

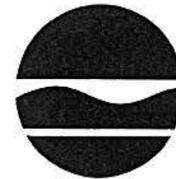
New York State Department of Environmental Conservation

Division of Environmental Permits - Region 8

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Alexander B. Grannis
Commissioner

November 22, 2009

Sent via FAX and Regular Mail

Mr. Robert L. Ewing
Division of Environmental Permits
NYS Department of Environmental Conservation
625 Broadway
Albany NY 12233-1750

Re: Request for Designation of Lead Agency
Town of Reading Planning Board v New York State DEC, Region 8
Inergy Midstream / Finger Lakes LPG Storage
Town of Reading, Schuyler County

Dear Mr. Ewing:

The purpose of this letter is to share a recently received request from US Salt, LLC to modify the SPDES Permit for the wastewater discharge to Seneca Lake from their salt production facility at Watkins Glen. This request may be related to the potential permit jurisdictions of the NYS Department of Environmental Conservation (the Department) associated with the above-referenced proposed LPG storage facility, for which the Department has already determined that an Underground Storage Permit will be required.

After our Request for Designation of Lead Agency was submitted on October 28, 2009, the Department's Region 8 Headquarters office became aware of an October 30, 2009 letter (attached) submitted to the Division of Water in the Department's Central Office by US Salt, LLC. In the letter, US Salt, LLC requests a modification of the SPDES Permit for the Watkins Glen salt production facility. The modification request letter indicates that an anticipated increased demand for production is responsible for the modification request.

In its initial request for a decision on establishment of SEQR Lead Agency, Department staff indicated that the Finger Lakes LPG Storage, LLC's plans for piping brine from the proposed brine pond for the storage facility to the US Salt LLC facility could necessitate US Salt, LLC's need to modify its current SPDES permit. Both, the existing US Salt, LLC facility and the proposed Finger Lakes LPG Storage, LLC facility are owned and operated by Inergy Midstream, LLC, a wholly-owned subsidiary of Inergy, L.P.

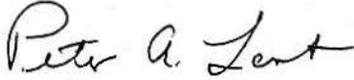
Kevin Bernstein's November 6, 2009 response to Department staff's Request for Designation of Lead Agency indicates no modification of US Salt, LLC's SPDES permit will be required as a result of the construction and operation of the proposed LPG storage facility.

The almost simultaneous submission of a SPDES Permit Modification request related to expanded production by US Salt, LLC and the submission of a proposal for the LPG storage facility, leave Department staff with many questions regarding the actual relationship between these two facilities.

Department staff currently are reviewing the US Salt, LLC modification request and will be asking US Salt, LLC for additional information and clarification related to proposed expansion of salt production at the US Salt, LLC facility. Although subject to the review of additional information, the Department staff's position still remains that the construction and operation of Finger Lakes LPG Storage LLC's storage facility may require a

modification of US Salt, LLG's SPDES Permit for its wastewater discharge if Seneca Lake.
If you have any questions regarding this letter, please contact me.

Sincerely,



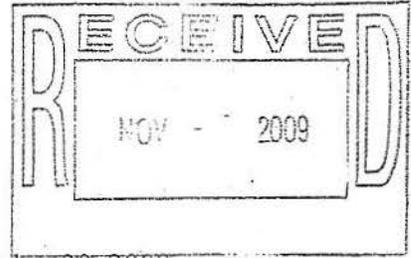
Peter A. Lent
Regional Permit Administrator

Enclosure

cc: Gordon Wright, Chairman, Town of Reading Planning Board, w/enclosure
William Moler, Inergy Midstream, LLC, w/enclosure
Michael Armstrong, Finger Lakes LPG Storage, LLC w/enclosure
Kevin Bernstein, Bond, Schoeneck, & King, PLLC, w/enclosure
NYS DOT Region 6, w/enclosure
Schuyler County IDA, w/enclosure



SALT POINT ROAD
PO Box 110
WATKINS GLEN, NY 14891-0110
607 / 535-2721



October 30, 2009

Ms. Teresa Diehsner
NYSDEC
Division of Environmental Permits
625 Broadway
Albany, NY 12233-3505

Re: US Salt (SPDES No. NY 000 2330)
DEC ID #8-4432-00001/00034
SPDES Permit Modification Request

Dear Ms. Diehsner:

US Salt, LLC (US Salt), Watkins Glen, NY is submitting this request for amendment of its SPDES permit. This letter request is based on the telephone conversation between Scott Scheidelman (O'Brien & Gere) representing US Salt and Ms. Catherine Hardison (NYSDEC) on October 23, 2009. Specifically, US Salt is seeking an amendment to increase the chlorides limit associated with Outfall 002 of its facility. The following information provides details on this request.

In response to an increase in demand for production, US Salt is planning facility modifications, including pump upgrades, which would result in an increase in wastewater discharge to Outfall 002. This increase would be a direct result of an increase in water use from Seneca Lake, a contributing source of chlorides to the facility's wastewater discharge. US Salt has observed concentrations of chlorides in the Lake to be 127 ppm (average 2009), which equates to approximately 1,060 lbs/day for every 1 million gallons of water withdrawn. Currently, US Salt discharges on average 7 MGD of wastewater through Outfall 002 and projects a potential increase of 13 MGD (estimated increase in water use and corresponding discharge) bringing the overall total to 20 MGD. Based on calculations, this would potentially increase the chlorides discharge by 13,780 lbs/day based on contributing source water use only.

US Salt's current discharge limits for chlorides are 30,000 lbs/day (monthly average) and 70,000 lbs/day (two-day average max). In the early 1990's the limits were arbitrarily adjusted by the NYSDEC from 45,000 lbs/day (monthly average) and 87,000 lbs/day (two-day average max). Based on a review of historical data, this decision appears to have been made at that time because the facility's actual chloride discharge was well below these limits over an extended time period. Since the facility is experiencing increased production, we request the chlorides limits associated with Outfall 002 be amended to at least *44,000 lbs/day (monthly average) and 85,000 lbs/day (two-day average max)*. The following table provides a summary of the limits and potential increase.

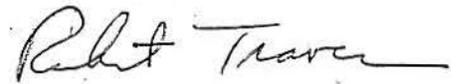
Ms. Teresa Diehsner
NYSDEC
October 27, 2009
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Table 1 – Outfall 002 Chlorides Limits

SUMMARY	CHLORIDES – MONTHLY AVERAGE	CHLORIDES – TWO-DAY AVERAGE MAX
Current SPDES Permit Chloride Limits	30,000 lbs/day	70,000 lbs/day
Potential Increase (associated with increased water use only)	13,780 lbs/day	13,780 lbs/day
Potential Resulting Chloride Levels	43,780 lbs/day	83,780 lbs/day
Historical SPDES Permit Chloride Limits	45,000 lbs/day	87,000 lbs/day
<i>Proposed Amended SPDES Permit Chloride Limits</i>	<i>44,000 lbs/day</i>	<i>85,000 lbs/day</i>

If you have any questions or require additional information, please feel free to contact me at (607) 535-2721 or Scott Scheidelman at (315) 437-6100.

Very truly yours,
US Salt, LLC



Robert Traver

cc: Dave Crea (US Salt)
Frank Pastore (US Salt)
Catherine Hardison (NYSDEC)
Dixon Rollins (NYSDEC Region 8)
Scott Scheidelman (O'Brien & Gere)