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The Marcellus Watch



A plan to store liquefied petroleum gas in salt caverns near Watkins Glen hasn't generated controversy locally, but similar projects in Louisiana and Canada have stirred fierce opposition. Are those opponents off base or is Schuyler County napping? In his latest column about drilling in the Marcellus Shale formation, Peter Mantius writes that construction is ready to begin as soon as the state gives its OK.

Left: Peter Mantius

Is Schuyler Napping?

By Peter Mantius

BURDETT, March 28 -- A plan by Kansas City-based Inergy Holdings, L.P., to use salt caverns just north of Watkins Glen as a regional storage hub for liquefied petroleum gas could pose significant safety and environmental risks that haven't drawn much notice locally.

Similar projects proposed in Louisiana and New Brunswick, Canada, have triggered fierce opposition from local groups. They note that accidents at salt cavern storage facilities have led to mass evacuations, injuries and deaths.

“Hydrocarbon storage facilities built in underground salt dome formations can be

especially dangerous, as evidenced by the disturbing frequency of leaks, explosions and fires at these facilities,” says a website devoted to defeating a proposed natural gas storage facility in salt caverns in Cote Blanche, La.

It cites a 1992 salt cavern explosion in Texas that registered 4.0 on the Richter Scale and could be heard 70 miles away in Houston. Three people died.

And the website of a Canadian citizens group fighting proposed gas storage in salt caverns near Saint John, New Brunswick, cites a series of explosions and fires in 2004 at a salt cavern in Moss Bluff, Tex., that caused \$20 million in damage and forced the evacuation of people up to three miles away.

These opposition groups don't necessarily reflect the academic or scientific consensus, let alone the energy industry's view. Salt caverns have been used to store natural gas for decades, and proponents of the practice defend its safety record and argue that it poses relatively little danger.

“Salt dome caverns are the most secure, most cost effective and the safest storage options for our nation's energy needs,” gas storage leader AGL Resources says in a promotional video.

In Schuyler County, Inergy subsidiary Finger Lakes LPG Storage plans to store butane or propane in caverns below the U.S. Salt plant on the west shore of Seneca Lake less than two miles north of Watkins Glen.

The company seeks to use two existing caverns and to drill five new storage wells within the caverns, according to the state Department of Environmental Conservation (DEC). The new storage space will be created by pumping water in to dissolve the salt and pumping out the resulting brine.

The storage cavities will be directly connected to an interstate natural gas pipeline. The operation also will include a rail-truck facility off Route 14A in the Town of Reading. A new rail siding will allow for loading and unloading of LPG rail tank cars.

Brine produced in the preparation of the salt caverns will be held in a new 20-acre brine pond. The company plans to build it on a relatively steep slope less than half a mile above Seneca Lake just east of the Route 14A exit ramp off Route 14.

So far, Schuyler County officials haven't raised any special concerns about any aspect of the project.

“I do not see the need to develop special plans for the (Salt Point Road) area,” said Bill Kennedy, the county's emergency management coordinator. “They are required to have site emergency plans and we will coordinate those with our county comprehensive emergency management plan.”

For Inergy, the project is part of its broader plan to provide storage capacity for the region as the region experiences a natural gas drilling boom in the Marcellus Shale. The company already owns smaller gas storage operations in Steuben and Tioga counties, and it is expanding its network of pipelines that feed into the interstate network.

When it announced plans to buy the U.S. Salt plant in 2008, Inergy said it expected to spend a total of \$191 million on property acquisition and development costs.

“We are excited to get this project online and serving the Northeast market and using it to deal with the incremental natural gas liquids that are being processed from Marcellus gas supplies,” Bill Moler, Inergy’s point man for the Watkins Glen project, told Wall Street securities analysts in February.

The company is working hard to win final regulatory approval and begin construction.

In fact, regulatory approval is all that’s holding up construction, according to a transcript of Inergy’s recent meeting with analysts that was published by SeekingAlpha.com.

“We’ve completed the design, ordered all the equipment, we have developed interconnects with TEPCO pipeline and with Norfolk Southern railroad and hope to begin construction immediately upon receipt of necessary approvals,” Moler told analysts.

Asked by one analyst to give an estimated “in-service date” for the storage system, Moler said, “We are targeting summer of this year.”

But fast-track regulatory approval isn’t a sure thing.

In early February, the state DEC announced that it would take the lead in regulating the project, rejecting a bid by the Town of Reading to take on that role. That means the agency, not the town, will decide whether the project needs a formal environmental impact statement.

The company had urged the DEC to let the town be lead agency.

Last year, Schlumberger used a similar strategy to speed up regulatory approval of its controversial plan to build a regional supply center for natural gas drilling services in Horseheads, where town officials were eagerly supportive. After the town took the lead regulatory role, it waived a formal environmental impact statement for the project.

Given the environmental questions at stake in Schuyler County, it appears unlikely that DEC will waive the environmental impact statement.

The planned brine pond has already raised a few eyebrows.

Initially, the DEC said the company would need a special dam permit for the pond, but it reversed itself two days later after an attorney for Inergy appealed.

Plans call for the pond to be irregularly shaped -- more than 1,000 feet long and between 382 and 608 feet wide and 32 feet deep. Because it will be situated on a relatively steep slope, a 30-foot cut in the ground will be required on the west side of the pond, while a 30-foot wall will be needed on the lake side of the pond.

Last October, Bill Newell, vice chairman of the Town of Reading Planning Board, expressed reservations about the pond location and design in notes filed with the board’s meeting minutes.

Newell said he planned to vote against the entire project unless “the brine pond is relocated to a point west of Route 14 where the slopes are more gentle and where the brine pond could be dug down into the earth without relying on an earthen dam.”

Newell had spoken to two professors at Hobart and William Smith in Geneva who had expressed concerns about possible brine contamination of Seneca Lake if the pond wall

were to rupture.

One of the professors, biologist James Ryan, said in a recent interview that a breach of the pond wall could cause brine to cascade down the hill into Seneca Lake, seriously damaging aquatic life in at least the southern half of the lake for years.

Ryan also raised questions about the nature of the liquids stored in the pond.

He said the term brine can refer to anything ranging from simple salt water to hazardous wastewater that comes from natural gas drilling, which can contain dangerous chemicals, and, in some cases, radioactive elements.

“They call it brine, but I don’t know what ‘brine’ means,” Ryan said.

In New Brunswick, opponents are concerned that brine from the proposed salt caverns is expected to be piped to and discharged into the Atlantic Ocean at the Bay of Fundy.

But the opposition groups in both Louisiana and New Brunswick are particularly concerned with the safety of gas storage in salt caverns. They provide lists of accidents based on a variety of sources, including the detailed 2008 British Geological Survey.

And in the Louisiana case, the opposition is highly sophisticated and has deep pockets.

North American Salt Co. operates a mine near the site of the salt caverns that Henry Gas Storage of Houston proposes to use for gas storage. The salt mining company says it fears leaks from the stored gas will endanger its salt miners, and it has hired geologists and a San Francisco public relations firm to try to kill the project.

In Schuyler County, Inergy also plans to continue mining salt in close proximity to its proposed gas storage caverns (though not necessarily with miners working underground).

Still, a number of private homes are located within a few hundred feet of the proposed gas storage caverns.

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 ninth 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](#).*

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