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The Marcellus Watch



State regulators are still pondering whether to require a formal environmental impact statement for a year-old plan to store liquid propane and butane in the salt caverns north of Watkins Glen. In his latest column on natural gas drilling in the Marcellus Shale, Burdett journalist Peter Mantius looks into the regulatory delay.

Left: Peter Mantius

The DEC Dithers

By Peter Mantius

READING, Oct. 20 -- A full year after a Kansas City-based company announced plans to store millions of gallons of liquid propane and butane in the salt caverns just north of Watkins Glen, state regulators still haven't decided whether to order an environmental impact statement for the project.

Their hesitation is puzzling.

After all, the New York State Department of Environmental Conservation has been conducting formal environmental impact statements this year for a subdivision in Genesee, a waste disposal facility in Varick, a church mega-complex in Brighton, a quarry, a technology park and a couple of wind power projects. This list goes on.

So what's taking DEC officials so long to order an EIS for the ambitious \$191-million project proposed at the old US Salt plant?

Plans by Inergy, a Kansas City-based fuel storage and pipeline firm, to store liquified petroleum gas in pressurized salt caverns raises obvious safety concerns. By law, the DEC must pay close attention to the engineering and geology of salt caverns used for LPG storage.

"Cavern stability is absolutely critical," a senior DEC official told me. "It's make-or-break for the permit."

In fact, New York State requires a state geologist to sign off on any plans to store LPG such as propane and butane in salt caverns. But William Kelly, the geologist assigned to the project earlier this year, retired last month before giving that green light, a DEC official said.

And the salt caverns themselves aren't the only environmental issue at stake.

Inergy also plans a rail/truck depot capable of handling up to 24 rail cars per 12 hours. Six new rail sidings could accommodate another 24 rail cars, each of which carries 30,000 gallons of LPG. Most of the rail traffic would run south on Norfolk Southern track that passes over the spindly Watkins Glen gorge railroad trestle, which was built in 1935 after the previous bridge collapsed in a storm.

The third major component of the plan is a gigantic new brine pond on a slope overlooking Seneca Lake. The site at the intersection of routes 14 and 14a in the town of Reading is about a mile from the salt caverns and three miles north of Watkins Glen.

The pond would measure more than 1,000 feet long, 382-608 feet wide and 32 feet deep. Because of the steep grade, a 30-foot-deep cut would need to be made into the hillside near the Route 14a entrance ramp, while a 30-foot earthen wall would be needed on the low side closest to the lake.

Brine from the salt caverns would be stored in the pond when LPG inventories are high in the summer and fall. As the winter heating season progresses, reducing LPG levels, the brine would be pumped back into the caverns to help keep them stable.

Although Inergy seeks approval to store up to 6 million barrels of LPG, the proposed pond would hold only about 2.1 million barrels of brine. To tap the remaining cavern space, the company would have to obtain permits for additional brine storage space that it hasn't even proposed yet.

Bill Newell, vice chairman of the Reading Planning Board, doesn't like the brine pond that's planned, let alone new ones. He objects to its location on sloped ground in wine country overlooking Seneca Lake.

"It's a disaster. I intend to vote against the entire project," said Newell, adding that he'd prefer to see the pond dug into the ground on a flatter piece of real estate.

The DEC has been quietly weighing these safety and environmental questions, along with traffic, noise and other issues.

Meanwhile, the company has been chomping at the bit to get moving.

In February, Inergy officials told securities analysts that they expected the entire project to be up and running by this fall. But lacking permits, they've had to keep the bulldozers parked.

The proposed storage facility, operating under Inergy's Finger Lakes LPG Storage subsidiary, has probably missed an entire winter heating season.

Inergy's frustration was reflected in a letter written in April by Kevin A. Bernstein, an attorney for the company: "If Finger Lakes Storage is not allowed to commence site work this summer, the state of New York stands to lose millions of dollars in economic investment and could lead to the failure of the project to succeed."

Gordon Wright, chairman of the Reading Planning Board, feels their pain.

Late last year the Planning Board had sought to have the town of Reading step forward as the lead regulatory agency for the project, giving it the right to decide on whether an environmental impact statement was necessary.

But in early February, the DEC rejected the town's bid and took that responsibility itself.

Wright said he can hardly believe agency officials haven't made up their minds yet on an EIS. "It's ludicrous," he told me. "We'd be penalized if we (the Reading Planning Board) took that long to make a decision."

But the heat the agency has felt for delaying its decision has been minimized by the fact that the public in Watkins Glen knows very little about the project. The only public hearings were held in Reading late last year, and only a handful of people noticed.

An agency finding that an EIS is necessary would mean a commitment to a much higher level of transparency with all the people near enough to be affected.

That would be a good thing. After all, the safety and environmental issues for Watkins Glen are not at all trivial.

While catastrophic accidents at underground LPG storage sites are relatively rare, they have been much more common at salt caverns than at other types of underground storage facilities for hydrocarbons.

Salt caverns make up less than 10 percent of 400 or so major underground gas and LPG storage facilities in the United States, according to the federal Energy Information Administration. Yet all 10 of the "catastrophic failures" at underground facilities since 1972 have occurred at salt caverns, John Hopper wrote in *Energy Markets*, a trade publication.

Hopper, who has run two underground storage companies, attributed the accident pattern to salt caverns' vulnerability to failures of a single piece of equipment, such as a casing or a valve.

A 2008 report by the British Geological Survey cited several salt cavern accidents, including an explosion caused by an LPG leak in Brenham, Texas, that registered more than 4 on the Richter scale and could be heard more than 100 miles away. Three people died and 23 were injured.

Another series of explosions at a salt cavern in Moss Creek, Texas, in 2004 led to an

evacuation of everyone within a 3-mile radius.

Curious to learn more about the geology and engineering of the Watkins Glen salt caverns, I made a Freedom of Information Law request to the DEC for a copy of the “Reservoir Suitability Report” the company filed as part of its permit application.

The agency declined to provide virtually all of it on the grounds that the company had asserted its right to protect “trade secrets.”

I appealed, arguing that the general public has a competing right to view the report, particularly sections labeled “Suitability of Caverns to Store LPG” and “Safety and Emergency Shutdown.” That appeal is pending.

DEC officials told me Inergy has a right to appeal the agency’s intention to grant one small part of my appeal. I, on the other hand, do not have a similar right to appeal the sections of appeal ruling that favored the company.

And even though I “won” a small portion of my appeal more than a month ago, the agency still hasn’t shared those documents with me or explained if or when I’ll ever get them.

Oh well.

The company may have reason to expect the agency to lean its way on the pending question of the environmental impact statement as well.

When Inergy recently applied to significantly expand its modest LPG storage facility in the Savona salt caverns near Bath, the DEC declared that the project “will not have a significant effect on the environment” and thus did not require an EIS.

That determination, spelled out on the DEC website, was issued despite that fact that brine that overflows from a pond by the Savona salt caverns may be “discharged into the Cohocton River” or into an existing disposal well.

Adding brine directly to a river is not “a significant effect on the environment”?

What if Inergy were to find itself in urgent need to get rid of excess brine at the Watkins Glen salt caverns -- a not-unlikely scenario? Would it simply apply for permission to dump it into Seneca Lake?

Would that be “a significant effect on the environment”?

Peter Mantius (pmantius@gmail.com) was a financial, legal and political reporter at The Atlanta Constitution for 17 years and editor of two business weeklies in the Northeast.

Note: This is the 14th column by Peter Mantius, To see his first column, click [here](#). To see his second column, click [here](#). To see his third column, click [here](#). To see his fourth column, click [here](#). To see his fifth column, click [here](#). To see his sixth column, click [here](#). To see his seventh column, click [here](#). To see his eighth column, click [here](#). To see his ninth column, click [here](#). To see his 10th column, click [here](#). To see his 11th column, click [here](#). To see his 12th column, click [here](#). To see his 13th column, click [here](#).

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Charles Haeffner
P.O. Box 365
Odessa, New York 14869

E-mail publisher@odessafile.com