

New York State Department of Environmental Conservation

Environmental Permits, Region 8

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Alexander B. Grannis
Commissioner

February 9, 2010

William R. Moler
Inergy Midstream LLC
2 Brush Creek Blvd - Suite 200
Kansas City MO 64112

Mike Armstrong
Finger Lakes LPG Storage LLC
800 Robinson Rd
Owego NY 13827

Kevin M. Bernstein Esq
Bond Schoeneck & King PLLC
One Lincoln Center
Syracuse, New York 13202

Regarding: SEQR Review
Inergy Midstream LLC / Finger Lakes LPG Storage LLC
Liquified Petroleum Gas Storage Facility
Town of Reading, Schuyler County

Dear Messrs. Moler, Armstrong, and Bernstein:

By now we anticipate that you, as well as our staff, have received the Commissioner's Determination of Lead Agency dated February 2, 2010, regarding the LPG storage facility referenced above.

The purpose of this letter is to inform you that the Department lacks necessary information to make a determination of significance pursuant to SEQR; and to inform all parties that the Department's review of the project requires the entire scope of the project to be clearly defined, including any possible relationship to any other project.

Currently the Department is awaiting a response to the January 11, 2010 Notice of Incomplete Application and Status of Materials for the ECL Article 23 Underground Storage Permit. This response should incorporate all relevant details of project changes as indicated verbally on January 25, 2010 by Barry Cigich to Peter Briggs including the removal of Finger Lakes Gallery 2 from, and the addition of Cavern 58 to, the LPG storage application. Further, any new natural gas storage project for Finger Lakes Gallery 2 requires a separate storage application and corresponding fee of \$10,000.

In addition, the Department is awaiting a response to the December 9, 2009 Notice of Incomplete Application to US Salt (Application ID 8-4432-00001/00003) for its proposed SPDES modification, which may be relevant due to process interconnections with the Inergy Midstream/Finger Lakes LPG Storage brine handling system.

In addition to the issues of gas containment and reservoir suitability inherent to any ECL Article 23 underground storage review, SEQR review of the LPG/natural gas storage project(s) must also include evaluation of the interrelationships of the projects and effects of physical interconnections on process operations of both Inergy Midstream/Finger Lakes LPG Storage, any new natural gas project, and US Salt. Specifically, at a minimum, evaluation of the following is required:

- 1) Design and stability of the brine storage pond(s) proposed. This must include slope stability of any impoundment structure, storm event containment capacity, and liner design suitability to prevent brine infiltration into groundwaters.
- 2) Volume and concentration of brine to be conveyed to US Salt operations from brine storage and handling operations due to the LPG/natural gas storage project(s), and their effect on US Salt operations. This must

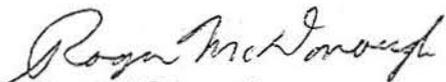
include any volume of brine associated with the dewatering of Finger Lakes Gallery 2 at initial cavern fill with natural gas.

- 3) Effects on US Salt operations, water discharges, and air emissions if dilute brine from precipitation on the ponds is conveyed to US Salt and processed directly. The current Title V Facility Permit for US Salt restricts emissions to below the thresholds in 6NYCRR Part 231 New Source Review (NSR) and 40 CFR 52.21 Prevention of Significant Deterioration (PSD) regulations.
- 4) Effects on US Salt operations if dilute brine is conveyed and further concentrated by introduction into the current solutioning caverns prior to processing.
- 5) Effects on rate of operational cavern enlargement if concentrated brine is removed from ponds to compensate for precipitation volume, to make conversion to salt product more efficient, leaving remaining brine less concentrated.
- 6) Effects on traffic of truck loading operations, and rail traffic due to rail car transport. Note that rail cars moving south will cross a trestle over the Watkins Glen Gorge.
- 7) Details of visual impacts and screening proposed.

It is incumbent upon the applicant to clearly delineate proposed projects and describe any interrelationships with other facility operations. We look forward to your response to both of the Notices of Incomplete Application referenced above and the issues listed above to clarify your project(s) and intentions.

If you have any questions, or need clarification, please contact me at this office.

Sincerely,



Roger McDonough
Environmental Analyst
Division of Environmental Permits

cc: P. Briggs, L. Collart, J. Dahl, W. Glynn, J. Maglienti - Division of Mineral Resources
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