



County of Santa Barbara Planning and Development

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Murry Wilson
County of San Luis Obispo Department of Planning and Building
976 Osos Street, Room 200
San Luis Obispo, CA 93408

Re: Comments on the Proposed Phillips 66 Company Rail Spur Project Recirculated Draft Environmental Impact Report

Mr. Wilson,

Thank you for the opportunity to comment on the Revised Draft EIR for the proposed Phillips 66 Company Rail Spur Project. The primary purpose that the EIR was recirculated was to expand the discussion of the mainline rail impacts beyond the borders of San Luis Obispo County, which has been adequately done. However, the EIR fails to identify any pipeline alternatives to rail transportation which, if feasible, could reduce or even eliminate some of the most significant public safety and environmental impacts. The comments presented herein provide additional information and suggested EIR changes to address this deficiency. Our comments are focused on the Project Objectives, the Project Description and Project Alternatives.

2.1 SMR Rail Project Purposes and Objectives

A project objective that limits transportation by rail alone sets an unreasonable and restrictive limit of the Lead Agency's ability to develop project alternatives that may identify safer and less environmentally damaging forms of crude oil transportation, like pipelines. The primary objective of the proposed project should be more appropriately stated as allowing the refinery to obtain a range of competitively priced crude oil from North American sources via existing and possible upgraded transportation systems. If so stated, the potential list of project alternatives could be effectively expanded beyond the limited list identified in EIR Section 5.0, including pipeline alternatives.

2.7 Rail Spur Project Effect on Refinery Throughput

The Santa Maria refinery has a single feed stock pipeline which serves local producers. The rail project is proposed by Phillip 66 to give them access to a broader market of crude oil, or "Advantaged Crudes", so that they can remain competitive. The EIR further notes that Advantaged Crude production areas often have limited pipeline service, causing transportation challenges to refinery destinations. These reported pipeline system limitations are driving the rail

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SBC-02

transportation proposal, but the question remains why new pipeline capacity is not proposed, or even considered as an alternative given that pipeline transportation is a more environmentally protective and safe means to transport crude oil.

SBC-02
(cont.)

This section also describes, accurately, that more imported crude to the refinery could displace local production feed-stocks. This would likely result in those displaced volumes being transported to other areas for refining. The County believes this is a reasonably foreseeable result of the proposed project and should be analyzed in the EIR. The current combined onshore and offshore production volume of approximately 61,000 barrels per day could be displaced. Although much of this oil is already transported by trucks to local pump stations for transportation to the Santa Maria refinery, displacing it entirely would require that it be transported to other refinery destinations, likely in the Los Angeles and Bay areas, and in trucks for most or all of that distance due to the lack of pipeline capacity. This would undoubtedly result in air quality and traffic impacts greater than current levels. As the trend in Santa Barbara County for the last decade has been an increase in onshore production, the impacts caused by such a displacement of local production could be significant.

SBC-03

5.0 Project Alternatives

Santa Barbara County has long been at the forefront of developing and enforcing policies and rules that regulate the transportation of hazardous liquids. The County strictly enforces the transportation of Natural Gas Liquids (NGLs), requiring maximum blending of the liquids in crude streams, then only by truck on designated haul routes and by certified carriers. Natural gas and oil transportation is similarly regulated, involving careful risk-based design review and permitting of the pipelines and associated processing facilities. Because the proposed project involves the transportation of crude oil with its associated risks, and because the transportation path cuts directly through Santa Barbara County, it's imperative that the EIR consider a pipeline alternative(s) consistent with our strict pipeline transportation policies and rules.

SBC-04

As is apparent in reviewing the Alternatives Analysis, there are many complications associated with the acquisition of crude oil stock for refining. Because the crude oil is identified as coming from numerous North American locations, the transportation infrastructure will vary and is difficult to precisely identify at this time. The County also understands that pipeline networks are operated by numerous entities, transport multiple feed stocks, are sometimes contractually dedicated and have other legal and technical constraints limiting their use or modification. However, the EIR fails to include a discussion of pipeline transportation alternative(s) even in the screening study, giving the reader no opportunity whatsoever to comment on or even understand why such options are not considered.

The rail transportation of crude presents numerous potential and known risks to the environment, all dangerous and some potentially catastrophic or fatal. Impacts to our local environment including creeks and streams, groundwater and the ocean would be significant in the event of a train accident, and the health and welfare of our residents would be negatively affected by the fugitive emissions from the rail cars. Because the project is anticipated to lengthen the operational life of the Santa Maria refinery for 20 to 30 years or more, the associated impacts of rail transportation would continue for that duration, with little or no opportunity for the County

SBC-05

to mitigate project impacts in our jurisdiction once approved. In fact, as the County grows and changes over time, a long-term and dangerous rail transportation project cutting directly through our jurisdiction would present difficult planning challenges.

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(cont.)

The County asks that the EIR include a robust discussion of pipeline transportation alternatives, identifying to the extent feasible potential pipeline system upgrades and of primary importance how pipeline transportation in the general vicinity could be augmented or constructed anew to avoid the rail transportation of crude in our County altogether. If you have any further questions or comments regarding this letter, please contact Kevin Drude at (805) 568-2519.

SBC-06

Sincerely,

A handwritten signature in black ink, appearing to read "Glenn Russell". The signature is fluid and cursive, with a large initial "G" and "R".

Glenn Russell, Ph.D., Director

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SBC-01	<p>While one of the project objectives is to obtain a range of competitively priced crude oil from North American sources that are served by rail, another is to avoid and minimize environmental and community impacts, and mitigate any unavoidable impacts to the maximum extent feasible. This has allowed the County to evaluate a wide range of transportation alternatives. Chapter 5.0, Alternatives Analysis looks at a number of transportation alternatives for delivering crude oil including trucking, marine tankers, as well as pipelines.</p>
SBC-02	<p>A discussion of pipeline alternatives has been added to Chapter 5.0, Alternatives Analysis. Also see Response to SBC-06.</p>
SBC-03	<p>Not all of the 61,000 barrels per day of onshore and offshore oil production from Santa Barbara County is processed at the SMR. As discussed in the Project Description (Chapter 2.0) the majority of the crude that is processed at the SMR comes from the OCS platforms offshore Santa Barbara County, with The Exxon Santa Ynez Unit providing the largest share. All of the Point Pedernales crude is processed at the SMR. The SMR also processes oil from local producers in the Santa Maria area, most of which is trucked to the Santa Maria Pump Station (SMPS) and then moved via pipeline to the SMR. Oil from the Price Canyon Oil Field in Southern San Luis Obispo County is also trucked to the SMPS for delivery via pipeline to the SMR. A breakdown of the major sources of crude currently being run at the SMR the Outer Continental Shelf (60-85%), Price Canyon/Santa Maria Valley/San Joaquin Valley (5-20%), San Ardo (5-10%) and Canada (2-7%).</p> <p>The Rail Spur Project would be able to deliver an average of 37,142 barrels per day. With the approval of the Throughput Increase Project, the SMR would have a capacity of 48,000 barrels per day. This would leave a capacity of 10,858 barrels per day for other local crudes. If the Rail Spur Project is approved, it is likely that OCS crude moving through the All American Pipeline to the Sisquoc Pipeline would be displaced. This OCS oil would continue to move via the All American Pipeline system to other refinery destinations in Los Angeles. However, it is possible that other local crude oils could be displaced and would have to find other refinery destinations.</p> <p>As discussed in the Project Description (Chapter 2.0), in the short-term, depending upon the volume of crude oil received by rail, some of the oil delivered via pipeline or via truck to the Santa Maria Pump Station could be displaced. Any displaced crude oil would likely be sold to other refineries in the Los Angeles or Bay areas. The amount, location, and destination of any displaced oil would be driven by market forces. Given the dynamics of the crude oil market, it is speculative as to what if any local crude oil would be displaced, and what would happen to any oil if it were displaced. However, if local crude oil was displaced producers may have to transport their crude oil via truck to markets other than the SMR. This would increase air emissions associated with trucking the crude oil a farther distance or trucking as opposed to pipeline transportation, which could result in cumulative air quality and</p>

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	<p>safety impacts.</p> <p>Another option would be for the Phillips 66 Sisquoc Pipeline, which connects the All American pipeline to the Santa Maria Pump Station (SMPS) to be reversed, allowing local producers to ship their crude oil via pipeline to Los Angeles via pipeline. Such reversal of the pipeline flow direction would allow production from area producers to be transported to refinery destinations via pipeline instead of by truck if the SMR is not available. This pipeline reversal project was approved by Santa Barbara County in 2002 and a permit, but the permit subsequently expired and the pipeline was never reversed.</p> <p>There are also a number of oil development projects in various stages of development and permitting in Northern Santa Barbara County that have proposed to transport the crude oil production to the SMR. The cumulative analysis has been expanded to discuss these cumulative projects (see Table 3.1 in Chapter 3.0, Cumulative Project Description). The cumulative impact discussions in Chapter 4.0, Environmental Analysis, have been expanded to discuss the potential cumulative impacts associated with the potential for displacing local crudes from the SMR.</p>
<p>SBC-04</p>	<p>A discussion of pipeline alternatives has been added to Chapter 5.0, Alternatives Analysis. Also see Response to SBC-06.</p>
<p>SBC-05</p>	<p>The RDEIR has identified significant and unavoidable (Class I) impacts in Santa Barbara County related to air and GHG emissions, and well as spill impacts to public safety, biological, water, agricultural, and cultural resources.</p> <p>It is speculative as to whether the Rail Spur Project would extend the life of the SMR. In the short-term there are a number of local oil development projects that could provide crude supplies to the SMR. For example, the Arroyo Grande Oil Field (AGOF) in San Luis Obispo has applied to the County to increase production to 10,000 barrels per day. If this project is approved it would increase the production from the AGOF by about 8,000 barrels, which would all go to the SMR. There are a number of other oil development projects currently proposed in northern Santa Barbara County that could add an additional 23,000 barrels per day of oil production that could be transported to the SMR. These include projects such as Santa Maria Energy, which could move 3,000 barrels per day via pipeline to the SMR, Pacific Coast Energy, which could move 3,600 barrels per day to the SMR via pipeline, ERG Cat Canyon, which could move 5,000 barrels per day via pipeline to the SMR, the PetroRock development, which could move 1,600 barrels per day, and the Aera Energy Cat Canyon Project that could add 10,000 barrels per day. A listing from Santa Barbra County shows a total of 943 oil production wells in various phases of development, all of which could provide oil to the SMR. While some of these projects state that the oil will move to the SMR, some do not. For example the Aera Energy Project will truck oil to various customers.</p>

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	<p>A May 2014 report by the United States Energy Information Administration (EIA) estimated that as much as 13.7 billion barrels of oil may be recoverable from the Monterey Shale, of which some of this shale formation is in northern Santa Barbara County and Southern San Luis Obispo County. While it is unknown, when and if any of these reserves would be developed (and in what quantity), they could in, the future, provide local crude supply to the SMR.</p> <p>It is also possible in the future that the portions of the All American Pipeline between the Sisquoc Pump Station and Kern County could be reversed to allow crude oil to move to the Sisquoc pipeline. This portion of the All American Pipeline that connects to the Sisquoc Pipeline is current used to move only OCS crude from Southern Santa Barbara County to the Kern County and then on to refinery destination in the Bay Area and Los Angeles. When OCS production reaches a level where it does not make economic sense to operate this portion of the All American Pipeline, it could be reversed to move crude oil from the Kern County to the SMR. This would provide the SMR with access to other sources of crude. If and when this would happen is unknown and speculative, but it is a potential future option for obtaining crude for the SMR.</p> <p>The point of this discussion is to show that there are potential options in the future for the SMR to obtain crude oil without the rail project, however, they are unknown, and as with all crude supply issues, would be determined based upon market forces, including the future price of crude oil. This point can be illustrated by the past history of the crude supply at the SMR. In the 1970's the SMR did not receive any crude from offshore Santa Barbara County since none of this crude had been developed. With the development of the offshore crude, pipelines were built that allowed the SMR to receive this crude source. Now offshore crude from Santa Barbara is a major source of crude for the SMR. As this source of crude declines, it is likely that other sources of crude will become available to the SMR as discussed above. This would occur with or without the Rail Spur Project. What future crude is processed at the SMR will depend upon economic and market factors.</p> <p>Therefore, 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.</p>
SBC-06	<p>A discussion of pipeline alternatives has been added to Chapter 5.0, Alternatives Analysis. Two pipeline alternatives were addressed. One would be a cross country pipeline the other was a pipeline to Kern County. Both of these were found to be potentially infeasible due to environmental and/or technical factors. With regard to a cross country pipeline, permits would be needed from a large number of Federal, State and local jurisdictions, and Phillips 66 does not own the land that would be needed along a pipeline route. The Keystone XL Pipeline project is an example of the difficulties that a long-distance pipeline project alternative would face.</p>

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	<p>With regard to the pipeline from the Sisquoc Pump Station to Kern County. This alternative would have to connect with one of the proposed rail unloading facilities such as the Alon Terminal or the All American Terminal. Oil could then be unloaded via rail and then moved via pipeline to the SMR. This alternative would just move most of the rail impacts to the San Joaquin Valley. Also, Phillips 66 does not own the land along the pipeline right-of-way and permits would be needed from various Federal, State, and local agencies, which are outside of the control of the County of Santa Barbara.</p> <p>The law does not require in-depth review of alternatives which cannot be realistically considered and successfully accomplished; the County could properly find that an alternative located outside of its decision making authority was not a feasible project alternative (<i>Citizens of Goleta Valley v. Bd. of Supervisors</i> (1990) 52 Cal.3d 553, 566, 575).</p>
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