

From: [Andrew Gamble](#)
To: [Ashley Ubil](#)
Subject: Petrogas Letter to Planning Commissioners Dec 11, 2019
Date: Wednesday, December 11, 2019 12:44:39 PM
Attachments: [Letter to Planning Commission \(Dec 11 2019\).pdf](#)

Hi Ashley,

Please find attached my letter to the commissioners for their consideration in tomorrow's December 12, 2019 work session. I plan to attend tomorrow and address the commissioners on it, see you tomorrow.

Kindest Regards,

Andrew Gamble

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Whatcom County Planning Commission
5280 Northwest Drive
Bellingham, WA 98226

RE: Cherry Point Amendments – Change of Use

Honorable Planning Commissioners,

On behalf of Petrogas, I want to commend and thank you for your thorough review of the proposed amendments to the Whatcom County Comprehensive Plan and County Code. This is a critical process with long-term impacts and we appreciate the chance to engage with you on each portion. A lot of progress has been made, and we look forward to working with you on the additional work that needs to be done.

At times in this process, various misconceptions have arisen about our business and operations in Whatcom County. The most recent is a letter to the Planning Commission by RE Sources for Sustainable Communities (the “RE Sources Letter”), which fundamentally misstates the history, current use, and potential use of the Petrogas terminal and wharf. Our intent in this letter is to ensure that you have accurate information for your consideration of the proposed amendments.

Historic Use

Our terminal in Ferndale was first constructed in 1975 by the California Liquid Gas Corporation. The terminal is used for the storage and distribution for bulk shipments of liquid petroleum gases in the form of propane, butane, and iso-butane (collectively “LPGs”). The terminal has always been linked to the wharf adjacent to Intalco’s smelter, with the terminal owner having access to the wharf for both the export and import of LPGs alongside the smelter’s import of aluminum ore feedstock. Contrary to the RE Sources Letter, export of LPGs has been a long-standing practice allowed by Whatcom County. The first export of LPGs through the terminal and loaded onto ships from the wharf occurred in the early 1980s to South America. Exports increased in the late 1980s, as Texaco utilized the terminal and wharf to export surplus butane to Ecuador to support the Pacific Northwest’s butane market. LPGs have been exported from the wharf every year since 1989.

Following Petrogas’ purchase of the terminal in 2014, Intalco and Petrogas continued to share use of the wharf in the same manner as it had been used over the past thirty years--for both the import and export of LPGs and import of aluminum ore feedstock. In 2015, Intalco announced the proposed closure of the smelter and shortly thereafter in 2016, Petrogas’ affiliate, Petrogas Pacific LLC (“Petrogas Pacific”), purchased the wharf from Intalco so that Petrogas could maintain and operate the wharf, with its shared use by Intalco and Petrogas remaining unchanged.



Current Use

The suggestion in the RE Sources Letter that Petrogas' purchase of the wharf resulted in a substantial change of use, is entirely false and without merit. Since 2003, Petrogas Pacific's and Intalco's use of the wharf has been governed by the Washington Department of Natural Resources Aquatic Lands Lease No. 20-A08488 (the "Aquatic Lands Lease") and continues to be governed by the Aquatic Lands Lease until 2033. The Aquatic Lands Lease specifically limits the wharf usage to the loading and offloading of aluminum ore and LPGs only and, *unlike adjacent leases*, limits the annual number of ships that can be brought to the wharf to 48 ships. While there has been an increase in the volume of LPG exports since 2014, which have been driven by national and international market conditions that are in constant flux, there has not been, and cannot be, any increase in the number of ships allowed to utilize the wharf. Petrogas and Intalco have been, and shall always be, limited to 48 ships per year by the Aquatic Lands Lease.

Petrogas has spent over \$40 million since 2014 to repair and maintain various aspects of the terminal and Petrogas Pacific has spent approximately \$10 million for repair and maintenance of the wharf since 2016. All such work has been normal maintenance and repair of existing structures and has been permitted and approved by Whatcom County, the Department of Natural Resources, the US Army Corps of Engineers and the Washington Department of Fish and Wildlife. Contrary to the false statements in the RE Sources Letter, the repair and maintenance conducted on the wharf did not change the underlying use and is specifically exempt from a required shoreline permit pursuant to WAC 173-27-040.

Future Use

Because we have operations in Alberta Canada, there have been concerns voiced in the community regarding the possibility of Petrogas changing the use of the terminal and wharf to throughput and export crude oil, rather than LPGs. The RE Sources Letter raises the spectre of this as a potential scenario necessitating certain changes to the Change of Use provisions in proposed WCC 20.74.110. As you conduct your review, please understand that such a scenario is a complete fabrication. Not only is it impossible to conduct such a change on a piecemeal basis, it is unfeasible economically, legally and practically for the following reasons:

- Pursuant to the terms of the Aquatic Lands Lease, Petrogas is prohibited from loading/unloading any other product than LPGs from the wharf.
- Petrogas' two above-ground storage tanks at the terminal are unsuitable for storing crude and would need to be replaced with much more complex storage tanks with floating roofs.
- In addition to the two tanks, none of the current infrastructure at our terminal could support the throughput and export of crude. The rail rack, offloading capacity, piping, pumps and compressors would all need to be replaced.
- All of the loading infrastructure at the wharf would need to be replaced



Any such conversion would cost hundreds of millions of dollars and would represent a fundamental change in the business purpose for which Petrogas acquired and has operated the terminal and wharf.

Petrogas also recognizes that proceeding with such changes to our facility would require a Substantial Development Permit from Whatcom County; approval from the Department of Natural Resources to consent to the change of use for the wharf; an Environmental Impact Assessment under the State Environment Policy Act; a Joint Aquatic Resource Permit Application; and approval from both the US Army Corps of Engineers and the Washington Department of Fish and Wildlife. In the extremely unlikely event that Petrogas ever would contemplate converting the terminal and wharf, the existing codes, regulations and practice are more than sufficient to regulate a change of use. Suggestions to the contrary in the RE Sources Letter are misguided.

Petrogas' business at the terminal and wharf is LPGs, not the export of crude oil. LPGs offer many solutions to our society's demand for reducing worldwide GHG emissions. Our LPGs are currently consumed locally in the Pacific Northwest, as well as shipped internationally to Korea and Japan. Helping the world, and specifically Asia, switch to LPG can immediately reduce GHG emissions as it can be easily delivered to developing regions which may not have existing natural gas or electricity distribution infrastructures, offering an immediate, cost-effective, and low-carbon energy solution that displaces current fuels such as coal, bunker fuel and wood.

We hope the information in this letter puts to rest the misleading and incorrect information in the RE Sources Letter and that you will reject the proposed revisions to WCC 20.74.110.

If you have any further questions or concerns regarding our operations as you conduct your review, please do not hesitate to reach out and we will be happy to engage with you on such matters.

Sincerely,

Andrew Gamble
Petrogas Pacific