

## **Puget Sound Energy (PSE) Tacoma Liquefied Natural Gas (LNG) Facility**

### **Background on the Project, via Tarika Powell**

The Tacoma LNG project has goals to provide liquefied natural gas (LNG) as marine fuel, LNG for heavy haul trucking, and natural gas for utility customers during peak demand days. Ninety-four percent of the project will be dedicated to transportation fueling, with only 6 percent dedicated to providing LNG to utility customers. Unfortunately the project was presented to the public as a peak-shaving terminal, and it wasn't until the (problematic) FEIS was released that members of the public became aware of the size and expansive scope of the project. I published two articles on the project: [one indicating flaws in the EIS](#), and another talking about the [hazards of the project's location](#). The proposal goes against numerous safety recommendations and is not safely sited at the port due to the bunkering activities, the proximity of other businesses and residents, the distance from emergency services, and the difficulty evacuating the area in the event of a hazard.

The project came into existence because Tacoma-based container shipping company Totem Ocean Trailer Express's (TOTE) decided to convert to its container ships to LNG. TOTE is trying to meet stricter maritime air quality standards that are rolling into effect. They put out a request for proposals to LNG providers, and chose Puget Sound Energy (PSE). PSE does not currently have any LNG production facilities; they buy their LNG from other companies. This pairing gave them an opportunity to build a facility at which to make their own LNG for utility customers.

To win the TOTE contract, they essentially offered them the LNG at wholesale prices. They do not make a profit from the TOTE contract. So they must sell marine and trucking LNG to other customers to make a profit. This required a gross expansion of the project that involved two marine piers, multiple road shipments of LNG per day, and etc. The business plan looked promising when the contract first came through. Many marine and road transportation customers were looking to convert to LNG because the price of gas was very high, and emissions regulations were tightening. PSE hoped to become the Northwest's hub of LNG-for- transportation. However, in the years since the contract was signed, the price of gas has fallen dramatically and so has the interest in converting to LNG. PSE lacks a buyer for 26% of the product.

### **Regulatory Issues**

Tacoma LNG would be only the second marine bunkering station in the US that provides LNG as fuel. The only other facility opened in Alabama in 2015. This presents unique regulatory issues.

1. The Coast Guard is still working out its regulations. It is currently working with each project on a case-by-case basis, piecemealing regulations that apply to bulk LNG loading terminals, and creating project-specific rules to cover areas where other LNG regulations do not apply.

2. Permitting agencies that may be familiar with LNG export facilities will be a bit lost in the bunkering area because the same regulations do not necessarily apply. Agencies that have never handled an LNG project, such as the City of Tacoma, can make very serious mistakes in analysis. For example, I found that the FEIS had the following deficiencies, among others:

- Marine traffic impacts are underestimated. The document only analyzes marine traffic from TOTE when the proposal included bunkering an unlimited number of ships belonging to

other customers. No estimates were made as to the volume of marine traffic that other customers would generate. The document merely states that the waterway has room for plenty more ships.

- The document did not indicate where barge-to-ship bunkering would take place. Bunkering barges were to be filled on the Hylebos pier and meet ships elsewhere – presumably in Commencement Bay, but this was not clarified nor was safety/environmental impact at this other location noted to have been analyzed.
- I believe road traffic volumes were also grossly underestimated at two per day. The document does not state what those road trips are for, so it's hard to say for sure, but I believe they only counted trips to their Gig Harbor facility and trips for filling LNG tanks at gas stations. I believe they completely exclude road traffic related to truck-to-ship bunkering. For example, at the time these figures were prepared, PSE was hoping to win a contract from WA ferries for their LNG ferry conversion. Based on the volume of the ferry fuel tanks, the ferries alone would require 11-31 truck trips per week for fueling (depending on the capacity of the truck).
- The impacts of the open flare on migratory bird populations were not adequately analyzed. There have been mass bird deaths caused by flares, including at a Canadian LNG facility in 2013 where 7,500 birds died.
- I found the project description very misleading, but I do not think there has been much success in challenging that aspect of the SEPA analysis.

3. If the project backer is a utility company, that presents unique issues for the utility regulator. For example, PSE is asking for a waiver of the ring-fencing provisions put in place to protect Washington utility customers. They argue that the project cannot make a profit with these provisions in place.

### Previous Challenges to Project

4. Puyallup Tribe - The planned facility location includes contaminated sites and the tribe's concern was about disturbing those contaminated areas, which contain pollution from Occidental Chemical as well as crude oil storage. There is soil as well as groundwater contamination. The Puyallup [challenged the City-issued demolition permits](#) in Pierce County Superior Court in December. The tribe also appealed to the Shoreline Hearings Board over the shoreline development permit. I am not sure about the legal relationship of the challenges. News reports state that the Pierce County challenge claimed the EIS contained errors, but I don't know if it was a direct challenge to the FEIS. In terms of the Shoreline Hearings Board appeal, the Board rejected the tribe's appeal, but there was a major concession from PSE that let them survive the challenge. PSE reached a contractual agreement with the Tribe during the shoreline development appeal in which PSE agreed to not do any work any on the Hylebos. This substantially changes the project because they now have no dock to bunker most of the ship traffic. They only have a dock to bunker TOTE ships. Again, without the other customers they make no profit.

5. Supplemental EIS – this brings us to the supplemental EIS. The agreement with the Tribe substantially changed the project such that an SEIS is necessary. The City has declined to do an SEIS. Without the Hylebos pier, either require more LNG tanker trucks will have to travel upon the roads of Tacoma, or we'll have to shift all marine traffic to another waterway. Those marine impacts have not been analyzed. Also, the remaining pier was noted in the EIS to be a poor location for bunkering because the hazards extend to other businesses, so we will need to revisit the safety analysis. Increased trucking impacts have also not been analyzed. I contested Tacoma's conclusion that an SEIS was not necessary. Please see that email below.

**From:** Tarika Powell [<mailto:Tarika@sightline.org>]  
**Sent:** Thursday, August 11, 2016 12:13 PM  
**To:** Schultz, Shirley  
**Cc:** Clark Williams-Derry  
**Subject:** RE: PSE LNG Facility

Ms. Shirley Schultz,

Good afternoon.

This communication is in regards to the City of Tacoma's August 8, 2016 response to requests that the City conduct a supplemental EIS for the Tacoma LNG facility.

The backers of the planned Tacoma LNG facility, Puget Sound Energy (PSE), have agreed to not bunker any ships or barges on the Hylebos waterway due to the contamination contained at the site. This agreement allowed PSE to survive an appeal by the Puyallup Tribe of the project's Shoreline Development Permit. At the same time, the agreement substantially altered the project such that providing LNG as a marine fuel to any customer besides TOTE will need to (a) take place on the Blair waterway at the TOTE loading platform, which was originally intended to only bunker TOTE ships, and/or (b) the LNG will need to be transported by truck to an off-site location where bunkering can take place.

Because this substantial change in plans will increase environmental impacts from marine traffic on the Blair Waterway and/or increase LNG tanker truck traffic upon the roads of Tacoma, the City may need to reevaluate the proposal's environmental impacts through a supplemental EIS. To help determine the need for an SEIS, the City asked PSE for clarification of a few questions.

Using PSE's answers, the City issued a public response to requests that they conduct an SEIS. That response states that the City has not found an SEIS to be warranted at this time.

I am writing to challenge three conclusions made by the City in this response.

(1) The City concluded from PSE's letter dated July 25, 2016, that "no additional truck traffic other than that described/analyzed in the FEIS will take place from the PSE site." However, I believe your conclusion is incorrect. PSE is making a **legal** claim that increased truck traffic would not be significant, rather than a **numerical** claim that there would be no increase in truck traffic. It is the lead agency's responsibility to make a determination of significance, not the applicant.

(2) The City concluded that "the infrastructure in the Blair Waterway is unique to the design of the TOTE ships and cannot be used for other ships or for bunker barges." However, PSE has within the past month provided conflicting statements to the City and the Port of Tacoma about their plans and/or ability to bunker non-TOTE ships. The City should request more information from PSE to clarify these conflicting statements in order to make a fully-informed determination regarding potential marine traffic impacts on the Blair Waterway.

(3) The City concluded that changes in the scope of Tacoma LNG have been reductions. Here the City interpreted PSE's statements that they do not know whether their production will decrease as confirmation that production will in fact decrease. I would like to challenge your conclusion on this point. PSE's statement that production will remain within the range analyzed in the EIS should instead be interpreted to as an affirmation that production will NOT decrease. The indisputable implication of

an unchanged production level is increased Blair Waterway or road traffic, whose impacts should be analyzed in a supplemental EIS.

Thank you in advance for allowing me an opportunity to provide the following clarifications regarding the information PSE provided to the city and to challenge the City's conclusions. I respectfully request to be notified whether these comments need to be submitted through alternate means in order to be considered.

**(1) PSE has claimed that an increase in LNG tanker truck traffic will not be “significant,” and the City has erroneously interpreted this to mean that there will be no increase in LNG tanker truck traffic. The lead agency makes a determination of significance, not the applicant.**

PSE's letter to you did not state that there would be no increase in truck traffic, although it appears to do so. The City asked, “Will there be an increase in trucking from the PSE site due to the removal of the Hylebos bunkering facility?” PSE responded, “No [...] Removal of the Hylebos bunkering facility is not expected to *significantly increase* truck traffic from the levels analyzed in the EIS.” [italics added]

It is very important that you note the use of the word “significantly.” A supplemental EIS becomes necessary where a change is determined to be significant, and as a result the so-called “significance test” is the legal standard that has been established by the courts in cases where the need for a supplemental EIS has been alleged. The significance test has been applied in multiple courts of appeals, including here in the 9<sup>th</sup> Circuit. **PSE is not stating that there will be no increase in LNG tanker truck traffic; they are alleging that as a legal matter, an increase would not be significant.**

It is the duty of the permitting agency to determine the significance of a change, not the discretion of the applicant. PSE has taken it upon themselves to determine that the increase in truck traffic will not be significant while providing no numerical documentation to the City of Tacoma that would merit an agreement by the City that the increase will not be significant. The determination of significance is not to be made by the applicant, but by the City as lead agency, based on evidence.

Additionally, PSE's claim that traffic from the facility is unlikely to rise to the level of significance due to baseline traffic conditions at the Port of Tacoma overlooks the fact that those baseline conditions are planned to be improved through numerous road enhancement projects planned for the Port. Substantial funds for said projects have been acquired, according to the City's records. The City should reject this argument.

**(2) PSE has within the past month provided conflicting statements in application documents to the City of Tacoma and the Port of Tacoma about their plans or ability to bunker non-TOTE ships on the Blair Waterway. The City should request evidence from PSE to clarify these conflicting statements in order to make a factual determination regarding the potential for marine traffic increases on the Blair Waterway.**

While PSE alleged in their July 25, 2016 letter that the fueling configuration of the loading arm at the TOTE platform cannot be modified to service other vessels, the company appeared to have made a

conflicting claim to the Northwest Seaport Alliance (NWSA) in their application for a pipeline easement at the Port of Tacoma. The pipeline in question would travel from the Tacoma LNG facility to the TOTE loading platform on the Blair Waterway. At a meeting held on August 2, 2016, the commission voted to approve the easement during [item 5B of the agenda](#). The commission summarized PSE's easement request in writing in [Memo 5B](#) as well as [presentation 5B](#), presented to the Ports of Seattle and Tacoma by Scott Francis, Director of Real Estate at Port of Tacoma. Memo 5B states that PSE intends to use the loading platform for TOTE vessels and "should it obtain permits to do so, potentially load barges that serve other marine customers." Likewise, presentation 5B states that "PSE now wishes to construct a pipeline across the TOTE terminal and construct a loading platform on the Blair Waterway to fuel TOTE vessels and load barges to serve other marine customers." Mr. Francis also verbally confirmed during his presentation that the easement request includes not only TOTE but other marine customers. (His statements can be viewed on [this Northwest Seaport Alliance video](#), starting at minute 200.) Further, Seattle Port Commissioner Courtney Gregoire noted that the language of the easement states, "PSE may transport from the site via barge."

**These facts demonstrate an inconsistency between the information provided by PSE to the Port of Tacoma and the information provided by PSE to the City of Tacoma.** I believe this demonstrated conflict of claims calls for the City, as lead SEPA agency, to require further documentation from PSE to explain the conflict and to confirm, through evidence, that there is in fact no means to load any non-TOTE ships at the TOTE pier (for example, by modifying the TOTE loading arm so that it can service other vessels).

**(3) On the question of whether PSE would decrease their planned LNG production, the City interpreted an answer of "I don't know" as "Yes," thereby erroneously concluding that "changes in the PSE scope have been reductions."**

The City asked PSE, "Does the removal of the Hylebos bunkering operation mean that PSE would liquefy less gas than originally estimated in the FEIS? Would production levels at the liquefaction facility be lower?" PSE responded that their "production levels are unknown at this time, but will depend on market demand for LNG when the facility becomes operational." This is not a positive affirmation that production will decrease. Next they state that the facility's "planned capacity is 250,000 gallons per day," when in fact the EIS puts this capacity between 250,000 to 500,000 gallons per day (Executive Summary p. 1; 1-1, 1-2,). Then PSE states that the "production will be within the range analyzed in the EIS," which takes into account the full production range stated in the EIS and suggests that production will not, in fact, decrease. **Because PSE has not confirmed a decrease in production, the City must analyze this matter based on the figures in the EIS and the available means of transporting LNG from the facility.**

What are the available means of transporting LNG from the facility? PSE claims that the TOTE pier cannot accommodate other ships, so the LNG that would have been bunkered at the Hylebos cannot be bunkered at the TOTE pier in the alternative according to this claim. This eliminates marine transportation. There is no air strip at the facility, which eliminates aviation. As the FEIS states, the federal government does not currently allow LNG by rail shipments, which eliminates rail transportation at this time. However, it should be noted that railroad companies and the natural gas industry are [actively seeking authorization](#) from the Federal Railroad Administration (FRA) to transport LNG by rail. Companies that have asked the FRA for authorization to transport LNG by rail include Alaska

Railroad Corp., Union Pacific and BNSF, the latter of which has been testing both LNG-powered locomotives and LNG tank cars since at least 2014. ([Reuters](#)) Both BNSF and Union Pacific, as you know, operate in the Pacific Northwest. In March 2015, acting administrator Timothy Butters of the Pipeline and Hazardous Materials Administration said that natural gas by rail is “one of the areas we see as our next challenge.” However, LNG is not currently being transported by rail, and as such we can for the time being eliminate this as a transportation method for the City to consider when weighing the need for a supplemental EIS.

An elimination of ship, air, and rail traffic leaves only one option for the stranded LNG that would have been bunkered on the Hylebos. It **must** be transported to marine transportation customers by truck if there are no other means. Although the total quantity of the LNG is not yet subscribed, Jim Hogan, the project manager for Tacoma LNG, stated at the August 2, 2016 NWSA meeting, “I would expect that another marine customer will take the rest of our market capacity.” LNG bunkering for marine customers can take place not only through barges, but also through LNG tanker trucks. In fact, during the construction phase of the Tacoma LNG facility, TOTE plans to receive LNG by trucks to bunker its two container ships. ([American Shipper](#))

An LNG tanker truck holds between 10,000 to 30,000 gallons of LNG. The Tacoma facility would produce annually 87 million gallons of LNG. Final EIS Appendix J notes that PSE plans to provide 59 million gallons of LNG per year to marine customers through the Blair and Hylebos Waterways (p. 4). The FEIS also notes on page 1-1 that TOTE would consume 39 million gallons per year, leaving 20 million gallons of fuel that is intended for marine bunkering stranded except for truck transportation. Assuming that PSE uses trucks that hold 30,000 gallons, it would take 666.67 additional truck trips per year to transport this fuel, or two additional trucks per day. This **doubles** the number of LNG tanker truck trips analyzed in the EIS from two to four per day assuming trucks of maximum capacity. Over a year, this raises the truck traffic from 730 trucks to 1,397.

If PSE uses trucks that hold less than 30,000 gallons, this further increases the amount of truck traffic that would be leaving the facility. Using trucks of 10,000 gallon capacity for the mathematical analysis above would increase annual truck trips by 2,000. It would not be atypical for the LNG tanker trucks to vary in capacity depending upon the customer’s purchase quantity or other factors. So it’s reasonable to conclude that truck trips could increase by a figure between 667 to 2,000 per year.

PSE has not demonstrated that production at the facility will decrease, and trucking is the only means of transportation left available to move the LNG from the facility to the marine customers. The company has not provided enough data for the City to conclude that there will not be an increase in truck traffic, nor to conclude that an increase in truck traffic will not be significant.

The City must make its own determination of the significance of potential traffic increase based upon the evidence. Yet the City has, in essence, shifted the responsibility of its determinations to PSE and accepted PSE’s determination. I believe this is a mishandling of the duty of the lead SEPA agency to analyze environmental impacts and to determine the need for a supplemental environmental impact statement when changes are made to a proposal that would substantially affect the analysis in the FEIS.

I urge you to reconsider your handling of the supplemental EIS inquiries with PSE. The company has either not answered your questions or answered with statements that conflict with information PSE concurrently provided to the Port of Tacoma in pursuit of the bunkering easement.

In closing, I would like to briefly comment that I do not take issue with TOTE's attempts to meet emissions regulations and help improve air quality in Tacoma. I support these goals for the benefit of Port employees, other citizens, and the environmental health of our region. Unfortunately, Puget Sound Energy has taken this opportunity with TOTE and expanded the project to levels that in fact counteract the environmental benefits of reducing TOTE's emissions and greatly expand the threat to public safety. I urge you to do your duty as the lead SEPA agency to adequately analyze the environmental, traffic and related safety impacts from PSE's convoluted and ever-changing plans for Tacoma LNG.

I look forward to hearing from you, and thank you very kindly for your time. Please advise when I might expect a response from your office.

(Links to reference sources are embedded within this email. Please advise if those links were not embedded in the received email so that I may provide the hyperlinks for your reference.)

Respectfully,

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