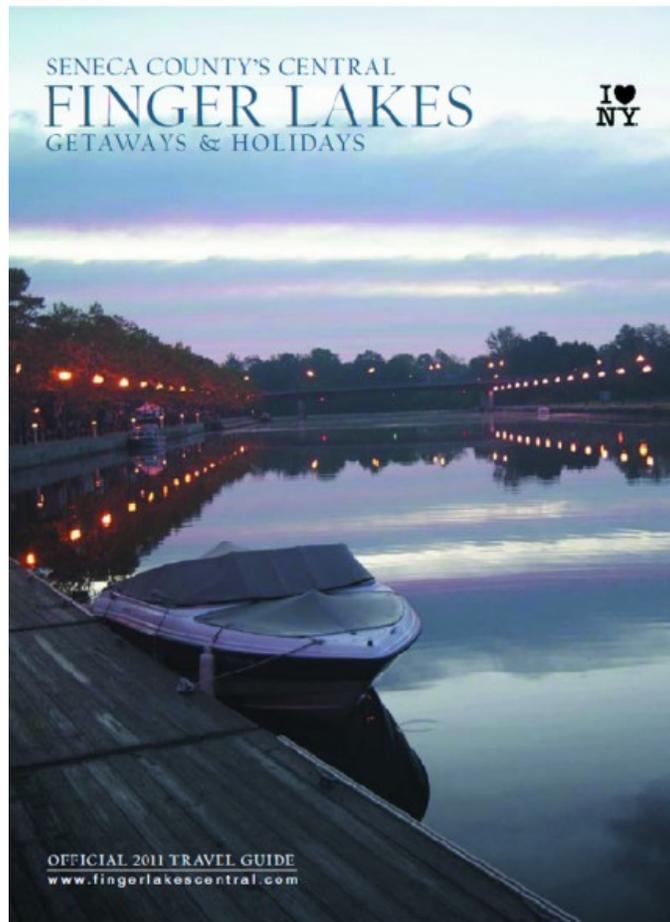


Inergy Lines Up Congressmen and Senators to Fight Locals for NY Gas Storage-Transportation Network

By [Peter Mantius](#), on September 23rd, 2011

[Natural Resources News Service](#) | [5 comments](#)



A struggling Kansas City-based energy company that seeks new investors for \$380 million in natural gas infrastructure projects in New York and Pennsylvania is counting on winning two fierce regulatory battles against thousands of opponents.

The company, Inergy, has no time to lose, given what one U.S. senator called its “precariously fragile” construction schedule.

To meet the aggressive timetable – and financial projections made to prospective investors – the company will have to snuff out calls for further environmental study of a pair of projects it has been planning for at least two years:

- A 39-mile natural gas pipeline that would run from a point southwest of Binghamton, N.Y., directly south through the heart of a Marcellus Shale gas drilling hotbed in northern Pennsylvania. The MARC-1 line would link existing major east-west pipelines owned by other companies.
- A storage facility in salt caverns near Watkins Glen, N.Y., that would hold up to 2.1 million barrels of liquid petroleum gas (LPG) and billions of cubic feet of natural gas.

Inergy plans to spend \$315 million on the pipeline and related compressor stations and \$65 million on the LPG storage facility. It said it may spend an additional \$120 million to develop another 10 billion cubic feet of gas storage there by 2014.



The company’s goal is to link its existing and planned pipeline and storage properties to the existing Millennium pipeline across New York’s southern tier by December 2012. Inergy already operates a pipeline linking its largest gas storage



Shares of Inergy, which traded above \$41 on the New York Stock Exchange in May, fell below \$26 on September 22.

facility, Stagecoach, with the Millennium near Owego, N.Y. The MARC-1 would tie into that north-south Stagecoach line just south of the state border and intersect the Tennessee and the Transco pipelines, which run east-west.

“Our assets are strategically located in and around the Marcellus Shale and within 200 miles of the New York metropolitan market,” Inergy officials wrote in August. “...The strategic location of our assets and lack of viable storage substitute in the region drives the high utilization of our facilities.”

But their ambitious development strategy faces obstacles. Sluggish performance in the company’s other main business, propane distribution, has hit Inergy’s stock hard. Shares have fallen by more than 30 percent since May, trimming more

than \$1 billion from the company’s market value.

In a bid to lure new investors, Inergy announced plans in August for an initial public offering of stock in its gas transportation and storage subsidiary, Inergy Midstream. The parent company, a master limited partnership that would retain certain legal and financial interests in the subsidiary after the offering, hopes the IPO will raise \$300 million.

In an S-1 registration statement filed with the Securities and Exchange Commission, Inergy officials told prospective investors that they expected the LPG facility to be up and running by April 2012 and the MARC 1 to be in service by July. It estimates that the two projects will generate more than \$20 million in revenue during 2012.

Given the challenges construction crews could face this winter, that timetable leaves little room for regulatory delay.

Meanwhile, fierce opposition to both the pipeline and the salt cavern storage facility rose steadily over the summer.

The federal Environmental Protection Agency disagrees with the staff of the Federal Energy Regulatory Commission over what needs to be included in an adequate environmental review of the MARC-1 case.



In May, the FERC staff completed an environmental assessment of the project and recommended approval. It did not analyze the likely impact of gas well drilling and gas gathering lines stimulated by the new pipeline.

That omission troubled Jeffrey D. Lapp, a senior official at the EPA’s regional office in Philadelphia, who called for a comprehensive environmental impact statement (EIS). In a July 11 letter to FERC, Lapp said the commission staff should have used available public records of gas well permits to assess the cumulative impacts of the pipeline, which would cross more than 100 streams and rivers and valuable forests.

Lapp also questioned why the pipeline was needed at all, noting that the company had conceded “other pipelines ... are capable of transporting gas produced from Marcellus shale ... directly from producer-operated gathering lines rather than through the MARC 1 line.”

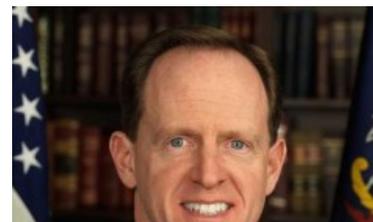
Thirty-five Pennsylvania state representatives supported EPA’s stance in a letter to FERC. They noted that FERC’s final approval would clear the way for Inergy to use eminent domain to seize land in the pipeline’s path. “The quid pro quo for granting such immense powers to a private corporation is the assurance to the public that private and public rights will be protected,” the state legislators wrote in July. “We do not see how such rights can be protected without a comprehensive environmental impact study.”

On Aug. 19, five congressmen weighed in on Inergy’s side, sending a letter to FERC Chairman Jon Wellinghoff that urged the commission to approve the MARC-1, without and EIS, by Aug. 31. They wrote that regulatory delay “could easily force the construction of the pipeline to be delayed by a year or more.”

The congressmen said FERC should dismiss the fact that it had received more than 22,000 comments on the MARC-1, most in opposition. The letter said: “These parties are not impacted by the pipeline project itself; rather they appear to be using a FERC proceeding in an effort to advocate and effect national energy policies and tangential issues associated with shale gas exploration.”

After the commission missed the suggested Aug. 31 deadline, U.S. Sen. Pat Toomey followed up with a Sept. 9 letter to Wellinghoff, borrowing entire sections of wording from the congressmen, including his reference to a “precariously fragile” construction schedule. Senator Claire McCaskill, from Inergy’s home state, also wrote in support.

By that time, a flood was devastating areas around the MARC-1’s path. In fact, power outages caused by the flood shut down Stagecoach, Inergy’s largest gas storage facility in the Northeast, Platts News reported.



It is unclear whether the effects of the flooding will have any bearing on whether FERC decides to order an EIS or grants Inergy its "certificate of public convenience and necessity" without an EIS.

On Sept. 13, when the Susquehanna River stood at nine feet above flood stage near Stagecoach, Wellinghoff wrote a brief response to the five congressmen. In it, he said FERC's final ruling "will be rooted in the law, facts and science."

John Trallo, a retired professional guitarist who lives near the path of the MARC-1 in Lycoming County, Pa., says he worries that FERC will fast-track the crucial "certificate of public convenience and necessity" even though the pipeline is not necessary and does not benefit the public. "We're not following a national energy policy, we're following a corporate business plan," Trallo says. "This pipeline is a convenience to the drilling industry. ...The closer they can put wells to the MARC-1, the cheaper it is for the industry. Once it's in place, it will open the door for thousands of gathering lines."



Senator Pat Toomey

Several regional and national environmental groups have joined locals like Trallo in calling for a full EIS. "This is an industry that's used to getting what it wants with very little oversight," says Deborah Goldberg, managing attorney for Earthjustice's northeast office in New York City. "We think that's a presumption that needs critical attention."



Unlike FERC, the New York State Department of Environmental Conservation has required a full EIS for the proposed salt cavern storage project near Watkins Glen. The agency has accepted the company's EIS submission and plans a public hearing on the case in Watkins Glen on Sept. 27. But opponents, including 125 local businesses and more than 3,000 individuals, still see the project as seriously flawed and are calling for an independent analysis of the project.

Yvonne Taylor, a teacher turned community activist, says her goal is to prevent Inergy from turning her pristine corner of New York's Finger Lakes into its natural gas storage and transportation hub for the Northeast.

Shortly after she and Joseph Campbell learned about the LPG project in January, they postponed plans to build a home across the lake from the salt caverns and founded Gas Free Seneca, a local opposition group. "We're

certain they plan to expand dramatically," Taylor says.

Inergy documents seem to support that concern. The application to the DEC seeks permission to develop 2.1 million barrels of LPG storage space to handle up to 32 LPG railcar trips and 45 LPG truck trips per day and to build a 14-acre open pit capable of holding 2.2 million barrels of brine. The company's S-1 filing with the SEC goes on to say the LPG storage capacity in the salt caverns "can be expanded by up to five million barrels" pending DEC approval. Taylor says that would translate into corresponding increases in truck and rail traffic and more giant pits holding super-salty brine from the caverns.

Gas Free Seneca has adopted the rallying cry "Wine Not Brine" in reference to the brine pond the company plans to build on steeply sloping land above Seneca Lake, yards from scenic Route 14, a "wine trail" along the west side of the lake that boasts 18 wineries.

A majority of the commercial opposition to the LPG project comes from wineries, restaurants and tourism-dependent businesses such as bed & breakfasts in and around Schuyler County. They worry the possibility of catastrophic accidents and the certainty of unwanted heavy LPG truck traffic.

In contrast, local politicians have touted the project's economic promise far more readily than they have probed possible environmental consequences. During the nine-month period last year when the DEC was weighing whether to require a full EIS, the Schuyler County Commission and the mayor of the Village of Watkins Glen stood silent.

Susan Christopherson, a Cornell University professor whose research focuses on economic development, has written that Watkins Glen could be a net loser in the economics of shale gas development.

In an Aug. 14 column in the Albany (N.Y.) Times-Union, she wrote that the "mere presence" of the salt cavern storage facility "has the potential to damage existing industry there – tourism and the wineries..."

Because Schuyler County is not seen as a prime target for gas drilling, she wrote, it cannot count on new jobs, royalties or tax revenues from drilling to offset potential negative effects of gas infrastructure development. "Although its environmental footprint is enormous, the (Inergy storage) facility is expected to produce only 10 permanent jobs after construction," Christopherson wrote.



www.gasfreeseneca.com



Inergy Salt Grotto

[Senator Pat Toomey's Letter to FERC](#)

[Senator Claire McCaskill's Letter to FERC](#)



Peter Mantius

Peter Mantius is a reporter in New York. He covered business, law and politics at The Atlanta Constitution from 1983-2000. He has also served as the editor of business weeklies in Hartford, CT, and Long Island. He is the author of Shell Game (St. Martin's Press 1995), a nonfiction book on Saddam Hussein's secret use of a bank office in Atlanta to finance billions of dollars in arms purchases from Western countries before the 1991 Persian Gulf War.



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John Trallo [3 weeks ago](#)

Inergy/Central New York Oil & Gas is now pressuring US Senators and Congressman to insist that FERC approve the MARC-1 Pipeline Project WITHOUT an Environmental Impact Study. In lieu of the recent flooding in Bradford, Sullivan, and Lycoming Counties [where the MARC-1 would be built] this is not only unacceptable, but irresponsible and dangerous. Senator Pat Toomey(PA), Senator Claire McCaskill(KS) and Congressman Tom Marino(PA) are the latest to join Inergy/CNYOG in selling out the people of Pennsylvania. Read this article, and contact their offices and demand that they retract their support for the MARC-1 immediately! They are trying to push this through to satisfy shareholder investment because they prematurely 'promised' to have the MARC-1 in operation by June 2012, and they're afraid their shareholders will cash in their stock and the price of Inergy/CNYOG shares will fall through the floor. Once again: Corporate profits v public health, safety, private property rights, & the environment. Don't allow this to happen!

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grite55 [3 weeks ago](#)

Once again, Congress is trying to bail out another company that made poor business decisions. So what if Inergy goes under? Another company will buy out their assets. That's real capitalism. I can't believe that a full EIS was not required from the get go on this project. What is going on, here? Something smells. And to dismiss the protests of anyone who does not live in the immediate vicinity of the proposed pipeline and storage facilities leaves those who do live there powerless, because there aren't enough of these persons to make a difference. Especially not when "national interest" is being touted by federal officials. Federal officials are abusing the Interstate Commerce Clause in these matters - citizens have no rights under this scenario.

5 people liked this. [Like](#) [Reply](#)



Jan Q [3 weeks ago](#)

Democracy has died in the U.S.A. Fight back! Inergy promised only TEN permanent jobs, after construction is over, according to Dr. Christopherson. They will threaten over 10,000 tourism-related jobs. Inergy's proposal is a NET LOSS for New York. Governor Cuomo -- we are trying to get through to you. But it seems you care more about future campaign donations from the likes of Inergy, than votes.

1 person liked this. [Like](#) [Reply](#)



Jandj [2 weeks ago](#) [in reply to Jan Q](#)

Go Marc 1. We need to get our gas to market. Sullivan County PA has been held down for too long by outsiders and special interest groups.

2 people liked this. [Like](#) [Reply](#)



Farmsters [2 weeks ago](#)

INERGY and a small minority of local "leaders" have been working on this project for many months. In order to bring about change and stop this project, local folks need to call Schuylers County legislators and let them know this is not good for the future of Schuylers County or for the future political careers of county legislators who support it. Start identifying candidates now for the next legislative elections in two years.

SCOPED needs to be taken to task over their intentions. A PILOT (tax abatement via corporate welfare) provided by SCOPED/IDA to INERGY will result in a kickback to SCOPED or the IDA to fund this project and those in the future.

One needs only to look at Chemung County to find the poster child for an IDA on steroids. Ask the Horseheads School District and Spencer VanEtten District how much they lost in school tax revenues due to the work of the CC IDA, STEG, George Miner, NYS Senator Tom Omara (IDA Legal counsel) and CC Executive Tom Santulli and the CC legislators.

Since 2009, the Horseheads School District has lost \$2.2 million. Chemung County residents pay the third highest property taxes in the United States (The Tax Foundation) and Tom Santulli will lead the charge to be NUMBER 1 in 2012.

This is what economic development looks like in the Southern Tier and the Finger lakes. It is not pretty and the so-called leaders supporting INERGY need to be put on the spot now. Tom Reed found out you can't have it both ways when he visited Hector. Where does Sen. O'Mara stand on this project? HIS SILENCE IS DEAFENING!

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Failing gas company gets politicians to fight with locals for NY gas storage. WE SAY NO WAY, PONZI. <http://t.co/CFCvE3m7> #banfracking #ows #



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Inergy Lines Up Congressmen and Senators to Fight Locals for Big Gas Projects In New York <http://t.co/quBVxj6Z> Say no to the MARC-1 pipeline



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