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EXECUTIVE OFFICER/APCO

February 1, 2016

Ryan Hostetter, Project Manager
SLO County Department of Planning and Building
976 Osos St., Room 300
San Luis Obispo, CA 93408

Subject: FEIR for Phillips 66 Company Rail Spur Extension and Crude Unloading Project

Dear Ms. Hostetter,

Bay Area Air Quality Management District (Air District) staff reviewed the Final Environmental Impact Report (FEIR) prepared by San Luis Obispo County (County) on the Phillips 66 Company (Applicant) Rail Spur Extension and Crude Unloading Project (Project).

The FEIR concludes that the Project will result in significant air quality and greenhouse gas (GHG) emission impacts in numerous air basins throughout the State including the Bay Area. Air District staff understands that the County Department of Planning and Building has made a recommendation to deny the approval of the Project, in part due to these significant impacts.

Air District staff is concerned about the significant air quality and GHG impacts of the Project, due to ongoing air quality concerns in many California air basins and the State's challenge in achieving long-term GHG emission reductions. Air District staff believes it is critical to reduce air pollutant and GHG emissions from the Project as aggressively as possible.

The County has identified Mitigation Measure AQ.3 (MM AQ.3) to lessen air quality impacts identified in each air basin. MM AQ.3 was amended in the FEIR and currently states:

Prior to issuance of the Notice to Proceed, the Applicant shall provide a mitigation, monitoring and reporting plan. The plan shall investigate methods for reducing the locomotive emissions through contracting arrangements that require the use of Tier 4 locomotives or equivalent emission levels. The plan shall indicate that, on an annual basis, if the mainline rail emissions of ROG+NOx with the above mitigations still exceed the applicable Air District thresholds, the Applicant shall secure emission reductions in ROG + NOx emissions or contribute to new or existing programs within each applicable Air District, similar to the emission reduction program utilized by the SLOCAPCD, to ensure that the main line rail ROG + NOx emissions do not exceed the Air District thresholds for the life of the project. The Applicant shall provide documentation from each Air District to the San Luis Obispo County Planning and Building Department that emissions

reductions have been secured for the life of the project prior to issuance of the Notice to Proceed.

Air District staff supports the revised MM AQ.3, and is prepared to assist the County, Applicant, San Luis Obispo County Air Pollution Control District and any other affected air districts with the implementation of MM AQ.3 by:

- Assisting in the tracking and documenting of locomotive emissions in all air basins.
- Identifying potential offsite mitigation projects that can be funded by the Applicant.
- Accepting funding from the Applicant and assisting with the administration of an off-site mitigation program to achieve emission reductions in the Bay Area.
- Providing documentation to the County and the Applicant that emission reductions have been secured for the Project per MM AQ.3 requirements.
- Assisting in the development of the mitigation, monitoring and reporting plan.

In addition, operational activities associated with the Project would generate GHG emissions that exceed SLOCAPCD thresholds. Air District staff strongly supports the County's implementation of MM AQ.6 which requires the Applicant to provide a GHG mitigation, monitoring and reporting plan and provide GHG emission reduction credits for all of the project GHG emissions that exceed the thresholds.

Air District staff is available to assist the County in addressing these comments and implementing MM AQ.3. If you have any questions, please contact Jennifer Langfield, Senior Planner, at (415) 749-8619 or jlangfield@baaqmd.gov.

Sincerely,

Jean Roggenkamp
Deputy Executive Officer

cc: BAAQMD Board Members
Don Campbell, SLO County Planning Commission Chair
Air Pollution Control Officers in all affected Air Districts