

New York State to Require Environmental Impact Statement for Large Scale LPG Storage in NY Watershed

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A Salt Cavern Underground Natural Gas Storage Reservoir Configuration. Photo: PB Energy Storage Services Inc.

WATKINS GLEN, N.Y. — Public alarm over plans to store liquefied petroleum gas in salt caverns near here has spiked in recent weeks after the state ruled in November that the project's developer would need to produce a full environmental impact statement.

The often intense outpouring comes after more than a year of virtual silence from the public on the proposal by Kansas City-based Inergy.

David Bimber of the state Department of Environmental Conservation said the agency had received "70-80 written comments, if not more" by its Jan. 31 deadline for input on a scoping document that will define the issues the environmental impact statement must cover.

"[This] is the wrong facility for this sensitive rural location," Hilary Lambert, steward of the Cayuga Lake Watershed Network, wrote the DEC. "At a public meeting I recently attended, I sat with numerous Watkins Glen area residents who had just learned about the project a week earlier and were devastated by its inarguable impacts upon their homes, lives, communities..."

Public officials from Watkins Glen and Schuyler County, the project's home, have looked favorably on the project since its inception in the summer of 2009, but they have not encouraged public discussion of it.

"I didn't know it existed until Jan. 2," said Jeff Dembowski, an Albany resident who three years ago bought two houses near the site. "It ruined my January."

Dembowski and Lambert learned details of Inergy's plan at a recent public forum in Ithaca, 25 miles from Watkins Glen. Several who attended followed up with letters to the DEC spelling out concerns about the risks of fire and explosion, brine leaks into Seneca Lake, and unwanted new truck and rail traffic.

Watkins Glen and Schuyler County officials did not help plan the Ithaca meeting, and they did not attend.

However, in recent days, J. Kelsey Jones, executive director of Schuyler County Partnership for Economic Development, and others have been trying to settle on a date and place in Watkins Glen for geologists and engineers from Inergy to explain their plan to the public.

"I believe the project can be properly developed," Dennis Fagan, chairman of the Schuyler County Commission, said in a recent interview.

But Fagan, who runs an environmental engineering firm in Elmira, said environmental concerns must be addressed, and he added that he thought the DEC was correct to order a full environmental impact statement. "I just wish they had been more prompt," he said.

The agency, which accepted the lead regulatory role for the project in February 2010, took nearly 10 months to decide that it would need an environmental impact statement. The agency did not require an environmental impact statement from Inergy when it developed its smaller LPG storage facility near Bath, N.Y., even though its brine is allowed to overflow into the Cohocton River.

Inergy is a pipeline and natural gas storage company with 3,000 employees and annual sales of about \$1.8 billion. Its market capitalization on the New York Stock Exchange is about \$1.5 billion.

In 2008, the company acquired U.S. Salt as part of a broad plan to "build an integrated gas storage and transportation hub in the Northeast," according to its press announcement.

That hub exploits the recent drilling boom in the gas-rich Marcellus Shale made possible by a controversial new drilling technique called high-volume, horizontal hydrofracking. The method dominates drilling in Pennsylvania but is not yet allowed in New York.

The U.S. Salt plant sits on the western shore of Seneca Lake, two miles north of the Watkins Glen waterfront. It has been in operation for decades as a salt mine.

Inergy intends to use existing caverns to store liquid petroleum gas, or LPG, under pressure. It also plans to gradually expand the capacity of its caverns, where it also stores natural gas, by a process known as solution mining.

Inergy said the 2008 acquisition provided 10 billion cubic feet of storage space, and that it expected to invest at least \$191 million in its development.

Under the plan, LPG, which is commonly used to heat homes, could be transferred into and out of cavern storage by direct pipeline, truck or rail.

Up to 2.1 million barrels of brine from the caverns would be held in a giant new pond on a hill above Seneca Lake. The brine would be moved back and forth between the pond and the caverns as inventories of LPG fluctuate.

The lake would be protected from the extremely salty brine by an earthen wall more than 30 feet high.

The company also plans to build a rail and truck depot that would have the capacity to handle up to 24 rail cars -- each one laden with 30,000 gallons of LPG -- every 12 hours. And the terminal would be able to load or unload up to 30 LPG trucks a day.

Kate Bartholomew, chair of the Schuyler County Environmental Management Council, an advisory panel, raised questions about several aspects of the project in a recent letter to the DEC. (The village of Watkins Glen, Schuyler County and the economic development group SCOPED did not file comments on the DEC's scoping document.)

Bartholomew called for a “thorough and complete -- and independent -- geological assessment of the bedrock stratigraphy and faulting patterns of the Seneca Lake area.”

She also expressed concern about “heavy truck traffic,” the poor condition of the rail line and trestles that will carry LPG rail cars, and the recent “doubling” of U.S. Salt’s discharge allowance into Seneca Lake.

Bartholomew sought clarification about whether the new discharge limit will accommodate storm overflows from Inergy’s planned brine pond. And she asserted that the company should be required to obtain a dam permit for the pond’s earthen wall.

Lambert also zeroed in on the brine pond. She likened its design to coal-slurry impoundments that dot Appalachia and noted that breaches of such impoundments in Kentucky in 2000 and Tennessee in 2008 were devastating to communities downstream.

“A proposed double liner is a joke, especially at this site,” Lambert said in her letter to the DEC. “Liners eventually fail, and below this liner would be fracture-ridden shales (and below that, groundwater). The shale’s already-dubious integrity would be further weakened by the blasting and excavation necessary for construction.”

She also insisted that a dam permit be required for the earthen wall protecting Seneca Lake.

In October 2009, a DEC environmental analyst wrote that the company would need a special dam permit. Two days later, after an attorney for Inergy raised questions with other officials at the agency, the analyst reversed himself, writing, “Our Division of Water has indicated that a dam safety permit will not be required.”

The structural integrity of the salt caverns also raises concerns, Lambert’s letter said. “Elevated levels of chloride in Seneca Lake indicate that there may already be a problem of salt intrusion and leakage into lake waters from salt mining below,” she wrote. “That worrisome indicator can only be worsened, perhaps catastrophically, with the proposed construction of a dangerously-sited brine pond, pipelines, trucking facilities, new roads and rail spurs, with active LPG storage in underground salt caverns, and the semi-annual transfer of many thousands of gallons of LPG and brine from surface to subsurface and back again.”

LPG and natural gas have been stored in salt caverns for decades, in New York and around the country. But there have been a few serious fires, explosions and evacuations. In rare cases, people died.

But for Dembowski, who bought property about 1.5 miles from the rail depot, the remote prospect of a catastrophic accident is less of a concern than the LPG rail traffic that would continually pass about 200 yards from his property.

“Let’s say the cavern doesn’t explode, the brine pond doesn’t breach. I will still be affected by the train and truck traffic,” he said, adding that he’s no longer interested in restoring the homes he purchased and may look to sell.

Dembowski said he was surprised to learn that key public hearings on the project were held in Reading, not Watkins Glen, because the salt plant is located in Reading, which is too small to have a stoplight. He said Watkins Glen officials had an obligation to bring its residents up to speed. "This isn't just a Town of Reading issue," he said.

Photo: Judith Philips

But Judith Phillips, mayor of Watkins Glen, takes the opposite view. She said her village skipped the chance to file comments with the DEC because the salt caverns are situated in Reading and that town has local regulatory authority.

"The village of Watkins hasn't filed anything," Phillips said. "It's not within our limits. You'd better check with Reading. We're letting the folks that are directly involved handle it. It's outside our territory."

Meanwhile, Jones of SCOPED, the economic development group, acknowledged that maintaining or reducing local truck traffic is a priority for local tourism. But he added: "You're never going to get rid of truck traffic in Watkins Glen ... If the (Inergy) project goes through, truck traffic could even be diminished with a rail siding."

Dembowski said he wonders why local officials are gung-ho on the project. He assumed the attraction must be the prospect of new jobs and tax revenues. But Inergy has applied to the Schuyler County Industrial Development Authority for reductions in both its sales and property taxes, potentially undercutting any boost to the local tax base.

Jones of SCOPED, which administers SCIDA, said no decision on the company's bid for tax breaks would come before the DEC gives the project the green light. Jones added that he personally is "not sure yet" whether the Inergy project is a net positive for Schuyler County.

During most of last year, the company had been pressing the agency for a fast-track review. But the DEC's decision to order the environmental impact statement set in motion a long, complicated process that could delay completion of the project for many months, Bimber of the DEC acknowledged.

The agency must now review all recent comments before drafting its scoping document. After the scoping document is complete, the company will draft its environmental impact statement. The DEC is likely to call for at least one revision. Throughout the process, there may be public hearings.

"The company wants to be in business by the [2011-2012] winter heating season," Bimber said. "I don't have confidence that will happen."

If Bimber is correct, that would mean a delay of at least two years from the "in-service" date an Inergy official once optimistically predicted in a conference call with Wall Street securities analysts.