
The Mesa Refinery Watch Group

DERAIL THE SPUR

MESA REFINERY WATCH GROUP

**REBUTTAL OF PHILLIPS 66'S SUGGESTED
"STATEMENT OF OVERRIDING CONSIDERATIONS*"
FOR THE PHILLIPS 66 "RAIL SPUR" PROJECT**

**MRWG REBUTTAL SUBMITTED TO
SLO COUNTY PLANNING COMMISSION**

9/7/16



*Submitted by Phillips 66, dated 8/15/16

1. Phillips 66's Statement Of Overriding Considerations Improperly Ignores All Class I Impacts Along The Mainline

a. **Phillips 66's Claim:** Due to federal preemption, they do not have to respond nor mitigate any of the many Class I impacts identified by the Final EIR along the mainline. Their statement of overriding considerations therefore ignores all of these impacts.

b. The Reality:

- **Guidance From SLO County Counsel:** At the Planning Commission's public hearings early in 2016, the County's Deputy Counsel, Whitney McDonald was asked whether the Commissioners could take into account the concerns of the dozens of cities and counties along the mainline who are requesting denial of the project.

a. Her response was that the County must abide by state/local laws and policies. Therefore, it can properly evaluate the impacts along the mainline as it makes its decision. She said -- "*We are required to look at the trickle environmental effects of a project we are evaluating and if we approve it, what may happen as a result.*"

b. Ms. McDonald also stated that what Phillips 66's attorney claimed about preemption "*goes too far. We need to consider federal law, but also need to apply CEQA, the county's General Plan, etc. CEQA requires you to look at all significant impacts including the mainline. (The Commissioners) must thread a needle between all these laws.*"

c. At the April 16, 2016 hearings, Ms. McDonald cited case law:

- **Case Law #1:** She cited a specific preemption decision -- "*When regulation does have a substantial external impact, the welfare of the state's citizens beyond the borders of the particular municipality cannot be disregarded and must be recognized and served.*"

- **Case Law #2:** And she cited - "*Not only does the County have the right to consider the effects of its land uses on citizens of other jurisdictions, it has a constitutional responsibility to do so.*"

d. And at the May 4, 2016 hearing, Ms. McDonald said: "*Staff still believes a Class I diesel PM impact exists under the 3-train alternative. This could put the County and APCD at odds ... there would be different thresholds. I recommend you take the position that some impacts are Class I. It's too risky to say preemption overcomes (them). We need to address this in overriding considerations.*"

(continued)

(continued)

1. The Statement Of Overriding Considerations Ignores All Class I Impacts Along The Mainline, cont.

- **Statement From California’s Attorney General:** The city of Benicia is facing the same threat of crude-by-rail, from Valero Oil. Valero claims the city is preempted from stopping the trains because they’re federally regulated.

California’s Attorney General Kamala Harris responded. She wrote that local officials have the right and the obligation to protect their citizens from the health and safety hazards of crude oil trains, regardless of whether the dangers are on the mainline or on oil company property.

She specified: “Valero asserted that the (federal) Interstate Commerce Commission Termination Act (ICCTA) prohibits the City from taking rail-related impacts and public-safety risks into account in determining whether to approve or deny the Project. We disagree.”

“ICCTA does not preempt or constrain the City’s decision-making authority with respect to a project undertaken by an OIL company.

“These rail shipments will have adverse impacts on air quality and the potential for an accident causing death or severe personal injury. California law requires (a local) agency to analyze and disclose the full scope of the project’s impacts. This legal duty is not circumscribed by ICCTA. For Benicia to turn a blind eye to the most serious of the impacts, merely because they flow from federally-regulated rail operations, would be contrary to both state and federal law.

“Valero’s assertion that the (Benicia) Planning Commission’s action is illegal, is without merit.”

<http://www.mesarefinerywatch.com/letters.html>

2A. Claimed Overriding Consideration:
Economic Benefits To SLO County

- a. Phillips 66's Statement:** "The existing refinery is an important contributor to the economy of San Luis Obispo County, through direct employment, indirect and multiplier employment, local purchases and taxes, and other contributions. The project will enhance and sustain the refinery's ability to contribute in this manner."
- b. The Reality:** This overriding consideration implies that if the rail terminal project is not approved, the refinery will either be closed or severely impacted, and SLO County would be harmed economically. That consideration is based entirely on the premise that there is insufficient crude oil available to the SMR via pipeline from California sources and that rail is essential to the survival of their local plant.

However, the reality is ...

- Phillips 66's own annual report stated that the corporation's new direction and strategy is "crude-by-rail" ... i.e., they are seeking to access cheaper crude oil, such as Canadian tar sands, and ship it to their refineries by rail. Therefore, the company has stated that crude-by-rail must become a way of life for the SMR. The rail terminal application is driven by a corporate-wide dictate, not local conditions in California regarding lack of local crude.
- The Planning Commission's staff confirmed that the only reason for Phillips 66 to request the rail project is so they can access lower-priced crude: "*The objective of the Project is to increase the Applicant's ability to access more economically priced crude from a wider diversity of suppliers. There are insufficient, overriding economic, legal, social, technological, or other benefits of the project that outweigh the significant effects on the environment.*"
- Phillips 66 has produced no evidence indicating there is a lack of crude oil available to them in California ... especially crude from sources on the Central Coast.
- Ample evidence has been introduced showing there are current and future supplies of crude oil in California to access via pipeline. Even the Final EIR* states there is an abundance of local crude:
 - "*There is adequate crude supply for the Santa Maria Refinery even without the Rail Spur Project.*" "*It would be speculative at best to estimate when the local crude supply would not be sufficient to support further operation of the SMR without the proposed Rail Spur Project.*"
 - Local oil production in 2012 was over 67,000 barrels per day. That's 60% more than the refinery's maximum throughput.
 - There is another 23,000 barrels per day in possible production increases for projects already approved or under construction.
 - "*All of these sources of crude could be available to the SMR for processing. Whether or not Phillips 66 is willing to pay the needed price to obtain these crudes, is unknown.*"

* REIR issued 12/2015: Page ES-26 and Section 3.2 page 3-3; FEIR; 12/15; pages 53, 782, 165; Table 3.1

(continued)

(continued)

**2A. Claimed Overriding Consideration:
Economic Benefits To SLO County**

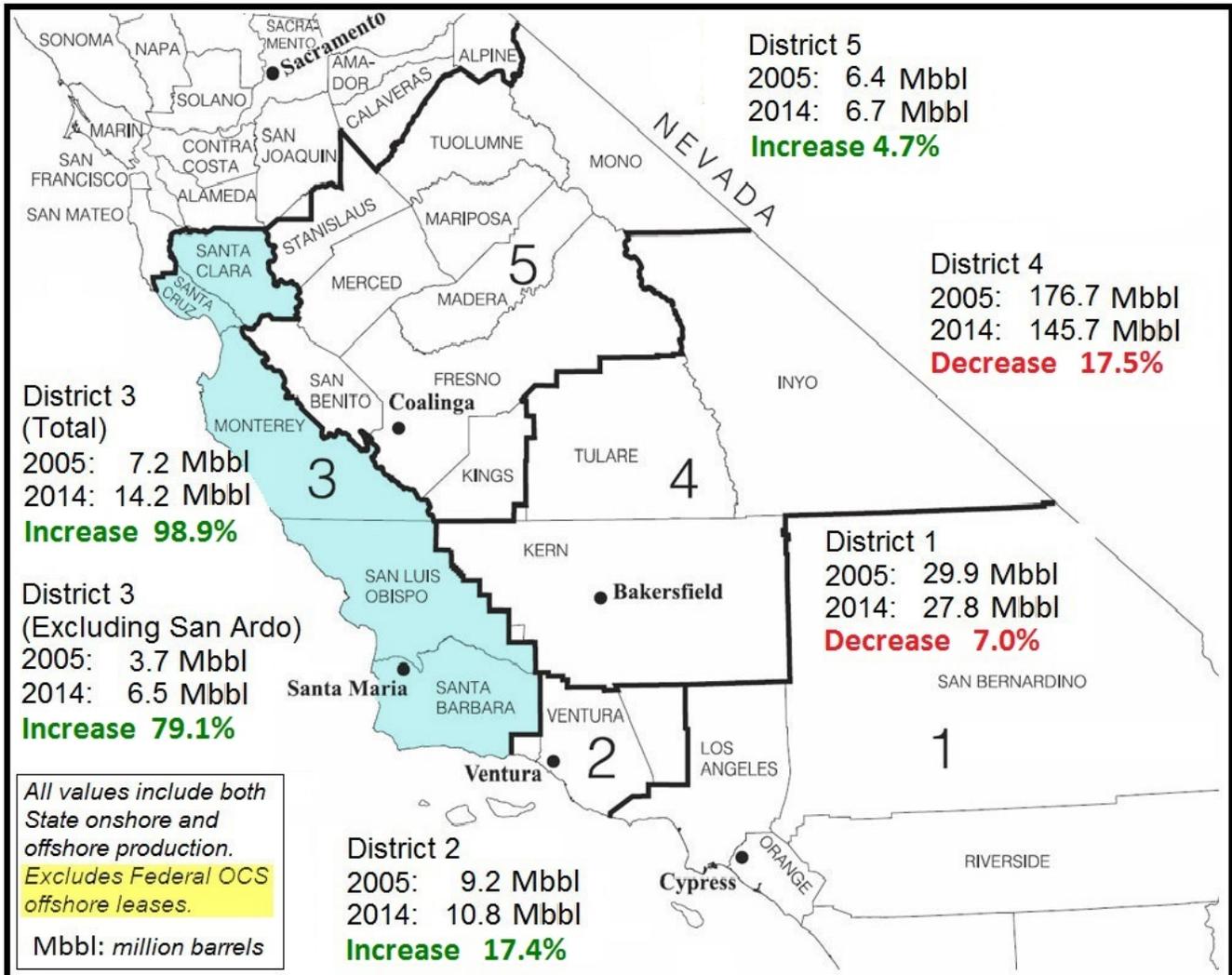
- An analysis of California state oil production from 2005 through 2014 shows that while there was a statewide decline of 10.5%, the production in the Central Coast region increased by 98.9% (**please see accompanying chart**).
- Phillips' stated profits clearly show that sourcing oil in the U.S. and California specifically, is affordable and lucrative. But instead, now they are choosing to fund the economy and workforce in Canada with the resultant loss of jobs and dollars in SLO County and elsewhere in our state.
- Phillips 66 has stated before the Planning Commission and in the media that they want the rail terminal for "optionality" ... i.e., to use rail whenever they can access cheaper crude oil and increase their profits. Rail is therefore a "want", not a "need" for the SMR.
- Phillips 66 has repeatedly avoided saying they would close the SMR or that they would lay off workers if the rail terminal was not built, because that isn't the case. They've said that "such discussions have never been held"¹ and "No-one said we'd shut down."²
- The only true claim of diminished sources of crude oil are due to the Refugio oil spill and the temporary shutdown of certain pipelines. Once those pipelines are restored, the SMR would be back to full capacity. And, Phillips' request for crude-by-rail was made years before the Refugio oil spill ... that spill has nothing to do with their request for the rail terminal; it is only being used as another misleading excuse for crude-by-rail.

Therefore, the overriding consideration of loss of economic benefits to SLO County is false. Even if the rail terminal is rejected, the SMR will continue operating, will be back to full capacity, will retain its employees, and SLO County will continue receiving the same economic benefits as always.

¹ Phillips 66 corporate spokesman Dennis Nuss.

² Phillips' Western Regional Manager for Government Affairs, Stephanie Williams.

CALIFORNIA STATE OIL PRODUCTION 10-YEAR HISTORY 2005 - 2014
OVERALL STATE PRODUCTION DECLINED 10.5%
HOWEVER, CENTRAL COAST REGION PRODUCTION INCREASED 98.9%



From: Annual and Preliminary Annual Reports 2005 through 2014 California Oil and Gas Production Statistics, Published by California Department of Conservation, Division of Oil, Gas, and Geothermal Resources

2B. Claimed Overriding Consideration: Economic Benefits To SLO County

- a. **Phillips 66's Statement:** "The existing refinery is an important contributor to the economy of San Luis Obispo County, through direct employment, indirect and multiplier employment, local purchases and taxes, and other contributions. The project will enhance and sustain the refinery's ability to contribute in this manner."
- b. **The Reality:** Allowing the rail terminal to be built and California crude oil to be replaced by crude imported from Canada by rail, will have an extremely negative impact on three vital components that drive the Central Coast's financial well being:
- 1) The Gross Domestic Product (GDP) on California's Central Coast.
 - 2) The number of local jobs in San Luis Obispo, Santa Barbara and Monterey Counties.
 - 3) The annual earnings (spending) by workers in San Luis Obispo, Santa Barbara and Monterey Counties.

A close analysis of independent government data provides the evidence (please see tables on the following page). It calculates the specific losses that will occur in four segments of the Central Coast oil industry: extraction; drilling of wells; support activities; and, pipeline transportation. Job losses in the regions' oilfields would ricochet through the local economy with indirect losses in other industry jobs, household spending, and the tax base.

Here is a summary ...

1) Loss Of Gross Domestic Product On California's Central Coast (please see the top row of boxes on the tables that follow)

- **The Dynamics:** The oil industry's contribution to the region's GDP is about \$1.5 billion.
- **The Loss:** Under the three-train alternative - there would be a 4%, or \$60,300,000 loss in the oil industry's GDP as a result of "displaced production" ... i.e., loss in the value of oil industry goods produced, services provided, and taxes paid in the region (GDP) every 12 months.

2) Loss Of Oil Industry Jobs In San Luis Obispo, Santa Barbara and Monterey Counties (please see the middle row of boxes on the tables that follow)

- **The Dynamics:** According to the latest count, there are 2,541 people employed in the Central Coast's oil industry.
- **The Loss:** Under the three-train alternative - 10% of those jobs would be lost to the oil industry, and another 200+ jobs would indirectly be lost in the region as a result of oilfield layoffs ... i.e., over 450 total jobs will no longer exist in our local counties. Even people who don't work in the oil industry are at risk of being caught in the crossfire.

3) Loss Of Oil Industry Earnings In San Luis Obispo, Santa Barbara and Monterey Counties (please see the bottom row of boxes on the tables that follow)

- **The Dynamics:** Those currently employed in the oil industry in our local counties have an annual payroll of about \$377,700,000.
- **The Loss:** Under the three-train alternative - 13% of those earnings will be lost ... i.e., \$48,500,000 in the oil and other effected industries' earnings will no longer exist to be spent in our local counties' businesses.

Importing Crude Oil by Rail Creates Job and Economic Losses and Across the Region

NAICS Code	Description	U.S. Bureau of Economic Analysis (BEA) Multipliers P&G WSPA California Data Superseded by BEA RIMS II Type II Data (Table 1.5) for Central Coast. (SEE NOTES 1 & 2)			
		P&G WSPA 2007 Data	BEA RIMS II Type II 2013 Data	P&G WSPA 2007 Data	BEA RIMS II Type II 2013 Data
		Employment		Earnings	
211	Oil and Gas Extraction	5,3998	2,1185	2,4777	1,4933
213111	Drilling Oil and Gas Wells	3,8605	1,8734	2,9549	1,5175
213112	Support Activities, Oil/Gas Operations	2,9867	1,7911	2,4094	1,5102
32411	Petroleum Refineries	9,0343	2,3664	3,4558	1,5171
333132	Oil and Gas Field Machinery and Equipment	3,7576	1,8905	2,8803	1,5737
486	Pipeline Transportation	5,6564	2,4705	2,9781	1,5807

<p>Regional Gross Domestic Product Impact Based on Industry Aggregate Multiplier for Oil and Gas Extraction Industry BEA RIMS II Type II 2013 Data (Table 2.5) Final Demand "Value Added" Multiplier (SEE NOTE 5)</p>
<p>Predicted Regional GDP Loss (\$ millions) Oil & Gas Extraction Industry Aggregate Multiplier</p>
<p>Five Trains Per Week</p>
<p>Three Trains Per Week</p>
<p>0.8695</p>
<p>(167.5)</p>
<p>(60.3)</p>

NAICS Code	Description	Employment Totals From WSPA 2015 Publication, "Oil and Gas in California: The Industry and Its Contributions in 2013" (SEE NOTE 3)		
		San Luis Obispo County	Santa Barbara County	Monterey County
		Number of Jobs		
211	Oil and Gas Extraction	227	641	190
213111	Drilling Oil and Gas Wells	53	355	23
213112	Support Activities, Oil/Gas Operations	35	431	126
32411	Petroleum Refineries (SEE NOTE 4)	200	56	-
333132	Oil and Gas Field Machinery and Equipment	126	43	-
486	Pipeline Transportation	23	12	-
	Total Jobs in Central Coast Oilfield Industry	664	1,538	339
				2,541

<p>Potential Employment Losses Across Region Includes Direct, Indirect, & Induced Impacts. (SEE NOTES 6 & 7)</p>
<p>Five Trains Per Week</p>
<p>Three Trains Per Week</p>
<p>Number of Jobs Lost or Gained</p>
<p>-669</p>
<p>-241</p>
<p>-317</p>
<p>28</p>
<p>-95</p>
<p>-26</p>
<p>-1,320</p>
<p>-456</p>

NAICS Code	Description	Payroll Totals From WSPA 2015 Publication, "Oil and Gas in California: The Industry and Its Contributions in 2013" (SEE NOTE 3)		
		San Luis Obispo County	Santa Barbara County	Monterey County
		Annual Payroll (\$ millions)		
211	Oil and Gas Extraction	9.8	170.7	18.4
213111	Drilling Oil and Gas Wells	2.5	50.6	2.2
213112	Support Activities, Oil/Gas Operations	2.3	42.8	9.7
32411	Petroleum Refineries (SEE NOTE 4)	44.3	7.6	-
333132	Oil and Gas Field Machinery and Equipment	11.6	2.4	-
486	Pipeline Transportation	1.7	1.1	-
	Total Payroll in Central Coast Oilfield Industry	72.2	275.2	30.3
				377.7

<p>Potential Economic Impacts Across Region Includes Direct, Indirect, & Induced Impacts. (SEE NOTES 6 & 7)</p>
<p>Five Trains Per Week</p>
<p>Three Trains Per Week</p>
<p>Annual Earnings Loss or Gain (\$ millions)</p>
<p>(88.7)</p>
<p>(25.1)</p>
<p>(24.7)</p>
<p>4.03</p>
<p>(6.6)</p>
<p>(1.3)</p>
<p>(142.4)</p>
<p>(48.5)</p>

3. Claimed Overriding Consideration: Additional Benefits To SLO County

- a. Phillips 66's Statement:** The project will benefit the County economically during construction, add jobs, add tax revenue, and increase the stability of the refinery.
- b. The Reality:** The rail terminal will change the entire dynamics of SLO County as a desirable place to live, work and vacation. The economy, jobs, County taxes and citizens' personal financial status will be impacted.
- Virtually no-one will want to voluntarily, begin living or working next to railroad tracks with trains carrying flammable crude, nor next to an invasive rail terminal.
- Homes will be far less desirable both throughout SLO County and especially on the Nipomo Mesa, which is a major source of growth and economic benefit to the County. Home values could potentially stagnate or decline. Property taxes paid to the County may not meet future projections. For example, it's estimated that when built out, Trilogy's residents will contribute \$8 million in property taxes ... but with a rail terminal in its face, that amount may never be achieved.
- Communities like Trilogy are only partially built out. It's estimated that \$272 million in new construction activities will be invested in our County for that next phase. But siting a rail terminal within hearing distance puts all of that in jeopardy.
 - Jobs will be lost. As communities like Trilogy Cypress Ridge, Black Lake and larger private homes on the Mesa become less desirable places to live, jobs will be lost in construction, services, retail, healthcare, and so forth. For example, Trilogy alone contributes to the financial well-being of more than 1,000 estimated head-of-household jobs.
 - Jobs will also be lost in the local oil fields. Under Phillips 66's new business model, they'll buy cheaper, imported crude from Canada. That means local, Central Coast oil field jobs will be lost ... along with the impacts that job loss incurs on local businesses.
 - Pollution will immediately and permanently increase throughout the County ... air pollution, noise pollution, visual pollution. This will scar the County forever and tarnish its image -- all of which will result in negative economic impacts.
 - Just as is happening in other communities where oil train disasters have occurred, businesses will suffer. The County's reputation will deteriorate, tourism will decline, with negative impacts on SLO County's lodging facilities, restaurants, vineyards, and other recreation-based businesses. Many planned new businesses would not move forward. Then, even more jobs will be lost throughout the County.

(continued)

(continued)

**3. Claimed Overriding Consideration:
Additional Benefits To SLO County**

- And, the rail terminal will cost SLO County an enormous amount of money, such as:
 - Salaries for additional emergency services personnel who will likely have to be hired.
 - Training for personnel to handle hazmat spills, fires and explosions.
 - New equipment to handle hazmat emergencies ... fire apparatus, oil spill containment materials, etc.
 - Long-term cleanups & monitoring required when oil spills into our fields and streams.
 - An emergency notification system for South County, in anticipation of a major accident there.
 - Additional County staff to monitor the new rail operations and assure compliance with the project's many conditions of approval.
 - The loss of sales and hotel tax revenues when fewer tourists visit and stay in SLO County.
 - And so forth.

Therefore -- any temporary economic benefits from construction of the rail terminal, or the 12 permanent jobs that will be generated at the refinery, or the small increase in taxes that might be paid by Phillips 66, will be vastly overshadowed by the permanent damage the project will have on the County's dynamics and its economy.

4. Claimed Overriding Consideration:

The Project Will Increase The Quality & Quantity Of Native Habitat At The Refinery

a. **Phillips 66's Statement:** Phillips will compensate for the loss of habitat by creating new native habitat.

b. **The Reality:**

1) Input From The Planning Commission's Staff & County Counsel:

a) The Planning Commission staff's Jan. 25, 2016 report on the project stated:

The (rail spur) area contains sensitive plant and animal species needing protection, including plants, sensitive communities, burrowing owls, and coast horn lizard.

*The proposed uses - i.e., rail spur, unloading facility, pipelines, and emergency vehicle access road - would significantly disrupt the habitat because development would remove approximately 20 acres of area containing listed "rare" or "1B" species by the California Department of Fish and Wildlife and the California Native Plant Society. **There does not appear to be an alternative design or Project configuration that would avoid disturbance and removal of this habitat.***

This is in direct conflict with (the County's General Plan) - 'All development shall be designed and located in a manner which avoids any significant disruption or degradation of habitat values.'

b) During the early 2016 hearings it was discussed that during the EIR process, it was discovered that the area where Phillips 66 wants to build their rail terminal contains "unmapped ESHA" (an Environmentally Sensitive Habitat Area). The Planning Commission staff stated that, according to California Coastal Commission regulations, a project such as the rail terminal cannot be built on land containing sensitive species of plants and vegetation. The terminal would have to be moved elsewhere on the property.

The only caveat that would leave the site as is, is whether the project falls under "Coastal Dependent Use" (i.e., that for the project to succeed it must be near the ocean). Counsel Whitney McDonald replied that "finding the project to be coastal dependent would be difficult to prove."

2) Input From The California Coastal Commission: The staff of the California Coastal Commission, after studying the rail terminal project, concluded -- "*Based on the unavoidable adverse impacts to Environmentally Sensitive Habitat Areas and dune vegetation, as well as other Local Coastal Program policy inconsistencies, we strongly agree with and support your staff's recommendation that the project's coastal development permit application be denied.*"

**5. Claimed Overriding Consideration:
The Project Provides Air Quality Benefits**

a. Phillips 66's Statement: "The Project will provide marked air quality benefits to the surrounding community compared to existing conditions. Specifically, the Project will result in reduced localized health risks within the community."

b. The Reality:

1) Input From The Planning Commission's Staff:

a) The Planning Commission staff's Jan. 25, 2016 report on the project stated (**exact quotes below**):

Policy states the County will, "Ensure that land use decisions are equitable and protect all residents from the adverse health effects of air pollution." (But) the Project would bring locomotives to the site for unloading of heavy crude. The diesel exhaust from these locomotives, upwind of many residences, would cause a significant impact to the air quality for these residences.

The Nipomo Mesa is (already) in a level of severity II for Ozone, level III for PM2.5, and level III for PM10. The particulate matter includes hazardous materials in the air that gets into the lungs and causes a variety of health effects. The PM2.5 tends to be a greater health risk because the particles are smaller and can travel deeper into the lungs.

The South County Area Plan requires that "any expansion or modification of existing petroleum processing facilities shall meet San Luis Obispo County Air Pollution District (SLOCAPCD) standards."

The Project does not comply with this requirement as it exceeds the minimum threshold for cancer risk of 10 in a million. The proposed Project would result in a maximum exposed individual resident (MEIR) cancer risk of 26.5 in a million. This includes emission sources at the project site as well as the mainline emissions near the SMR. These significant air quality impacts would directly impact neighboring residences, employees, and populations in the vicinity of the Refinery.

Even with mitigation measures the Project would exceed the threshold of cancer-causing diesel particulate.

San Luis Obispo County is in non-attainment for ozone standards as well as the state particulate matter standards. The addition of these onsite PM10 emissions would further exacerbate the ability for the County to attain the state particulate matter standards.

The Project imposes health risks which would be inconsistent with the health and safety requirements of the General Plan with regard to air quality. This project would not ensure that all residents are protected from the adverse health effects of air pollution.

Therefore, the project is not compatible with neighboring residential or agricultural uses and would result in additional negative health impacts.

(continued)

(continued)

**5. Claimed Overriding Consideration:
The Project Provides Air Quality Benefits**

2) Findings Of The Final EIR:

a) The Final EIR pinpointed that air pollution at the refinery, based on the rail terminal project, would have Class I, significant and unavoidable impacts **(even with the three-train alternative)**:

- **Operational Criteria Pollutant Emissions:** *“Operational activities associated with the Rail Spur Project within SLO County -- i.e., on the project site Santa Maria Refinery -- and on the mainline within SLO County, would generate criteria pollutant emissions that exceed SLO County Air Pollution Control District thresholds*. **Would remain a Class I impact.**”*
- **GHG Greenhouse Gas Emissions:** *“Operational activities associated with the Rail Spur Project would generate GHG emissions that exceed SLO County Air Pollution Control District thresholds.* **Would remain a significant Class I impact.**”* (Note - the GHG emissions include those both at the refinery and along the mainline.)

*Page 5-71, Final EIR, 12/15

6. Claimed Overriding Consideration:

Rail Delivery Of Oil Is More Desirable Than Delivery By Truck

- a. **Phillips 66's Statement:** If the rail project is denied, then the oil would have to be delivered to the SMR by truck, and the trucking alternative is environmentally less desirable.
- b. **The Reality:** Phillips 66 is claiming they are running out of California crude to process and they must deliver the crude to the SMR by either rail or truck. But the underlying premise of the lack of California crude is false.

The overriding consideration of rail being a better alternative than trucks isn't a factor. There is sufficient California crude oil available for pipeline delivery to the SMR. Neither rail nor truck delivery is necessary for the SMR to prosper.

The reality is ...

- Phillips 66's own annual report stated that the corporation's new direction and strategy is "crude-by-rail" ... i.e., they are seeking to access cheaper crude oil, such as Canadian tar sands, and ship it to their refineries by rail. Therefore, the company has stated that crude-by-rail must become a way of life for the SMR. The rail terminal application is driven by a corporate-wide dictate, not local conditions in California regarding lack of local crude.
- The Planning Commission's staff confirmed that the only reason for Phillips 66 to request the rail project is so they can access lower-priced crude: "*The objective of the Project is to increase the Applicant's ability to access more economically priced crude from a wider diversity of suppliers. There are insufficient, overriding economic, legal, social, technological, or other benefits of the project that outweigh the significant effects on the environment."*
- Phillips 66 has produced no evidence indicating there is a lack of crude oil available to them in California and specifically here on the Central Coast where the SMR operates.
- Ample evidence has been introduced showing there are current and future supplies of crude oil in California to access via pipeline. Even the FEIR* states there is an abundance of local crude:
 - "*There is adequate crude supply for the Santa Maria Refinery even without the Rail Spur Project.*"
 - Local oil production in 2012 was over 67,000 barrels per day. That's 60% more than the refinery's maximum throughput.
 - There is another 23,000 barrels per day in possible production increases for projects already approved or under construction.
 - "*All of these sources of crude could be available to the SMR for processing. Whether or not Phillips 66 is willing to pay the needed price to obtain these crudes, is unknown.*"

* REIR issued 12/2015: Page ES-26 and Section 3.2 page 3-3; FEIR; 12/15; pages 53, 782, 165; Table 3.1

(continued)

(continued)

6. Claimed Overriding Consideration:

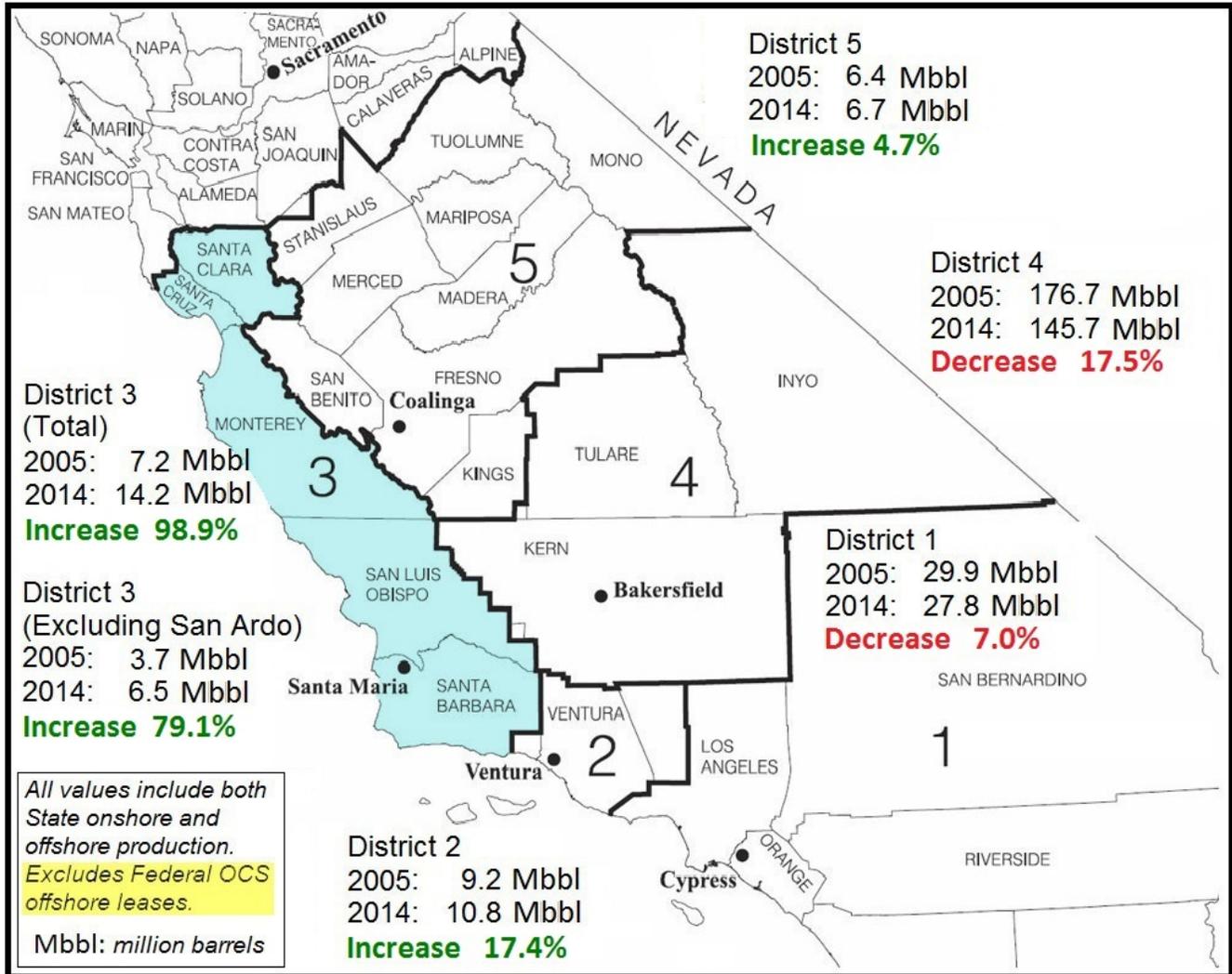
Rail Delivery Of Oil Is More Desirable Than Delivery By Truck

- An analysis of California state oil production from 2005 through 2014 shows that while there was a statewide decline of 10.5%, the production in the Central Coast region increased by 98.9% (**please see accompanying chart**).
- Phillips 66 has stated before the Planning Commission and in the media that they want the rail terminal for “optionality” ... i.e., to use rail whenever they can access cheaper crude oil and increase their profits. Rail is therefore a “want”, not a “need” for the SMR.
- Phillips 66 has repeatedly avoided saying they would close the SMR or that they would lay off workers if the rail terminal was not built, because that isn't the case. They've said that “such discussions have never been held¹” and “No-one said we'd shut down.²”
- The only true claim of diminished sources of crude oil are due to the Refugio oil spill and the temporary shutdown of certain pipelines. Once those pipelines are restored, the SMR would be back to full capacity. And, Phillips' request for crude-by-rail was made years before the Refugio oil spill ... that spill has nothing to do with their request for the rail terminal; it is only being used as another misleading excuse for crude-by-rail.

¹ Phillips 66 corporate spokesman Dennis Nuss.

² Phillips' Western Regional Manager for Government Affairs, Stephanie Williams.

CALIFORNIA STATE OIL PRODUCTION 10-YEAR HISTORY 2005 - 2014
OVERALL STATE PRODUCTION DECLINED 10.5%
HOWEVER, CENTRAL COAST REGION PRODUCTION INCREASED 98.9%



From: Annual and Preliminary Annual Reports 2005 through 2014 California Oil and Gas Production Statistics, Published by California Department of Conservation, Division of Oil, Gas, and Geothermal Resources