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January 25, 2002

William F. Barton, Assistant Director
New York State Department of State
Division of Coastal Resources &
Waterfront Revitalization
41 State Street
Albany, New York 12231-0001

Re: Millennium Pipeline Company, L.P.
F-2001-0246 (formerly F-98-0173)

Dear Mr. Barton:

The purpose of this letter is to respond to your letter of December 14, 2001, and to supply the information requested in that letter. We trust that your review of the information in this letter and the enclosed information will lead you to conclude that the potential for limited blasting in the Hudson River as part of the Hudson River crossing for the Millennium Project will not have any material impact on the habitat of Haverstraw Bay and does not otherwise affect the consistency of the Millennium Project with the New York Coastal Management Program ("CMP").

Your letter addresses the timing of Department of State ("DOS") action concerning the Millennium Project and suggests that the potential for a limited amount of blasting near the eastern shore of the Hudson River may constitute a "project change." Millennium does not believe that the possibility for blasting in this very limited area is a project change for the reasons set forth in this letter and in Millennium's letter to the Federal Energy Regulatory Commission ("FERC"), dated December 17, 2001, a copy of which is enclosed. Accordingly,

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Millennium reserves all of its rights concerning the timeliness of DOS review.

Notwithstanding the foregoing, we appreciate the fact that the possibility for blasting in a very limited area of the Hudson River was not addressed in Millennium's Coastal Zone Consistency filings with the DOS and offer our sincere regrets if this information was not, in your judgment, sufficiently brought to your attention. Millennium is committed to providing the DOS with full and complete information on all aspects of the Millennium Project that are subject to review by the DOS.

As you are aware, the FERC approved the Millennium Project on December 19, 2001, subject to certain stated conditions. The FERC's order approving the Project notes that Millennium initiated consultation with the DOS in November 1998 and provided an updated application to the DOS in March 2001 but that the DOS review has not been completed. Order at 59-60. In addition, the FERC Order requires Millennium to consult with the various resource agencies, including the DOS, concerning the blasting issue. We are hopeful that the information contained in this letter and set forth in the enclosures will lead you to the conclusion that the potential for blasting in a very limited area of the Hudson River will not have any significant adverse environmental impacts and can be conducted as part of the overall Hudson River crossing plan in a manner that is consistent with the CMP.

In response to your specific request for information on the potential for blasting in the Hudson River, we are enclosing a copy of the submission made by Millennium to the U.S. Army Corps of Engineers ("COE") in response to the December 11, 2001 request for information from the COE. The December 11th COE letter is specifically referenced in your December 14th letter. The enclosed information addresses each of the seven questions put forth by the COE, as repeated in your letter.

In addition to the enclosed information, we offer the following regarding the consistency of the potential for blasting with the CMP policies:

1. The need for blasting may only arise in a very limited area and may only involve a limited amount of rock. Based upon borings of the Hudson River, it is anticipated that the dredging in the Hudson River may encounter rock in an area of shallow water that is within 200 feet of the shoreline of the Eastern shore of the proposed dredging route. The enclosed documents include a profile of the near shore area on the eastern bank of the Hudson River. The specific borings note the

potential for rock in that area, as does the rock outcrop on the shoreline. As a consequence, Millennium has planned for the contingency that blasting may be necessary. If rock is encountered, Millennium estimates that a maximum of 260 cubic yards of rock will need to be removed, which represents only 20% of the trench volume in this area.

2. As the first step in the dredging process near the eastern shoreline, Millennium will remove sediment with the same methods proposed for the rest of the Hudson River Crossing - - by using an environmental bucket and other mitigation measures to ensure that turbidity is kept to a minimum and that the conditions of the Water Quality Certificate issued by the New York Department of Environmental Conservation ("DEC"), dated December 8, 1999, are met. If rock is encountered, it is likely that the environmental bucket will remove at least some of the rock, particularly the fractured rock that is likely to exist at the interface between the rock and the overburden. At this point, a determination will be made as to whether the rock is susceptible to removal via mechanical means. If the rock integrity is such that it can be removed with mechanical techniques, the environmental bucket or a barge mounted excavator will be used to remove the rock. If a barge mounted excavator is used, it will only be used after the sediment and at least some rock has been removed with the environmental bucket. Since the excavator will be working in rock, turbidity is not expected to be a problem, which will be confirmed by the monitoring conditions of the DEC Water Quality Certificate. However, if mechanical techniques will not be totally effective, the fracturing of some rock with blasting techniques will be required to facilitate rock removal to the desired trench depth.

3. If blasting is necessary, a detailed blasting plan will be developed that will define the spacing, hole diameter, hole pattern, charge size, and stemming procedures to mitigate the pressure wave generated by the blasting. The plan will be reviewed and approved by the federal and state agencies with jurisdiction over the Hudson River crossing before blasting proceeds. The design of the blasting plan will include measures to ensure that only the minimum charge necessary to fracture the rock is used. In order to reduce the pressure wave, the blasting will be conducted as a series of blasts separated by defined millisecond delays, and every reasonable effort will be made to conduct the blasting in one episode. Since rock is anticipated only in a very limited area within 200 feet of the shoreline, conducting the blasting in a single episode is practicable.

4. Other mitigation measures will also be incorporated into the blasting plan. Prior to any blasting, a

side scan sonar survey of the area will be conducted (as is required by the DEC Water Quality Certificate) to ensure that no concentrations of fish are present in the immediate vicinity of the blast. Typically, the noise and activities associated with ongoing construction activities are sufficient to scare fish from the area. If that is not the case, as confirmed by the sonar survey, scare charges or other noise generating devices will be utilized to scare the fish away. Also, the blast area will be cordoned off with an air bubble curtain that will serve two beneficial purposes. First, the bubble curtain will serve to help keep fish out of the immediate area of the blast. Second, the bubble curtain can be very effective in attenuating the pressure wave. The comprehensive study of underwater blasting referenced in the enclosed documents (Keevin and Hempen 1997) points out that air bubble curtains can be extremely effective in mitigating any adverse impacts to fish species associated with underwater blasting when conditions are appropriate. Given the shallow water environment of the near shore area, Millennium is confident that the bubble curtain will be very effective in attenuating the pressure wave outside of the bubble curtain and, thus, avoiding adverse impacts to any fish species that may be in the nearby area. Importantly, these techniques will avoid impacts to the short-nosed sturgeon and impacts to other species that are of concern in the Haverstraw Bay portion of the Hudson River.

5. Since trenching in rock eliminates the need to have the gradual side slopes associated with soft bottom sediments, there is the very real possibility that, if rock is encountered, it will actually reduce the amount of material that must be removed by as much as 50%. Reducing the bottom area impacted by dredging is a minor benefit associated with the need for blasting, if it is required.

6. Once blasting has been completed, the fractured rock will be removed with mechanical means and stored in barges. After placement of the pipeline, the trench in this area will be backfilled with the excavated rock (which will be broken up from the blasting and excavation process). Native sediments will be placed on top of the backfill to the approximate original depth contours. The placement of the original sediments back into the trench will permit tidal action to establish a substrate suitable for recolonization by benthic invertebrates from adjacent undisturbed areas. This benthic community will provide a food resource for fishes, thus avoiding any impairment of the ecological function of the area. This area of Haverstraw Bay is expected to return to full productivity in the same time as the remainder of the crossing. See Millennium Pipeline Project Coastal Zone Consistency Determination, March

2001, pp. 35, 38 (hereinafter "March 2001 Consistency Determination _____"). Thus, any impacts to this area would be minor and short lived. It should also be pointed out that the area potentially impacted by blasting is only a very small portion of the area impacted by the entire crossing and an even smaller percentage of Haverstraw Bay and the functional habitat associated with Haverstraw Bay. Less than 1% of the overall crossing area is potentially impacted by blasting. Since the footprint of the entire area to be dredged in Haverstraw Bay is only .2% of the designated significant habitat and .08% of the functional habitat (March 2001 Consistency Determination at 33), the area potentially affected by blasting is only .002% of the designated significant habitat and .0008% of the functional habitat; i.e., a very small area.

7. Nor will the potential for blasting affect the planned construction schedule. The FERC Order notes that "[a]fter a collaborative process with appropriate Federal and state agencies, Millennium proposes to cross the Hudson River within the agreed upon window between September 1 and November 15. We will require Millennium to use the proposed construction methods and timing window to minimize construction impacts to the habitat in Haverstraw Bay." Order at 51. Because the potential for blasting is confined to such a small area and the quantity of rock potentially to be removed is so small, there will be no impact to the construction schedule. As the construction equipment approaches the eastern shore of the Hudson River, the dredging equipment will move forward to remove the sediment and any rock that is susceptible to removal by mechanical means in this very limited area. By that time, the rock on the upland portion of the shoreline will have been removed, leaving a shoreline plug in place. The removal of rock in the upland area will be a good indicator of the integrity of the rock and whether blasting will be necessary. If it appears that blasting may be necessary, a blasting plan will be developed, as discussed above, and submitted to the federal and state agencies having jurisdiction over the crossing for review and approval. Following removal of the sediment and any rock that can be removed by mechanical means, the blasting plan will be implemented with all of the mitigation measures discussed above. The dredging equipment will then be brought back to the area to remove the fractured rock and the shoreline plug. All of this is routine and none of this activity is expected to affect the construction schedule or the agreed upon construction window.

The consistency of the Millennium Project with the CMP policies has also been confirmed in several respects by the order that the FERC issued on December 19, 2001, which approved the construction and operation of the Project under the Natural Gas

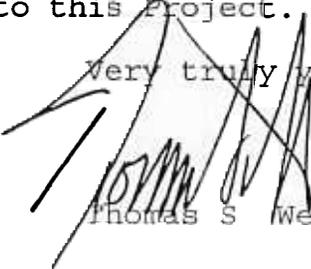
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Act. With respect to the issue of need, for example, the FERC found that "the benefits of Millennium's proposed project are clear and significant", noting that "general market demand projections in the region lend support to the need for this project" and that the NYPSC had supported the project on the basis of its conviction that "the need for new pipeline capacity into New York City is critical because existing capacity is constrained." The FERC also held that the Millennium Project will "diversify the range of gas supplies available to the northeast", will "contribut[e] to lower and more stable natural gas prices," and will "increase the overall reliability of the region's infrastructure and offer an additional source of outage protection." Order at 29-30 & n.56. These significant findings demonstrate that the Millennium Project is entitled to "priority consideration" under the CZMA and the CMP as a major energy facility that will bring significant benefits to New York State and the Northeast. See CZMA Section 303(2)(D), 16 U.S.C. §1452(2)(D), affording "priority consideration" to major energy facilities.

In addition, the FERC's order confirmed the analysis presented in the FERC Staff's Environmental Impact Statement ("FEIS"). The FEIS includes an identification of the CMP policies and an extended discussion of the effects of the Millennium Project on those policies and the consistency of the Project with those policies. FEIS at p. 5-130 - p. 5-139.

We look forward to meeting with you and others at the DOS to discuss these issues in an effort to complete the Consistency Review process as soon as possible and we thank you for your continuing attention to this Project.

Very truly yours



Thomas S. West

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Enclosures

cc: Frank P. Milano, First Deputy Secretary of State
James King, General Counsel
Millennium Pipeline Company, L.P.