



PUGET SOUND ENERGY

The Energy To Do Great Things

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PUBLIC WORKS ADMINISTRATION

August 7, 2014

RE: Tacoma LNG Project
SEPA Lead Agency and Threshold Determination

Dear Director Huffman,

I write on behalf of Puget Sound Energy ("PSE") regarding the company's intent to develop a natural gas liquefaction and storage facility in the City of Tacoma to meet its customers' gas demands and to provide a cleaner-burning fuel that meets or exceeds applicable regional, state and federal air standards. The Tacoma LNG Facility is proposed for a 33-acre site on the Blair-Hylebos Peninsula in the Port of Tacoma, an area that has been designated for redevelopment following the Port's preparation of a Final Environmental Impact Statement in 2009 ("2009 FEIS"). The facility would chill approximately 250,000 gallons of natural gas into liquefied natural gas ("LNG") daily for use as a reduced-emissions fuel for marine vessels and land-based vehicles, as well as for utility peak shaving during periods of high demand. The natural gas would be supplied from PSE's existing natural gas pipeline distribution system. A single 8 million gallon, non-pressurized LNG storage tank, inclusive of full-containment inner and outer tanks with interstitial insulation, would be located on the site. The Tacoma LNG Project would be built to the nation's highest and most current safety standards for this type of facility.

PSE is currently preparing permit submittals, which leads to the need to identify a lead agency to conduct environmental review under the State Environmental Policy Act, Ch. 43.21C RCW ("SEPA"). EFSEC has formally determined by letter dated April 23, 2014 (copy attached) that it lacks siting jurisdiction over the facility, meaning it will not serve as the SEPA lead agency. Given that the Tacoma LNG storage tank capacity would exceed 1,000,000 gallons, the Washington Department of Ecology ("Ecology") would be the presumptive SEPA lead agency under WAC 197-11-938(9). Ecology is already engaged with a heavy load of projects for which it serves as the SEPA lead agency. WAC 197-11-942 provides that any agency can assume lead agency status if all agencies with jurisdiction agree. Ecology has initiated the process of notifying other agencies of its intent to decline to act as SEPA lead agency in favor of Tacoma. Based on discussions with Ecology and Tacoma, including its Planning and Development Services Department, PSE is requesting that the City assume the role of SEPA lead agency and that it undertake environmental review of Tacoma LNG Project as set forth herein.

PSE will stipulate to the issuance of a Determination of Significance as the SEPA Threshold Determination in order to initiate SEPA scoping for an Environmental Impact Statement ("EIS") for the Tacoma LNG Project. The City will issue a Request for Qualifications ("RFQ") the week of August 17, 2014 to environmental consulting firms for preparation of the draft and final EIS. The City will seek the input of PSE prior to selection of its third-party EIS consultant to offer the utility's insights regarding the process, utility, design and engineering expertise presented by RFQ respondents is accurate. However, the City retains the sole discretion to retain and direct the qualified third-party EIS consultant of its choice. To accomplish the environmental review work, PSE will enter into an agreement with the City for reimbursement of its staff time and the third-party EIS consultant's cost and fees which, but for the Tacoma LNG proposal, would not have been incurred by the City.

Consistent with Ch. 13.12 TMC, the SEPA responsible official will use a month-long scoping process, beginning the week of September 8, 2014, to narrow the scope of the EIS. The City will issue a Scoping Notice to solicit public input on areas of impact to the built and natural environment that should be the focus of the Tacoma LNG EIS.

Project safety is an area of primary interest for all Tacoma LNG stakeholders including the public, affected agencies, and PSE customers. Therefore, the Scoping Notice will indicate that Environmental Health and Safety ("EH&S") will be an area of emphasis in the EIS. An integral part of the EH&S review will be assessment of Emergency Response/Intelligent Transportation Systems ("ER/ITS") resources and constraints in the area of the facility within the Tacoma tideflats. PSE will participate with the City of Tacoma, Port of Tacoma and others to fund and ensure that the City's proposed ER/ITS study is completed in 2014.

The Scoping Notice will also advise of the City's intent to incorporate by reference the 2009 FEIS in order to capitalize on foundational data and analysis done for redevelopment of the lands on the Blair-Hylebos Peninsula. The 2009 FEIS was a programmatic-level document. The Tacoma LNG EIS will address impacts at the project level and for the site selected, including analysis to amplify, supplement or correct the 2009 FEIS where necessary.

In addition to issuing the Scoping Notice, the City will conduct a duly noticed public meeting at the Port's Fabulich Center the week of September 22, 2014, at which scoping comments may be offered both in writing and orally. Oral scoping comments will be transcribed and entered by the City into the project planning record as additional scoping comments.

The City will use the scoping comments to define the topics to be examined closely in the project EIS. The City's EIS consultant shall prepare a draft EIS for issuance in March, 2015. Following a 30-day comment period, the City's EIS consultant shall prepare a final EIS for issuance by the City in June of 2015.

It is anticipated that federal environmental review under NEPA will also be undertaken by the appropriate agency in order to support issuance of federal permits necessary for Tacoma LNG. To the fullest extent practicable, the City's EIS shall be prepared mindful of the potential that it may be used, in part or in whole, to meet NEPA documentation requirements. Both the City and

PSE will work collaboratively with federal agencies to maximize resources and minimize duplication of environmental review efforts.

I have endeavored to capture both the letter and intent of our discussions to date regarding the City of Tacoma's role as SEPA lead agency for the Tacoma LNG Facility. If you have any questions about the foregoing, please contact me at your convenience. If this letter meets with your understanding of PSE's discussions with the City of Tacoma, I ask that you counter-sign it below to memorialize your concurrence, at which point this letter will formally constitute PSE's stipulation to a DS and preparation of the EIS as set forth above. PSE looks forward to working collaboratively with the City in order to bring a new, clean, industry to Tacoma that will create new jobs, enhance the City's revenues and contribute to a cleaner environment for all.

Best regards,

Puget Sound Energy

Larry Tornberg
By: LARRY TORNBURG
Its: SR SITING PROJECT MANAGER

Agreed as presented;
Approved as to content:

City of Tacoma

By: _____
Its: _____