



November 7, 2018

VIA EMAIL

Mr. Rud Browne
Council Chair
Whatcom County Council
311 Grand Avenue, Suite #105
Bellingham, WA 98225

Re: Response to September 27, 2018 Letter

Dear Council Chair Browne:

Petrogas West, LLC ("Petrogas") writes to you today to address with you and the Whatcom County Council the issue of public safety and hazardous materials in response to your September 27, 2018 letter and enclosed questions.

Petrogas has owned and safely operated the storage and distribution Terminal for bulk shipments of propane, butane and iso-butane (collectively "LPGs") at Ferndale since May 2014. Chevron and its predecessors constructed and safely operated the Terminal for approximately 50 years before Petrogas acquired it. LPGs arrive at the Terminal through a dedicated pipeline between the BP Cherry Point refinery, as well as via other pipelines, rail, and truck.

Petrogas is a proud employer in Whatcom County currently operating the Terminal with 30 full-time employees and upwards of 50 contractors. Since acquiring the facility, Petrogas has spent more than \$40 million on initiatives to maintain and upgrade the Terminal making it an ever more safe and reliable facility. Those investments are reflective of the commitment by Petrogas to ensuring that the Terminal remains a safe and attractive workplace and a beneficial asset for the community.

Storage/Operations Questions

In response to Storage/Operations Questions 1-4 in your letter, the Terminal consists of two above-ground storage tanks, an LPG loading facility on the wharf, and associated rail, tank car, and truck facilities for unloading and loading LPGs.

Petrogas receives, stores, and ships only LPGs; it does not and cannot handle unrefined crude oil and it has no plans to do so at any time in the foreseeable future.

A Petrogas affiliate, Petrogas Pacific LLC, owns the wharf and pier adjacent to the Terminal and leases the tidelands from the Washington Department of Natural Resources (DNR) under an Aquatic Lands Lease, No. 20-A08488. The Lease term runs until January 2033. In response to Question 5, Petrogas (and Intalco) are limited by the Lease to 48 vessel dockings per year from the wharf.

In response to Storage/Operations Question 6 regarding infrastructure limitations, the aforementioned Aquatic Lands Lease provides a limit on the number of vessel dockings.

Finally, regarding Storage/Operations Question 7, Petrogas takes care to responsibly assess the impacts of its business activities on the local community transportation systems and public safety with regard to any of its business activities. It is also mindful of its obligations under various planning statutes and ordinances, including SEPA. Most importantly, however, it is a matter of good business practice and being a good corporate citizen in the community that addressing transportation and public safety impacts are a priority for all aspects of the Petrogas business. Petrogas takes pride in its safety record and plans to continue to give priority to being a good corporate citizen having a trusting relationship within the Ferndale community.

Insurance Questions

1. State & Federal Insurance. Petrogas is not aware of any specific requirements, by either the U.S. Environmental Protection Agency, the Washington Department of Ecology, or any other federal or state agency for minimum limits of insurance coverage for catastrophic incidents on company property. Under the terms of the Aquatic Lands Lease with DNR, Petrogas and/or its affiliate are required to have general liability insurance coverage that meets certain limits set by DNR. Petrogas of course complies with that requirement.

2. Industrial Property Insurance. Additionally, Petrogas maintains insurance coverage for spills, explosions, and other incidents on the company's property. The coverage is for an unexpected event, such as a discharge, dispersal, release, or escape of any solid, liquid, gaseous or thermal irritant, contaminant, or pollutant, arising out of the company's operations that gives rise to property damage and bodily injury to third parties.

3. Product Ownership During Transport. Petrogas as the owner of the Terminal, provides services to its various customers who ship product to the Terminal for storage and for sale, including export sales. Information concerning the identities of its customers is confidential commercial information and therefore cannot be disclosed in this letter.

4. Responsibility During Transport. Petrogas takes possession of LPGs arriving at its Terminal at the inlet flange to its facilities. It takes responsibility for risk and safety of the LPG's at that point.

5. Insurance During Transport. Such insurance coverage is obtained by the various parties transporting products as well as by transporters such as BNSF, trucking firms, etc.

6. Amount & Adequacy of Coverage. Petrogas establishes the amounts and adequacy of coverage based on periodic assessments of risk control with its insurers. These assessments review matters such as disaster prevention and protection, process safety management, and natural hazards at the Terminal. Petrogas stays informed about the experiences of others in its industry and evaluates its coverages accordingly under the guidance of professional insurance and risk specialists.

Because Petrogas is committed to being a part of the Ferndale community for many decades to come, it strives to maintain a facility that is safe for its employees, contractors, vendors, and for the community at large.

Sincerely yours,

PER:



Petrogas West, LLC