorporated July 12, 2005

Place of organization - New York (both entities) and,

If a foreign organization, is the Applicant authorized to do business in the State of New York? _____

Applicant's Counsel:

Phillips Lytle, LLP
John G. Schmidt, Jr., Esq.
Milan K. Tyler, Esq.
3400 HSBC Center
Buffalo, NY 14203
Ph: (716) 847-7095
Fax: (716) 852-6100

Keyser, Maloney & Winner, LLP
George H. Winner, Jr., Esq.
HSBC Bank Building, 2nd Fl.
150 Lake Street
Elmira, NY 14901
Ph: (607) 734-0990
Fax: (607) 378-620

** all correspondence to J. G. Schmidt, Jr., Esq., 3400 HSBC Center, Buffalo, NY 14203

2. Project Information

A) Detailed Description of Project:

Construction and operation of 20,620 HP natural gas compressor located in the Town of Oakfield, Genesee County, New York, associated with a 78 mile pipeline project through the counties of Ontario, Yates, Schuyler, Chemung & Steuben.

SEE EXHIBITS A, D, AND E.

Project Code _____ (for GCEDC's Use)

B) Project Address: 3261 Lockport Road (part of) Oakfield, NY 14125

C) Current Assessed Value of Property \$104,300 – 205 acre parcel N/A _____ (not required if project is for equipment purchases only)

D) Are utilities on Site:

Water _____ Electric x
Gas _____ Sanitary/Storm Sewer none

E) Present legal owner of site Donald A. & Mary L. Falker
If other than Applicant by what means will the site be acquired for this Project:
Purchase of 19 acres – closing pending

F) Zoning of Project Site: Current: Res/ agriculture District Proposed: Special use- Utility

G) Are any variances Needed: Special Use Permit Town of Oakfield obtained 4/12/06

H) Principal Use of Project upon completion: Natural Gas Compressor Station

I) Will the Project result in the removal of a facility of the Applicant from one area of the State of New York to another? No

Will the Project result in the removal of a facility of another proposed occupant of the Project from one area of the State of New York to another area of the State of New York? Yes No

Will the Project result in the abandonment of one or more facilities located in the State of New York? Yes No

J) Current Employment at Project Location: Full time: 0 Part time: 0
Full Time Equivalents: 0

K) Estimate how many jobs will be retained as a result of this Project over the next three years: _____ **SEE EXHIBIT B.**

L) Estimate how many full time/ part-time jobs will be created as a result of this Project over the next three years: Full time _____ Part-time _____
Full Time Equivalents _____ **SEE EXHIBIT B.**

M) Estimate how many construction jobs will be created by this Project: **SEE EXHIBIT B.**

O) Estimated Project Costs / Project Capital Investment:

Land and Building \$ _____ (Purchase Value of land and/or building)
Building Cost \$ _____ (New Building Construction cost or Existing building expansion construction costs including engineering and / or architect and blue print fees)
Equipment \$ _____ (\$ Value of Production Equip, Furniture/Fixtures, Computers et. al.)
Other \$ _____ describe: _____
Tot. Cap Invest: \$ _____ (Sum all lines above)

SEE EXHIBIT C.

"P" through "R" for GCEDC's Use

P) Type and amount of financial assistance being applied for:

- Sale Leaseback or Lease Leaseback \$ _____
 Tax Exempt or Taxable Bonds \$ _____

Q) Cost Analysis:

Estimated Financial Assistance

Estimated Sales Tax Exemption (8%) \$ _____ [To be provided upon board approval for term of construction project]

Estimated Mortgage Tax Exemption (1.25%) \$ _____ [To be provided upon board approval based on mortgage amount]

Estimated Property Tax Abatement \$ _____ [To be provided upon board approval via PILOT Contract – see below]

Describe nature of Property Tax Abatement (PILOT)

Proposed PILOT structure:

Tax Map # _____

Estimated Interest Savings IRB Issue \$ _____

SEE EXHIBITS F, G and G-1

R) Fees to be Paid by the Applicant:

Genesee County EDC \$ _____ *(The Center will collect a 1% fee if this transaction was consummated through direct interaction between the Applicant and GCEDC. The Center will collect its participation fee at the time of closing, based on the capital investment costs stated in this application. (Should the actual costs exceed those estimates by more than 25%, an additional fee will apply.)*

Harris Beach, LLP \$ _____ *(Estimated fee for legal services required in connection with the financial assistance provided by the Genesee County Economic Development Center)*

3. Representations by the Applicant

The Applicant understands and agrees with the Center as follows:

Please initial each item where indicated

Job Listings - In accordance with Section 858-b(2) of the New York General Municipal Law, the Applicant understands and agrees that, if the Project receives any Financial Assistance from the Center, except as otherwise provided by collective bargaining agreements, new employment opportunities created as a result of the Project will be listed with the New York State Department of Labor Community Services Division (the "DOL") and with the administrative entity (collectively with the DOL, the "JTPA Entities") of the service delivery area created by the federal job training partnership act (Public Law 97-300) ("JTPA") in which the Project is located. *[Signature]* **Applicant's Initials**

First Consideration for Employment - In accordance with Section 858-b(2) of the New York General Municipal Law, the Applicant understands and agrees that, if the Project receives any Financial Assistance from the Center, except as otherwise provided by collective bargaining agreements, where practicable, the Applicant will first consider persons eligible to participate in JTPA programs who shall be referred by the JTPA Entities for new employment opportunities created as a result of the Project. *[Signature]* **Applicant's Initials**

Annual Sales Tax Fillings - In accordance with Section 874(8) of the General Municipal Law, the Applicant understands and agrees that, if the Project receives any sales tax exemptions as part of the Financial Assistance from the Center, in accordance with Section 874(8) of the General Municipal Law, the Applicant agrees to file, or cause to be filed, with the New York State Department of Taxation and

Finance, an Annual Report of Sales and Use Tax Exemptions (Form ST-340) by the last day of February following applicable calendar year (with a copy to the Genesee County Economic Development Center), describing the value of all sales tax exemptions claimed by the Applicant and all consultants or subcontractors retained by the Applicant. *RM Applicant's Initials*

Employment Reports - The Applicant understands and agrees that, if the Project receives any Financial Assistance from the Center, the Applicant agrees to file, or cause to be filed, with the Center, on quarterly basis, copies of form NYS-45-MN Quarterly Combined Withholding, Wage Reporting, and Unemployment Insurance Returns filed with the Department of Labor applicable to the project site. *RM Applicant's Initials*

Absence of Conflicts of Interest - The Applicant has received from the Center a list of the members, officers, and employees of the Center. No member, officers or employee of the Center has an interest, whether direct or indirect, in any transaction contemplated by this Application, except as hereinafter described: _____ *Applicant's Initials*

_____ The information has not been provided to Applicant.

The Applicant and the individual executing this Application on behalf of the Applicant acknowledge that:

- A) The Center will rely on the representations made herein when acting on this Application and hereby represent that the statements made herein do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements contained herein not misleading.
- B) Failure of the Applicant to file appropriate Sales Tax and Employment reports will result in the revocation of tax benefits and require repayment of benefits previously claimed.

EMPIRE STATE PIPELINE
(Applicant)

By: *[Signature]*
Name: Ronald C. Kramer
Title: Vice President

EMPIRE PIPELINE, INC.
(Applicant)

By: *[Signature]*
Name: Ronald C. Kraemer
Title: Vice President

This Application should be submitted with:


- A) A \$250 Application fee to: Genesee County Economic Development Center
One Mill Street
Batavia, New York 14020
(Attn: President & Chief Executive Officer).
- B) A certificate of insurance as follows:
 - 1. Worker's Compensation Insurance (Center named as additional insured).
 - 2. General Liability Insurance with limits not less than \$1,000,000 per occurrence /accident and a blanket excess liability not less than \$3,000,000 (Center named as additional insured).
 - 3. Insurance against loss/damage by fire, lightning or other casualties with a uniform standard extended coverage endorsement in an amount not less than the full replacement value of the Facility. (Center named as named insured).

The GCEDC encourages the use of Genesee County contractors/suppliers and asks that they be allowed to bid your project!


Hold Harmless Agreement

Empire State Pipeline and Empire Pipeline Inc. (collectively, the "Applicant") hereby releases Genesee County Economic Development Center and the members, officers, servants, agents and employees thereof (the "Center") from, agrees that the Center shall not be liable for and agrees to indemnify, defend and hold the Center harmless from and against any and all liability arising from or expense incurred by (A) the Center's examination and processing of, and action pursuant to or upon, the attached Application, regardless of whether or not the Application or the Project described therein or the tax exemptions and other assistance requested therein are favorably acted upon by the Center, (B) the Center's acquisition, construction and/or installation of the Project described therein and (C) any further action taken by the Center with respect to the Project; including without limiting the generality of the foregoing, all causes of action and attorneys' fees and any other expenses incurred in defending any suits or actions which may arise as a result of any of the foregoing. If, for any reason, the Applicant fails to conclude or consummate necessary negotiations, or fails, within a reasonable or specified period of time, to take reasonable, proper or requested action, or withdraws, abandons, cancels or neglects the Application, or if the Center or the Applicant are unable to reach final agreement with the respect to the Project, then, and in the event, upon presentation of an invoice itemizing the same, the Applicant shall pay to the Center, its agents or assigns, all costs incurred by the Center in the processing of the Application, including attorneys' fees, if any.

EMPIRE STATE PIPELINE
EMPIRE PIPELINE, INC.
(Applicant)

By: 
Name: Ronald C. Kramer
Title: Vice President of Empire State Pipeline and
Empire Pipeline, Inc.

Sworn to before me this
11th day of January 2007


Notary Public

MICHELLE S. CHARLES
Notary Public - State of New York
No. 01CH6099255
Qualified in Erie County
My Commission Expires September 29, 2007

Exhibit A
Empire Connector Project Description

The project (the "Project") would consist of: (i) Agency involvement in the 20,620 horsepower compressor station portion in Genesee County of the Company's 78.3 mile 24-inch diameter natural gas pipeline beginning in Victor, New York and traversing the Finger Lakes region through the counties of Ontario, Yates, Schuyler, Chemung and Steuben, and terminating in Corning, New York, along with a new compressor station in Oakfield, Genesee County, New York (the "Empire Connector Project"), through the acquisition of a leasehold, easement or license interest in (a) all fixtures, structures, easements, franchises, and real property associated with the Project located in the Town of Oakfield (the "Land"), and (b) all machinery and equipment, including pipes, valves, meters, fittings, and compressors located on the Land and associated with the operation of the Project (the "Equipment") (the Land and the Equipment collectively being referred to as the "Project Facilities"), all of the foregoing to be owned and operated by the Company (or a related entity) as a natural gas transmission pipeline and for other directly and indirectly related activities; (ii) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the General Municipal Law) with respect to the foregoing, including potential exemptions from sales taxes and real property taxes (collectively, the "Financial Assistance"); and (iii) the leasing or licensing of and/or granting of an easement interest in the Project Facilities to the Company, to induce acquisition, construction and equipping of the Project.

Additional Information Relating to the Empire Connector Project:

Empire State Pipeline (a New York State joint venture owned by Empire State Pipeline Company, LLC and St. Clair Pipeline Company, LLC) ("Empire") and Empire Pipeline, Inc. ("EPI" and collectively "Company"), subsidiaries of National Fuel Gas Company, filed a Federal Energy Regulatory Commission ("FERC") Section 7(c) application in October 2005 to expand and extend its existing pipeline system. The application was assigned Docket No. CP06-5-000. That application was approved and a certificate of public convenience and need was granted on December 21, 2006. Among other authorizations, Empire was granted FERC authorization to (i) execute the Empire Connector Project, and (ii) merge the assets of Empire (currently a New York State Public Service Commission regulated intrastate pipeline) into EPI (the planned FERC regulated interstate pipeline) on the in-service date of the Empire Connector Project (expected to be November 2008). The Financial Assistance would therefore be provided to a combination of Empire (construction period related) and EPI (operation period related).

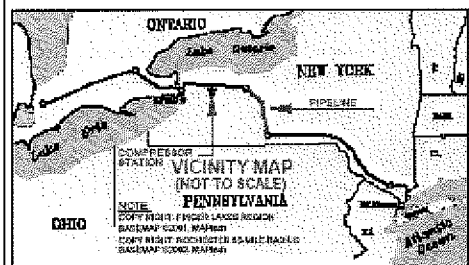
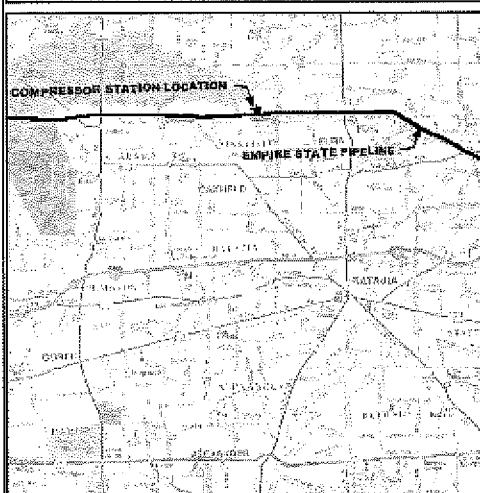
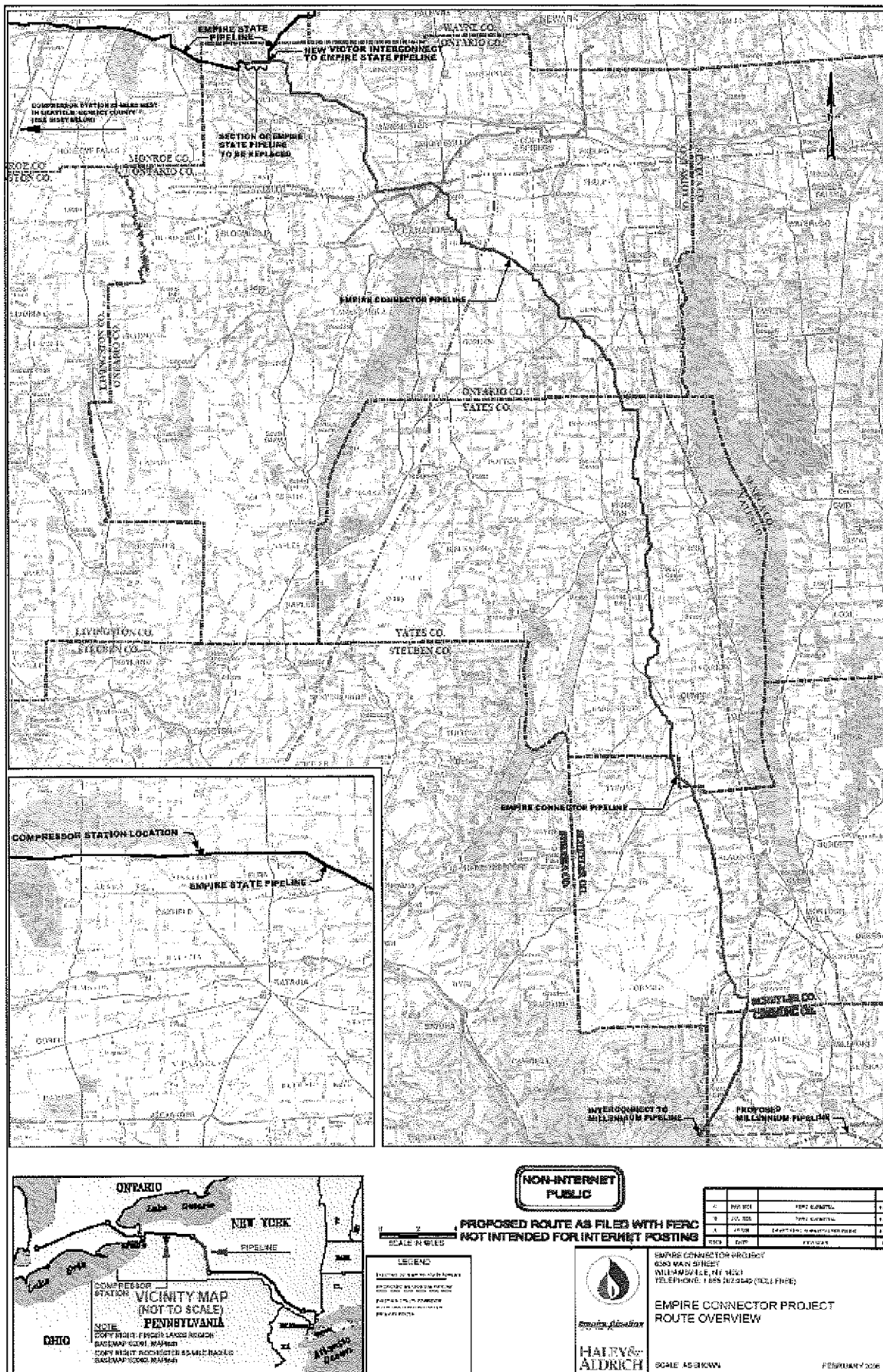
The Empire Connector Project would be constructed during the late 2007 and 2008 construction seasons, connecting the existing Empire pipeline to the proposed Millennium Pipeline in Corning, New York ("Millennium Pipeline"). Construction activities would include site preparation, removal of a 1.4 mile portion of the existing Empire pipeline in Victor, New York, and installation of a new higher pressure pipeline in its place, and the installation of the remainder of the 78 miles of pipeline and 20,620 horsepower of compression. Final activities include tie-ins, testing, and commissioning. An Empire Connector Project map is attached as Exhibit A-1.

EPI's primary gas supply would be at its interconnection with TransCanada PipeLines, Ltd. ("TransCanada") at Chippawa near Grand Island, New York, and through TransCanada, the region will have access to additional Canadian and domestic gas supplies at Chippawa/Niagara, the Dawn Hub, and other upstream trading points. In addition, Empire is currently interconnected with the facilities of National Fuel Gas Supply Corporation and Dominion Transmission, Inc., which would afford access to storage facilities and additional gas supplies.

As the upstream supply link for the Millennium Pipeline, the Empire Connector Project would serve the growing needs of Northeast natural gas markets, specifically New York State. The construction of the Empire Connector Project would (i) add pipeline capacity and increased deliverability for electric generation and local distribution company growth, (ii) enhance natural gas supply and storage options to these markets as well as to existing customers, and (iii) enhance the region's potential for price stability, by increasing the capacity of the Empire pipeline by 250,000 decatherms per day ("Dth/d") in the winter and 221,000 Dth/d in the summer while extending the system to the Millennium Pipeline.

Construction of the Empire Connector Project would provide substantial new revenue to tax jurisdictions along its route, while providing significant local and regional economic benefits during construction and during the operating life of the project. A summary of the Empire Connector Project benefits is attached as Exhibits B and E.

Exhibit A-1 Empire Connector Project Map



**NON-INTERNET
PUBLIC**

**PROPOSED ROUTE AS FILED WITH FERC
NOT INTENDED FOR INTERNET POSTINGS**

SCALE IN FEET

LEGEND

- EMPIRE STATE PIPELINE
- EMPIRE CONNECTOR PIPELINE
- NEW VECTOR INTERCONNECT
- PROPOSED MILLENIUM PIPELINE
- PROPOSED ROUTE
- EXISTING ROUTE
- PROPERTY



**EMPIRE CONNECTOR PROJECT
ROUTE OVERVIEW**

SCALE AS SHOWN

FERC PERMIT # 2006

| NO. | DATE | DESCRIPTION | BY |
|-----|----------|-------------|----|
| 1 | 10/20/06 | PRELIMINARY | JK |
| 2 | 11/15/06 | REVISED | JK |
| 3 | 12/15/06 | REVISED | JK |
| 4 | 01/15/07 | REVISED | JK |
| 5 | 02/15/07 | REVISED | JK |

FIGURE 1.2-1

Exhibit B
Employment and Other Economic Benefits

Direct Effect of Empire Connector Project

The Empire Connector Project, if undertaken, is projected to create more than 880 construction jobs over the construction period with a payroll of approximately \$51.9 million. Payroll for labor sourced locally is expected to exceed \$21.9 million, with an additional \$10.2 million secured from regional sources (New York, Pennsylvania, and Ohio). The remaining labor is expected to be from outside the region and represents specialty skills and other labor not available locally in the quantity required. Additional expenditures would include (i) \$6.3 million in locally purchased supplies and materials such as buildings, stone, timber, fencing, piping and electrical fittings, etc. (plus an additional \$7.0 million within the region) and (ii) \$3.5 million in local purchased services such as lodging, meals, fuel, trucking, rail, and utility, etc. (plus an additional \$2.7 million within the region). Direct payments to local property owners for Rights-of-Way, property acquisition, storage and contractor yard leases, and timber purchases would exceed \$3.3 million. The two contractor “spread” offices would be located in the towns of Farmington and Dix, New York throughout the construction period.

National Fuel Gas Supply Corporation (“National Fuel”), an affiliate of EPI, operates Empire under an Operating and Maintenance Agreement, and would operate the Empire Connector Project. National Fuel is expected to require at least an incremental 1.3 man-years of labor to operate the additional facilities of the Empire Connector Project. In order to provide this support for the Empire Connector Project National Fuel would expect to hire two new employees: one supporting compressor station operations and to be located in the Batavia/Oakfield, New York area, and the second supporting pipeline operations and to be located in the Rochester/Rush, New York area. In addition to this incremental local labor, EPI would require local contractor and service providers, and locally purchased material, on an ongoing basis for a total annual operating and maintenance budget of approximately \$570,000. Overall management of the Empire Connector Project would be performed out of the EPI/National Fuel corporate offices in Williamsville, New York and a district office in Rush, New York.

Economic Multiplier Effect of Empire Connector Project

The economic multiplier, or “multiplier effect”, is a measure of how much economic activity can be generated in a community by different combinations of purchasing and investment.¹ The multiplier effect, more specifically refers to indirect and induced economic benefits that result from money circulating through the economy caused by direct final demand changes. The indirect economic effects are related to changes in income and employment from the iterations of industries purchasing from other industries. The induced economic benefits refer to the changes in all local industries by expenditures of new household income generated by the direct and indirect effects.

¹ The Jobs Connection: Energy Use and Local Economic Development, U.S. Department of Energy

The proposed investment to be made in the construction, and the ongoing operation of the Empire Connector Pipeline would generate increased economic activity in the Rochester and Central New York region, thus strengthening the local economy. This stimulus to the economy would lead to growth in the local tax base, and a healthier fiscal picture for the region.

To quantify the Economic Impact of the Empire Connector Project, an analysis was performed which reviews the anticipated investment made to complete this project, and takes into account the multiplier effect generated by the interindustry relationships and recycling of this investment within the region. The U.S. Department of Commerce, Bureau of Economic Analysis (BEA) has developed a method for estimating regional economic multipliers, known as the Regional Input-Output Modeling System (RIMS II). The data used has proven to be highly effective and accurate in empirical studies, and has recently been updated as the tables compiled in this study were released in November 2006 based upon 2004 regional data.² RIMS II multipliers were obtained for a contiguous seven county region that encompasses the anticipated pipeline right-of-way and location of the compressor station associated with the Empire Connector project.

The initial investment during the construction phase is estimated at \$152.1 million and is treated as a final demand in the aggregate construction industry in the region, as construction is considered a final good. The multiplier generated for the construction industry for the region, determined by the RIMS II model, is 1.7312.³ Therefore the actual initial economic impact, which would be generated by the construction of the Empire Connector Project, is estimated to be equivalent to \$263.3 million, of which \$111.2 million can be described as indirect economic benefits. Based on the \$0.57 million annual operating and maintenance expenditures for the Empire Connector Project and the final-demand output multiplier of 1.5549³ for the Pipeline Transportation Industry Aggregation, the total annual economic impact of ongoing operations of this project is estimated at \$0.89 million.

Along with this, employment in this region would realize a benefit from the construction and ongoing operation of the Empire Connector Project. Based upon an estimated 880 full-time construction jobs to be utilized during the construction phase and the direct economic value of the investment in this project (multiplier of 11.6105 jobs/\$1 million investment³), it is estimated that an indirect benefit of an additional 886 jobs could be created on a temporary basis, for a total of 1,766 jobs. The \$0.57 ongoing investment would create a total of 4 long-term jobs of which 2 would be newly hired employees and 2 would be indirect jobs created to support the operations of the Empire Connector Project.

² Regional Multipliers – A Users Handbook for the Regional Input-Output Modeling System (RIMS II), U.S. Department of Commerce (BEA), Third Edition March 1997

³ As derived from Table 2.4 of the RIMS II Multipliers obtained for the 7 county contiguous region

In addition to the multiplier effect, the Empire Connector Project would represent the development of a substantial energy infrastructure in a region not currently bridged by a natural gas transmission system. The development of this infrastructure would allow for future access to large quantities of competitively priced natural gas. This is necessary for certain economic development projects, not currently possible with the limited infrastructure in place along much of the Empire Connector route. In an effort to foster economic growth, EPI would install at its cost during construction, a tap of the pipeline at a location of the Agencies choosing.

Exhibit C
Project Costs

The Empire Connector Project would be highly capital intensive and the market for natural gas transportation services, including the market underpinning the project, will no longer bear the "tax expense" based on (i) the total cost of the project (or the NYS Uniform Construction Index Base Cost) and (ii) the current property tax rates. With the recent delay in the Empire Connector Project start-up (imposed by regulatory timing), from November 2007 to November 2008, significant financial pressure has been imposed on the project. For instance, the MEPS North American Carbon Steel Product Price Index has risen 29.7% for hot rolled coil (the unfinished material for pipe) from June 2005 to June 2006. In addition, local pipeline labor rates published by contractors providing services to National Fuel depict increases of 13% to 25% for various trades, from 2006 to 2007. These levels of price inflation are indicative of an industry under intensive growth nationally, and it impacts construction labor, equipment and other materials similarly. EPI's anchor shipper contract does not allow for recovery of these cost increases. Accordingly, the Company is requesting financial assistance from involved industrial development agencies to help make the Empire Connector Project a reality, while providing a win-win for the community with incremental tax revenues, local construction labor, local ongoing operation and maintenance services, procurement of local construction and operational supplies, meal and lodging, and other multiplier effects. All without adding any burden to the local taxing entities.

Total Empire Connector Project costs are expected to be in excess of \$152.1 million (estimated in 2006 dollars) of which \$29.1 million is associated with construction of the Project in Genesee County. Within Genesee County approximately \$5.7 million will be expended on construction labor and \$14.1 million on materials. The remainder of the Project costs in the county are for construction services, construction equipment, project development (environmental, legal, engineering, regulatory, public outreach, and marketing), landowner payments, and financing expenses.

Exhibit D
Empire Connector Project Timeline

| | |
|----------------------------|--|
| September 2004 | Company begins community outreach |
| November 2006 | Company preliminary meeting with IDA's |
| January-February 2007 | Company meets with IDA Executive Directors and presents to IDA Boards, as required |
| February-March 2007 | IDA public meetings and development of PILOT agreements and documentation to affect IDA assistance |
| March – April 2007 | Company decision to build or not build |
| April – May 2007 | Major equipment and pipe purchases |
| August 2007 – October 2008 | Construction of Empire Connector Project |
| November 1, 2008 | In-service date for Empire Connector Project |
| March 2009 | Taxable Status Date for all towns along Empire Connector Project route |
| September 2009 | First set of PILOT bills from involved school districts (2009/10 fiscal year) |
| January 2010 | First set of PILOT bills from involved towns and counties (2010 fiscal year) |

Exhibit E
Summary of Key Empire Connector Project Benefits

The following is a summary of the key benefits of development, location, and operation of the Empire Connector Project in the involved counties.

Economic Benefits:

- Large local union construction employment
- Two new full time operating positions
- Significant local purchases of construction material and supplies
- New major long-term corporate taxpayer
- Significant economic stimulus and multiplier effect on the regional economy (construction expenditures, easement payments to landowners, environmental and engineering services, food, lodging, entertainment, and shopping)
- No additional demands on existing local infrastructure, services, or programs
- New natural gas transmission infrastructure capable of supporting significant economic growth, with a pipeline tap along the Oakfield Compressor Station pipeline segment supplied by EPI during construction
- Supports development of local natural gas storage fields and locally produced gas
- On-going operation and maintenance support services employing local businesses

Environmental Benefits:

- Over 47% of the Empire Connector Project makes use of existing utility corridors
- Project facilities are almost exclusively underground and present no impact to sightlines, viewsheds, etc.
- Surface rights-of-way would remain available for continued agricultural and recreational uses
- Final Supplemental Environmental Impact Statement developed by FERC and review by federal, state and local agencies, as well as other interested stakeholders
- Detailed inspection and mitigation program required by FERC certificate and committed to by Company

General Benefits:

- Company is a well respected and firmly rooted local corporate citizen
- Demonstrated record of community outreach and respect, in the development of the project, with minimal community issues
- Carefully planned and governmentally approved project developed by a well respected and safety minded local energy provider
- Rochester, NY engineering firm developed project routing and mitigation measures in conjunction with EPI – demonstrated sensitivity to local issues and commitment to local contracting
- Safest form of energy transmission provided by a new state-of-the-art gas transmission system
- Stabilized energy supply alternative and back-up to the region

PART II - IMPACT ASSESSMENT (To be completed by Lead Agency)

| | |
|--|--|
| <p>A. DOES ACTION EXCEED ANY TYPE I THRESHOLD IN 6 NYCRR, PART 617.4? If yes, coordinate the review process and use the FULL EAF</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> | |
| <p>B. WILL ACTION RECEIVE COORDINATED REVIEW AS PROVIDED FOR UNLISTED ACTIONS IN 6 NYCRR, PART 617.6? If No, a negative declaration may be superseded by another involved agency.</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> | |
| <p>C. COULD ACTION RESULT IN ANY ADVERSE EFFECTS ASSOCIATED WITH THE FOLLOWING: (Answers may be handwritten, if legible)</p> | |
| C1. | Existing air quality, surface or groundwater quality or quantity, noise levels, existing traffic pattern, solid waste production or disposal, potential for erosion, drainage or flooding problems? Explain briefly: |
| | |
| C2. | Aesthetic, agricultural, archaeological, historic, or other natural or cultural resources; or community or neighborhood character? Explain briefly: |
| | |
| C3. | Vegetation or fauna, fish, shellfish or wildlife species, significant habitats, or threatened or endangered species? Explain briefly: |
| | |
| C4. | A community's existing plans or goals as officially adopted, or a change in use or intensity of use of land or other natural resources? Explain briefly: |
| | |
| C5. | Growth, subsequent development, or related activities likely to be induced by the proposed action? Explain briefly: |
| | |
| C6. | Long term, short term, cumulative, or other effects not identified in C1 - C5? Explain briefly: |
| | |
| C7. | Other impacts (including changes in use of either quantity or type of energy? Explain briefly: |
| | |
| <p>D. WILL THE PROJECT HAVE AN IMPACT ON THE ENVIRONMENTAL CHARACTERISTICS THAT CAUSED THE ESTABLISHMENT OF A CRITICAL ENVIRONMENTAL AREA (CEA)? If yes, explain briefly:</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> | |
| <p>E. IS THERE, OR IS THERE LIKELY TO BE, CONTROVERSY RELATED TO POTENTIAL ADVERSE ENVIRONMENTAL IMPACTS? If yes explain:</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> | |
| <p>PART III - DETERMINATION OF SIGNIFICANCE (To be completed by Agency)</p> <p>INSTRUCTIONS: For each adverse effect identified above, determine whether it is substantial, large, important or otherwise significant. Each effect should be assessed in connection with its (a) setting (i.e. urban or rural); (b) probability of occurring; (c) duration; (d) irreversibility; (e) geographic scope; and (f) magnitude. If necessary, add attachments or reference supporting materials. Ensure that explanations contain sufficient detail to show that all relevant adverse impacts have been identified and adequately addressed. If question d of part ii was checked yes, the determination of significance must evaluate the potential impact of the proposed action on the environmental characteristics of the CEA.</p> <p>Check this box if you have identified one or more potentially large or significant adverse impacts which MAY occur. Then proceed directly to the FULL EAF and/or prepare a positive declaration.</p> <p>Check the box if you have determined, based on the information and analysis above and any supporting documentation, that the proposed action WILL NOT result in any significant adverse environmental impacts AND provide, on attachments as necessary, the reasons supporting this determination.</p> | |
| <p>_____</p> <p>Name of Lead Agency</p> | <p>_____</p> <p>Date</p> |
| <p>_____</p> <p>Print or Type Name of Responsible Officer in Lead Agency</p> | <p>_____</p> <p>Title of Responsible Officer</p> |
| <p>_____</p> <p>Signature of Responsible Officer in Lead Agency</p> | <p>_____</p> <p>Signature of Preparer (if different from responsible officer)</p> |

Exhibit 2 Project Description

The Empire Connector Project ("Project") consists of a 78.3 mile 24-inch diameter natural gas pipeline, including the 20,620 hp Oakfield Compressor Station in Genesee County. The pipeline begins in Victor, NY and traverses the Finger Lakes region through the Counties of Ontario, Yates, Schuyler, Chemung and Steuben, and terminates in Corning, NY. The Project also includes a new compressor station in Oakfield, Genesee County, NY. The Project will be undertaken through the acquisition of a leasehold, easement or license interest in (i) all fixtures, structures, easements, franchises, and real property associated with the Project located in the Town of Oakfield (the "Land"), and (ii) all machinery and equipment including pipes, valves, meters, fittings, and compressors, located on the Land and associated with the operation of the Project, all of the foregoing to be owned and operated by the Company as a natural gas transmission pipeline and for other directly and indirectly related activities.

In terms of an environmental impact review for the Project, the Project is subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") and the Company takes the position that the Project is not subject to review under the State Environmental Quality Review Act ("SEQRA"). The Project, in conjunction with the Millennium Pipeline Project, has already been the subject of a full and complete environmental review by FERC pursuant to the National Environmental Policy Act, the Federal equivalent to SEQRA. On October 13, 2006, FERC issued a Final Supplemental Environmental Impact Statement ("FSEIS") which contained extensive and detailed analysis of the environmental aspects of the Northeast 07 Project which includes the Empire Connector Project. For the Agency's reference, the Executive Summary of the FSEIS and FERC's Conclusions and Recommendations, including recommended mitigation is enclosed herewith. Also provided is a copy of a compact disc containing the entire FSEIS.

On December 21, 2006, FERC granted the Company a certificate of public convenience and need for the Project. This certificate includes, as conditions of approval, all appropriate mitigation measures specified in the FSEIS. Based on the inclusion of these conditions in the FERC certificate, the Company believes that to the extent the Agency is required to comply with SEQRA in connection with this application, the Agency should adopt findings, in accordance with 6 NYCRR § 617.15(a) and specifically determine that the Project, with the FERC mitigation measures, avoids or minimizes adverse environmental impacts to the maximum extent practicable.

Other Permits and Approvals Applicable to the Project

Empire Connector Project

| Agency | Approval/Required Review/Permit | County(ies) Applicable To | Date Received or (A)nticipated |
|--|---|--|--|
| Federal | | | |
| Federal Energy Regulatory Commission | Final Supplemental Environmental Impact Statement (FSEIS) | Entire Project (Genesee, Ontario, Yates, Schuyler, Chemung, Steuben) | October 13, 2006 |
| Federal Energy Regulatory Commission | Preliminary Determination of Non-Environmental Issues | Entire Project (Genesee, Ontario, Yates, Schuyler, Chemung, Steuben) | July 20, 2006 |
| Federal Energy Regulatory Commission | Certificate of Public Convenience and Necessity | | December 21, 2006 |
| US Army Corps of Engineers | Wetland and Waterbody crossing permit application – Clean Water Act Section 404 Permit Application Revised USCOE Public Notice of Section 10 and Section 404 (approval of applications) | Entire Project (Genesee, Ontario, Yates, Schuyler, Chemung, Steuben) | (A) Spring 2007 |
| US Fish and Wildlife Service | Review of Threatened and Endangered Species, Section 7 Consultation – Endangered Species Act 16 USC Chapter 35 | Entire Project (Genesee, Ontario, Yates, Schuyler, Chemung, Steuben) | Concluded with FSEIS |
| New York State | | | |
| Office of Parks, Recreation, and Historic Preservation | Review of National Register Properties, Historic Structures, Archeological Resources, State Parks Compressor Station - No further Action Required Letter | Entire Project (Genesee, Ontario, Yates, Schuyler, Chemung, Steuben) Genesee County only (compressor station location) | (A) January 2007 (pipeline) September 2006 (compressor station) |
| Department of Environmental Conservation | Water Quality Certificate (approval) Water Withdrawal Permit application – if applicable State Facility Air Permit | Entire Project (Genesee, Ontario, Yates, Schuyler, Chemung, Steuben) If applicable, would apply to Susquehanna River Basin portion of pipeline route only (portions of Schuyler, Chemung and Steuben Cos.) Genesee County only (compressor station location) | (A) February 2007 (A) January 2007 September 13, 2006 |
| Department of Agriculture and Markets | Agriculture and Agriculture Commodities, sensitive soils review | Entire Project (Genesee, Ontario, Yates, Schuyler, Chemung, Steuben) | February 28, 2006 |
| Thruway Authority | Access Permit (survey) application and permit | Ontario County only (Thruway crossing) | October 2004 |
| Local | | | |
| Towns | Building Permits – as required | Genesee County (for compressor station location) Ontario County (for pressure reduction station location) Steuben County (for Corning interconnect station to Millennium) | (A) Summer 2007 |
| Towns | Oakfield Zoning Variance Oakfield Special Use Permit Issued | Genesee County only (compressor station location) | April 12, 2006 |
| Towns and Railroads | Roads and Railroad Crossing | Entire Project (Genesee, Ontario, Yates, Schuyler, Chemung, Steuben) | (A) Winter 2007 |
| Other-PASNY | PASNY ROW Access Permit | Genesee County only (compressor station location) | November 20, 2006 |