

Water Front- Peter Mantius

Environmental politics in New York's Finger Lakes

Crestwood Will Retain Rights to Store Gas and LPG After Planned \$225M Sale of U.S. Salt

Peter Mantius / October 31, 2017 / Uncategorized



{THIS STORY WAS UPDATED AT 2:30 p.m. Oct. 31. An earlier version incorrectly stated that Crestwood was abandoning its natural gas and LPG storage interests at the site}

Crestwood Equity Partners LP announced today that it will sell its U.S. Salt subsidiary near Watkins Glen to an affiliate of Kissner Group Holdings LP for \$225 million, but it will preserve its rights to store natural gas and liquid petroleum gas, or LPG, in abandoned salt caverns on adjacent property. Crestwood announced its plans to hold on to the hydrocarbon storage caverns in a statement issued this afternoon. Its initial press release earlier in the day did not mention its plans to retain the storage interests.



“Crestwood has preserved its rights to store natural gas and natural gas liquids through its ownership of Arlington Storage Co. LLC and Finger Lakes LPG Storage, LLC, which were not include in the sale,” the company said in a statement emailed by Elizabeth Suman, Crestwood’s communications manager, at 1:58 p.m. “This will allow Crestwood the ability to provide low-cost storage services benefitting the New York market.”

U.S. Salt, one of the nation’s largest solution mining companies, will continue to operate under its own name as a Kissner subsidiary, and its salt refinery will remain fully operational, the new owners said in a press release.

Kissner, which is based in Kansas, is a salt company that serves Great Lakes and midwest markets. Neither Kissner nor Crestwood commented initially on what would become of Crestwood’s existing



natural gas storage at the site, or its controversial efforts to obtain a state permit to store liquid propane there.

Kissner is owned by Metalmark Capital Holdings LLC, a private equity firm based in New York City that has invested more than \$7 billion in a broad range of businesses, including healthcare, industrials, agribusiness and energy.

On its website, Metalmark cites investments in a group of oil and gas exploration and production companies.

Kissner did not return phone calls. A spokesman for Metalmark accepted questions about the transaction but had not responded with answers by mid-afternoon.

Houston-based Crestwood obtained U.S. Salt in 2013 as part of its acquisition of Kansas City-based Inergy LP. That merger combined two “midstream” energy companies involved in energy storage and transportation.

Inergy had purchased U.S. Salt for an undisclosed amount in 2008, the early days of the Marcellus shale natural gas boom. At the time, Inergy announced plans to spend \$191 million in developing 5 billion cubic feet of storage capacity in the unlined abandoned salt caverns at the U.S. Salt property next to Seneca Lake about two miles north of Watkins Glen.



Salt mining had never been a core business for either Inergy or Crestwood, both of whom purchased the property primarily for its energy storage potential. Both companies have stored natural gas at the site, but neither was able to obtain a state permit to store LPG there.

“The divestiture of US Salt is part of Crestwood’s ongoing strategy to optimize its diverse portfolio of traditional midstream assets, identify non-core assets, and

U.S. Salt will continue operating as a Kissner subsidiary.

redeploy sales proceeds to high growth capital investments in the Bakken and Delaware Basin," Crestwood added in its afternoon statement.



Suman explained that the follow-up statement was issued in response to questions about the sale of U.S. Salt.

Efforts to obtain that state license for LPG storage, which began shortly after Inergy's 2008 purchase, touched off widespread opposition locally and throughout the region from dozens of wine and tourism business and several local towns and counties.

The state Department of Environmental Conservation has issued a draft permit for the LPG storage, but Gov. Andrew Cuomo has not yet made a final decision.

Published by Peter Mantius

I am a journalist who lives in Watkins Glen, NY. I write about the environment and politics on my website, Waterfrontonline.blog. For more detail on my background, see the "Peter's Bio" section on that site. [View all posts by Peter Mantius](#)

5 Comments

1.

Charley Bowman says:[October 31, 2017 at 3:17 pm](#)

I presume Crestwood needs the \$\$, but why? Their stock trades in the 20's and they pay a 9% annual dividend....did they sell US Salt to prop up their dividend?

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Ellen Campbell says:[November 3, 2017 at 8:23 pm](#)

I don't understand I thought the state blocked their ability to store in the salt mines?

[Reply](#)

2. 1.

Peter Mantius says:[November 3, 2017 at 8:36 pm](#)

Ellen: The state is still weighing whether to give Crestwood an underground storage permit to store LPG, or liquid petroleum gas, in the caverns. The company has been storing natural gas in other caverns nearby under permits controlled mostly by the Federal Energy Regulatory Commission. The company has reserved to keep storing the gas and to continue trying to get the LPG permit.

Charley: It not surprising that Crestwood would want to sell U.S. Salt because mining and processing salt has always been an outlier business for them. They're all about oil and gas transport and storage. The cash from the salt biz sale lets them pay down debt (or avoid incurring new debt) to the benefit of their core business. One puzzling point though: the LPG storage plan depends on brine storage and transfer services provided by U.S. Salt. The company hasn't said, but they may have reached a side agreement with U.S. Salt to continue providing some of those services. I think the state will rule on the LPG permit soon.

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3.

Charley Bowman says:[November 4, 2017 at 4:02 am](#)

Peter: Interesting point about the new owner may supply brine services to Crestwood. Such services, I believe, involve pumping brine into and out of the caverns. In the event of a collapse of the caverns, and subsequent damage to Seneca Lake/wildlife, Crestwood could point a legal finger at Kissner and vice versa.....it would complicate legal challenges, God forbid, a collapse occurs. The language in the side agreement would make interesting reading. Is Crestwood off-loading liability onto Kissner?

[Reply](#)

4.

Peter Mantius says:[November 4, 2017 at 11:19 am](#)

Charley, I don't have enough info to speculate on most of that. But IF the DEC does grant Crestwood an LPG storage permit, I assume the permit document would have to include some reference to a Crestwood – Kissner side deal on managing brine (if there is such a side deal — there might not be).

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