

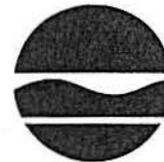
New York State Department of Environmental Conservation

Environmental Permits, Region 8

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Alexander B. Grannis
Commissioner

May 26, 2010

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
DEC Facility ID 8-4432-00085
Liquefied Petroleum Gas Storage Facility
Town of Reading, Schuyler County

Dear Mr. Bernstein:

This letter responds to your April 27, 2010 submittal regarding the proposed liquefied petroleum gas (LPG) storage facility referenced above. We acknowledge receipt of your May 14, 2010 response to the January 11, 2010 Notice of Incomplete Application for the ECL Article 23 Underground Storage Permit. That resubmittal is currently being reviewed by staff. Peter Briggs of our Central Office will be responding to you directly. However, a cursory review of the resubmittal indicates that the application has been significantly modified in that the cavern (Well Nos. 30, 31, 45) originally designated as Gallery 2 has been removed from the proposal and been replaced with another proposed storage cavern (Well No. 58).

We acknowledge your concern with a possible delay of initiating construction on certain portions of your proposal beyond this summer. However, the Commissioner's Determination of Lead Agency dated February 2, 2010 specifically precludes the expedited Negative Declaration for only a portion of the project: "*Segmentation of the project is not appropriate here as the brine pond and loading areas (and perhaps other proposed operation areas) are dependent on, and an integral component of, the larger project that also includes underground storage.*" Consequently, we are unable to agree to your request for a segmented review. In addition, Department staff must have adequate project information upon which to make SEQR and permit decisions. As you will note throughout this letter, many of our informational needs have been previously requested.

Additionally, we still need a thorough response to SEQR and SPDES permit applicability items listed in our correspondence from this office dated February 9, 2010 and March 19, 2010. These include:

- 1) Detailed design plans for the proposed brine impoundment for evaluation. These must be certified as adequate and sufficient for the intended purpose, site, and lifetime of the impoundment by the NY State Licensed Professional Engineer responsible for the structural design. The need to evaluate impoundment design and stability was indicated in the Department's February 9, 2010 letter. The Town of Reading has expressed concerns regarding the stability of the impoundment structure in the location proposed. Based on information available to date, it is likely that we would compare the structure to a Large Class B dam. The design engineer should also recommend a hazard class and provide justification for that recommendation.
 - a) Plans must be complete and sufficient for review by Department staff, and incorporate applicable sections of the Department's Guidelines for Design of Dams, as well as any additional design considerations due to the nature of the contained brine, which must be prevented from any possible overflow, seepage, or contact with either surface or ground waters.

- b) The proposed brine pond must be designed to a reasonably high standard to prevent overtopping. The pond must have a means to remove excess volume due to precipitation, at a similar rate to that which a spillway system would provide in the case of a surface water impoundment for a Large Class B Dam. The analog to a spillway in the case of a brine pond would involve a discharge, either to surface waters (requiring a SPDES Permit), or to some other use, process, or disposal, which must be specified (and may or may not require a permit).
 - c) An inspection and maintenance plan for the brine pond must be provided.
- 2) The Department disagrees that 24 inches of freeboard is sufficient to permanently contain volume increases in the brine pond due to precipitation and other operations at this facility. This was indicated previously in the letter dated March 19, 2010. Maintenance of an adequate freeboard is critical for wind and precipitation events, and the structural integrity of the impoundment. Freeboard must not be relied upon as space to store fluids on either a temporary or permanent basis. The following issues, based on your letters dated February 26 and April 27, 2010, must be addressed:
- a) According to the figures provided, a 24 inch freeboard will be overtopped by "average" precipitation in 8 years. A large storm event could shorten this time frame considerably.
 - b) The claim that "no multi-year increase is expected because the pond will be drained each winter." ignores the fact that the volume of brine removed from the pond to displace stored LPG can be no greater than the volume of LPG stored, which displaced its own volume of brine from the caverns to the pond. This does not account for the inevitable increase in pond volume due to precipitation, well workovers, and equipment flushing, none of which displace brine from the caverns. In order to claim that the pond can be drained completely, you must indicate how and to where the brine volume in excess of the stored LPG volume will be drained.
 - c) The claim that "Cavern expansion will take up any rainfall that does not evaporate." is not possible. Cavern expansion will produce brine in addition to the brine volume increase indicated above. The volume of brine produced by cavern expansion will exceed the additional cavern volume increase. Note that it is not physically possible for a given volume of water to dissolve an equivalent volume of salt.
- 3) The following should also be provided:
- a) The pipeline route for the connection from the Plant to the Teppco pipeline. Note that the Stormwater Pollution Prevention Plan did not show this route. From the properties identified by tax maps, it appears this will cross Route 14.
 - b) Pipeline routes for the additional new pipelines proposed. Road crossings should be indicated.
 - c) Anticipated noise levels from rail operations at the transfer station.
 - d) Hours of transfer station operation. Indicate hours for weekdays, weekends, and legal holidays.
- 4) Please indicate if the applicant has submitted any project-related materials to the New York State Public Service Commission (PSC). If a submission to PSC was made, please provide copies. If materials have not yet been sent, please indicate when they will be sent to PSC and provide copies for our staff.

The above noted comments and questions must be addressed to continue processing Finger Lakes' proposal. If you have any questions in regard to this letter or our past correspondence, I would invite you to meet with us in order to clarify our requirements and develop a plan to move forward.

Sincerely,



Roger McDonough
Environmental Analyst
Division of Environmental Permits

cc: W. Moler - Inergy Midstream LLC
M. Armstrong - Finger Lakes LPG Storage LLC
P. Briggs, L. Collart, J. Dahl, W. Glynn - Division of Mineral Resources
A. Dominitz - Dam Safety Section
J. Maglienti - Office of General Counsel
C. Hardison, N. Rice - Division of Water
P. Lent - Regional Permit Administrator
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M. Switzer, G. Wright - Town of Reading
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