

OPINION

MARCELLUS WATCH | PETER MANTIUS

A propane bait-and-switch by Crestwood

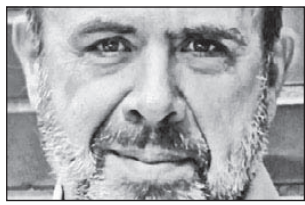
Two years ago, Enterprise Partners handed out more than 70 propane detectors for homes near its underground propane storage caverns in Monroe, Ohio. The unspoken message: if it beeps, run.

One of the recipients, Valnea McGuire, 84, said she was glad it never beeped. Local officials were also relieved that inspections of their sewer lines and storm drains came up clean.

The free detectors and other precautions were called for after stray propane ignited at a steel company a mile away from Enterprise's Todhunter Terminal, according to an October 2012 email to the Environmental Protection Agency, as reported by The Columbus Dispatch newspaper.

An Enterprise spokesman told the newspaper in March 2013 that the Todhunter caverns, which can hold 1.4 million barrels of propane, would all need to be emptied "so we can conduct tests."

The company's decision



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to quietly flush the caverns later that fall sent shock waves through the Northeast's propane supply chain last winter. A propane industry trade publication reported on the dire consequences in December 2013. Quoting the president of the Propane Gas Association of New England, LP Gas magazine said the geologic failure of the Todhunter caverns combined with the decision to reverse the flow of a TEPPCO pipeline at the same terminal 30 miles north of Cincinnati all but eliminated "a huge safety valve" for the Northeast.

Enterprise, which bought TEPPCO in 2009, normally used that pipeline to send propane north. Last winter, it used it to send ethane south.

The Northeast had to turn to rail supplies to avert severe shortages.

The same TEPPCO pipeline passes through Watkins Glen on its way to Selkirk, just south Albany, a propane gateway to New England.

Along that line, Houston-based Crestwood Midstream is seeking a state permit to store 1.5 million barrels of propane (and 600,000 barrels of butane) in abandoned salt caverns next to Seneca Lake just north of Watkins Glen. The state Department of Environmental Conservation studied the plan for nearly five years before publishing draft permit conditions in November.

As conditionally approved, the Crestwood project was supposed to include trucks that could make local propane deliveries. For years, the company told state regulators that the project would include a truck depot on Route 14A.

Crestwood promised the locals that the added propane supply would

slash their heating bills. That was the company's No. 1 marketing ploy as it tried win back support in a Schuyler County community that was growing wary of the project's risks.

In a folksy opinion column in Geneva's Finger Lakes Times last September, Crestwood executive Bill Gautreaux said the 2015 Farmer's Almanac called for a harsh winter. His company was eager to help people in Schuyler, Yates and Seneca counties. "Last winter, propane prices in the Northeast were at all-time highs due to higher demand and a lack of propane supplies stored locally," he wrote. Crestwood's storage project "means more propane stored closer to the people who use it."

But in early December — just three weeks after the DEC acted — Crestwood announced that there wouldn't be any trucks after all. All the propane and butane would go to and from the salt caverns by rail or the TEPPCO pipeline. So forget any deliveries to the

three counties Gautreaux mentioned — and forget cutting those heating bills too.

The DEC, which has scheduled an issues conference on the project in Horseheads Feb. 12, should not stand for the company's self-serving switcheroo. It should rip up the draft permit conditions and actually analyze the revised project's risks and benefits.

The geologic risks are substantial. Based on 40 years of data on hydrocarbon storage in U.S. salt caverns, the chance of a serious or extremely serious accident is greater than 40% over 25 years, according to an analysis by Dr. Rob Mackenzie of Trumansburg.

In fact, the Seneca project risks are significantly higher than the industry average because the caverns lie in beds of salt intersected by layers of fault-riddled shale, Houston geologist H.C. Clark noted. The Todhunter caverns are also in shale. Pipeline analyst Richard Kuprewicz of

Redmond, Wash., said a catastrophic cavern failure next to the lake could run into hundreds of millions, or billions of dollars. Mackenzie, Clark and Kuprewicz have offered testimony to the DEC.

One draft permit condition requires the company to accept full legal and financial responsibility for the project. But Kuprewicz said such a guarantee is only as good as the company's insurance and balance sheet. The company has acknowledged in federal filings that it is not fully insured for all accidents.

So if the DEC is foolish enough to approve the project, we can only hope the company can afford to pay for more than propane detectors.

—Peter Mantius is a freelance journalist from Schuyler County who follows gas drilling in the Marcellus Shale and related issues. He is a former reporter at the Atlanta Journal-Constitution and editor of two business weeklies in the Northeast.

WEEKLY COLUMN | SEN. TOM O'MARA

Cuomo's 'fix your own pipes' doesn't hold water

It's little wonder that so many of you are left shaking your heads sometimes.

In Syracuse last week, it was reported that Governor Andrew Cuomo had this to say when asked why he wouldn't provide state assistance to address certain infrastructure needs in aging and ailing Upstate cities like Syracuse (or, I guess we can assume, Elmira or Corning



STATE SEN. TOM O'MARA

or Hornell, etc.), "Because you are going bankrupt. You are unsustainable. You need jobs, an economy, business. The upstate

cities have to be stronger economically. They have to do better. Show us how you become economically stronger and create jobs. Then you fix your own pipes."

So there we have it: "fix your own pipes." Which is all well and good, except for the unfortunate fact that state-imposed mandates, rules and regulations, and taxes and fees are a major reason why

so many Upstate cities -- Upstate New York overall in fact -- aren't doing better economically, or creating enough good jobs, or rebounding as quickly as other parts of the nation or, to see this thought all the way through, fixing our own pipes.

I've said it over and over, and I'll say it again: local economic development leaders across the Southern Tier and Finger Lakes regions are at work day after day, week after week, year after year, doing and trying everything possible to put in place economic strategies that attract businesses and industries, create and retain jobs, and keep communities afloat in Chemung and Steuben, Schuyler and Yates and Tompkins counties, and all across Upstate. They work hard. Their commitment, diligence and integrity are unparalleled, in my view. And they've achieved some successes in the face of a brutal national recession over the past several years while, at the same time, confronting a state government that for a generation has taxed too much, regulated too much, and mandated too much. It's a state government that over the years has produced a business and tax climate that's too often recognized as one of the worst in the nation.

So you can't just say fix your own pipes.

The governor's response, as I read it, was partly directed at why he's chosen, in his 2015-16 proposed state budget, to pit seven Upstate regions against each other in a competition for three \$500-million pots of badly needed state economic development aid. First and foremost, my desire is that New York State actually becomes a

competitive state in which to do business, one where these massive incentives aren't needed to create jobs. But the reality is we're not, and so they're necessary. I remain confident that the Southern Tier and Finger Lakes regions can hold our own in any competition, but I also continue to question the fairness -- or the wisdom -- of how this proposed competition would begin to possibly make a dent in what's ailing all of Upstate. We're devoting enormous state resources, including billions of dollars, to fix a single new bridge downstate (the Tappan Zee) yet long-struggling Upstate regions have to beat each other up to determine which three winners get to divvy up a \$1.5-billion pie? And it's not accompanied by any across-the-board, broad-based tax reduction, regulatory reform or significant relief from unfunded state mandates.

Or take Governor Cuomo's comments last week in Buffalo when asked about his ban on the Marcellus Shale natural gas industry in the Southern Tier and western New York -- a decision, by the way, that he promised all along, over all these years, would ultimately be decided strictly on the merits and by the science.

At a recent state budget hearing, I asked the Governor's environmental conservation commissioner if, somewhere in the future, the merits determine that developing the Marcellus Shale natural gas industry can be done responsibly and safely, would New York State allow it? To the commissioner's credit, he gave what I thought was an open, honest and straightforward answer (one, by the way, that wasn't widely

reported), and I appreciated it. While he didn't believe that it was forthcoming any time soon, he did acknowledge, "It can be revisited when new or significant information comes to light. It's an evolving field. The industry has made lots of improvements."

So last week in Buffalo the governor was asked a similar question about his ban being lifted sometime in the future and he said, "I would never." What happened to the science?

I posed all of these questions with Southern Tier farmers and landowners most squarely in mind, those men and women whose property rights have been sacrificed and who, as a result, will suffer the most immediate consequences from the prohibition. At that same budget hearing in late January, I noted that a \$30-million fund being offered by the Governor as a way to preserve Southern Tier farmland, while seemingly acknowledging the desperation and dire straits of these farmers and landowners, might not be anywhere near enough to redress what's been taken away.

"The farmer in the Southern Tier who is struggling to make ends meet, that farmer is our brother," the governor said during his recent State of the State address.

He also said, of Upstate generally, "We made Upstate New York a priority." Here's what Upstate's getting at the moment: mixed messages.

—State Sen. Tom O'Mara, R-Big Flats, represents New York's 53rd Senate District, which includes Steuben, Chemung, Schuyler and Yates counties, and a portion of Tompkins County.

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