

At Industry's Urging, Engineer Reverses Position on LPG Cavern Storage

By **Peter Mantius**, on February 7th, 2013

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Cuomo-Connected PR Firm Pushes Inergy-Crafted Letter to Media and NY DEC

WATKINS GLEN, N.Y.—An Inergy LP official called a consulting engineer in January to urge him to recant decade-old negative conclusions about the structural integrity of a local salt cavern that the Kansas City energy company now plans to use to store liquid butane.

The engineer, Larry Sevenker of Kenner, La., produced a three-paragraph letter Jan. 15 to “set the record straight.” In an interview Feb. 3, Sevenker acknowledged that a company official helped him craft the letter and that he is still paid by the company.

Letter in hand, Inergy turned to **M Public Affairs**, a recently-hired public relations firm with close ties to Gov. Andrew Cuomo, to disseminate it by making cold calls to upstate New York media outlets. Meanwhile, an attorney for Inergy, Kevin Bernstein of Syracuse, forwarded Sevenker’s letter to the state Department of Environmental Conservation with a cover letter that ended: “In short, Mr. Sevenker recognizes that his 2001 conclusion regarding a roof collapse was erroneous and effectively recants his inaccurate conclusion.”

Zach Silber of M Public Affairs declined to answer a series of emailed questions but sent the following response: “M Public Affairs does not lobby, we are a public affairs firm.” Bernstein did not return phone calls seeking comment.

Silber is a newcomer and Bernstein is a veteran to the team Inergy has assembled to win an underground storage permit from the DEC to store 2.1 million barrels of LPG in salt caverns near the southern end of Seneca Lake, the largest of New York’s Finger Lakes.

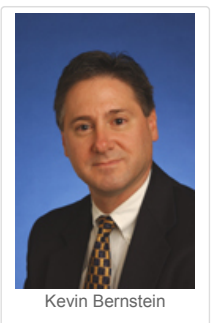
The application, filed in 2009, has raised a host of regulatory issues, triggered broad local opposition, and prompted Republican state Sen. Mike Nozzolio to urge the DEC to deny the permit.

As the permit process has bogged down, Inergy has tried to mollify Wall Street securities analysts about the company’s failure to obtain approval sooner. Since early 2010, company officials have been assuring Wall Street that the DEC is on the verge of granting the underground storage permit.

“As for ... the Finger Lakes LPG project,” Inergy chairman and CEO John Sherman told market analysts Feb. 5, “we believe we’re getting close to the final permits from the New York DEC.



Zach Silber



Kevin Bernstein

“I know we sound like a broken record on this, but we believe that our persistence will pay off and this will be a fabulous business



John Sherman

for the company," Sherman added, according to a transcript published by Seeking Alpha.

Inergy sprang into action after the DCBureau.org reported Jan. 7 that Sevenker had concluded in 2001 that the cavern Inergy now proposes to use to store up to 600,000 barrels of liquid butane under pressure of 1,000 pounds per square inch was "unusable for storage."

Sevenker has worked as a consultant to Inergy and previous owners of the caverns for more than 20 years. "I am still working for them, looking at their operating data. That's about all I'm doing any more," he said Feb. 3. "I'm still compensated on an annual basis."

In 2001, Sevenker had been hired by US Salt, which owned the well at the time, to conduct a cavern assessment. **As reported previously**, he concluded that Well 58 had been drilled through fault zone, that its roof had collapsed (possibly due to a minor earthquake), and that the cavern beneath had been completely filled with rubble. Following Sevenker's advice, US Salt plugged and abandoned the well in 2003.

Inergy acquired US Salt in 2008, reopened Well 58 in 2009 and has since been expanding the cavity beneath it by solution mining, a watering process that dissolves the salt walls.

Days after last month's **DCBureau.org** report, the plant manager at US Salt, Frank Pastore, called Sevenker to discuss it, Sevenker said. Pastore did not return phone calls seeking comment, but Inergy spokesperson Debbie Hagen called back on Pastore's behalf to say Sevenker's Jan. 15 letter spoke for itself.

Sevenker said his single conversation with Pastore led to him to write the Jan. 15 letter that concluded: "I understand that opponents to the Finger Lakes LPG storage development project are pointing to my 2001 assessment as proof that Well 58 lacks structural integrity and therefore is completely unsafe. The updated data (supplied by Inergy) does not support this claim, and I wanted to set the record straight."

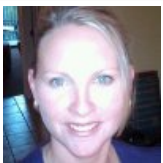
Asked on Feb. 3, whether those were his own words or words supplied by the company, Sevenker responded, "Well, they basically put a lot of that in there."

After Jan. 15 – the date of Sevenker's letter—reporters who had been covering the Inergy LPG project for years began receiving cold calls from a public relations firm they had not dealt with before: M Public Affairs.

Within a few days, Silber had successfully placed Sevenker stories in the three largest papers surrounding the proposed LPG storage facility: The Elmira Gazette, The Finger Lakes Times in Geneva and The Ithaca Journal. A report also aired on WENY-TV in Elmira.

"I got a cold call" from an unfamiliar PR firm, Jeff Aaron, a reporter at the Elmira Gazette, said of his call from Silber. David Shaw, a reporter for the Geneva newspaper, said he also received an unsolicited call from Silber.

M Public Affairs has offices in New York City and New Jersey, and two of its top officers have worked as senior advisors to Gov. Cuomo.



Maggie Moran

Its president and CEO, Maggie Moran, advised Cuomo during his 2010 campaign for governor. Richard Bamberger, managing director of the PR firm's New York office, was the governor's director of communications from the beginning of his term in January 2011 through November. Bamberger was also Cuomo's spokesman from 2008-2010 when Cuomo served as state attorney general.

Silber declined to specify when Inergy hired M Public Affairs.



Richard Bamberger

Sevenker said the letter Silber offered to local media outlets did largely reflect his current thinking. For example, he confirmed in his Feb. 3 interview with DCBureau.org that he believed he was wrong in 2001 to conclude that a total roof collapse had entirely filled Well 58 with rubble. He said Inergy officials had persuaded him of his error by showing sonar test results from 2009 or later that made it clear that his own sonar tests in 2001 had given an inaccurate picture.

Inergy redrilled Well 58 in October 2009, according to a Jan. 7, 2010 letter from Inergy's Barry Moon to the DEC. "Pressure encountered is above the long-term brine test pressure approved by the department," Moon wrote.

"Results from the sonar show that the cap rock is intact with the top of the salt at the cavern roof."

Although Sevenker wrote in his Jan. 15 letter that "it does not appear that a roof collapse occurred," he has since acknowledged that the definition of a roof collapse is very vague.

"That's the thing that confuses everybody," Sevenker said Feb. 3. "A roof fall is actually a layer falling out.... There are layers of salt, layers of shale, more layers of salt and more layers of shale. When that stuff falls, it starts real small, then bigger pieces, then bolders. Then major chunks fall out. It depends how big the cavern is and how weak the roof is."

Inergy has acknowledged that a large rubble pile sits at the bottom of Well 58's cavern. One company document from 2010 identifies the "top of rubble, bottom of existing cavern" at 2,425 feet underground. That's 217 feet higher than the original depth of the well: 2,642 feet. That suggests a rubble pile high enough to cover a 21-story building.

A key issue left unaddressed in Sevenker's recantation letter is the stability of the rock above the cavern.

As reported earlier, a 1973 geological study of the Watkins Glen salt caverns by C.H. Jacoby and L.F. Dellwig found that a major north-south strike-slip fault running through the brine cavern field had caused a displacement of 1,200 feet.

Sevenker confirmed on Feb. 3 statements from previous interviews that DEC officials in Albany had shown him a map that indicated that Well 58 had originally been drilled directly through a major fault. It is not clear whether that was the same fault Jacoby and Dellwig had identified.

A fault zone also exists above a separate salt cavern that Inergy plans to use to store 1.5 million barrels of liquid propane, according the Jacoby and Dellwig study. "It is over this area that the major thrust bifurcates at several points, creating a series of planes of weakness," their 1973 reported stated.

In the late 1970s, an extensive geological study by Stone and Webster Engineering Corp. found that no sites in the Finger Lakes region were suitable for nuclear waste storage without further study of the area's extensive faulting.

Both the DEC and the federal Environmental Protection Agency have also raised questions about faulting in the Watkins Glen salt caverns.

In a June 9, 2009 letter to Inergy, the DEC's Linda Collart wrote: "The department has concerns regarding the Well 58 cavern integrity associated with the documented roof collapse that occurred in 2001. It was determined by the facility owner at the time that the cavern was not suitable for storage."

Years earlier, in a Sept. 9, 2001 letter to a US Salt official summarizing tentative conclusions experts had reached concerning Well 58, the DEC's Kathleen Sanford wrote: "Most likely cause of cavern collapse is weakened fault zone cut by Well 58."

Today, Sanford is deputy director of the DEC's Division of Mineral Resources, which has regulatory authority over underground hydrocarbon storage.

Inergy has argued that any faults that may exist above Well 58 and above the cavern scheduled to hold liquid propane do not pose serious risks for either cavern collapse or leakage along fault lines.

Company officials have maintained that the ultimate test of a cavern's structural integrity is whether it can hold pressure.

But Richard Young, a geologist at the State University of New York at Geneseo, said the ability to hold pressure depends on the amount and duration of the pressure. "What is the long-term impact of pressurization, and could induced slippage on faults be a result of long-term pressurization?" he said. "Geologic conditions are often unpredictable."



Joseph Campbell

Joseph Campbell, co-founder of Gas Free Seneca, a local organization formed to try to block Inergy's LPG and natural gas storage project near Watkins Glen issued the following statement:

"Inergy's new PR firm can't make a strike-slip fault disappear. It can't spin away the fact that Inergy has already proven to be a bad neighbor by trying to get their tax

assessment reduced by more than half, actually costing more jobs than it creates, by not reporting a brine spill to DEC for almost three weeks, and by being out of compliance with the Clean Water Act for each and every quarter for the past three years.

"It does not quell the community's outrage regarding this proposed facility, and it does not lessen the position of Gas Free Seneca: We Demand that the DEC Deny the Permit for this project."

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Peter Mantius

Peter Mantius is a reporter in New York. He covered business, law and politics at *The Atlanta Constitution* from 1983-2000. He has also served as the editor of business weeklies in Hartford, CT, and Long Island. He is the author of *Shell Game* (St. Martin's Press 1995), a nonfiction book on Saddam Hussein's secret use of a bank office in Atlanta to finance billions of dollars in arms purchases from Western countries before the 1991 Persian Gulf War.


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