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AUG 27 2015

WA State Department
of Ecology (SWRO)

August 26, 2014,

Mr. Stephen Posner
Manager
Energy Facility Site Evaluation Council
P.O. Box 43172
Olympia, WA 98504-3172

Dear Mr. Posner:

On behalf of Northwest Innovation Works Northwest, Kalama, LLC ("NWIW") I am writing to advise you of the company's methanol manufacturing facility ("project" or "facility") proposed for development at the Port of Kalama. Based on the information and analysis set forth below, NWIW does not believe that the facility meets the jurisdictional requirements for siting by the Washington Energy Facility Site Evaluation Council ("EFSEC"). By this letter, I respectfully ask that you review the information contained below and formalize, in writing, whether EFSEC concurs with our analysis. Should you require additional information before making such a determination, please contact me at the email address or telephone number provided above.

NWIW proposes to develop a facility that will receive natural gas by pipeline and use it as a raw material to manufacture methanol for export to China from a terminal at the Port of Kalama. The methanol will be sold for use as the feedstock for production of olefins, which are the fundamental building blocks for a wide range of petrochemical materials, such as polyethylene and polypropylene. The project is comprised of three main elements - the natural gas delivery system, the methanol processing facility and in-water dock improvements.

- **Natural Gas Delivery:** The methanol processing facility would receive natural gas from an approximately 3.1 mile, 24-inch pipeline extended through unincorporated Cowlitz County by Northwest Pipeline GP. The pipeline is subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC").
- **Methanol Processing Plant:** The methanol processing plant would be constructed on an approximately 90-acre site leased from the Port of Kalama on the Columbia River. The facility at full capacity will consist of two production lines, each with an expected production capacity of 5,000 metric tonnes per day, for a combined 10,000 metric tonnes of methanol per day from natural gas. Approximately 170,000 metric tonnes of methanol, the equivalent of up to 56,000,000 gallons, will be stored on site in above-ground storage tanks prior to shipment.
- **Marine Terminal Improvements:** A new dock will be constructed in the Columbia River to load the methanol onto ships. Once the plant reaches full capacity, it is estimated that a



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ship would call on the facility once every 5 to 10 days. The dock will also be available for general Port use when not being used to load methanol.

EFSEC has jurisdiction over new construction of “energy facilities” and the reconstruction or enlargement of existing energy facilities that meet certain new capacity criteria. See RCW 80.50.060(1). Pursuant to RCW 80.50.020(11), an “energy facility” means an energy plant or a transmission facility.

Energy Plant is defined in 80.50.020(12)(a) through (f). These various definitions distinguish between fuel products, expressly setting different criteria for establishing jurisdiction over facilities handling LNG, crude petroleum, uranium, biofuels, liquefied petroleum gas (also known as LP gas or propane) and natural gas. Each fuel is distinct in chemical and organic composition. The Legislature specifically defined the facilities and fuels over which EFSEC has siting authority under RCW 80.50.020(a) through (f).

- 80.50.020(12)(a) and (b) apply to nuclear or non-nuclear thermal generation.
Discussion: For purposes of EFSEC jurisdiction, a “thermal power plant” means, for the purpose of certification, any electrical generating facility using any fuel for distribution of electricity by electric utilities. The NWIW methanol facility is neither a nuclear nor a non-nuclear thermal generation plant under 80.50.020(12)(a) or (b).
- 80.50.020(12)(c) applies to facilities with the capacity to receive LNG that is the equivalent of more than 100 million standard cubic feet of natural gas per day that has been transported over marine waters.
Discussion: The NWIW methanol facility will not receive any LNG regardless of means of transport.
- 80.50.020(12)(d) applies to facilities with capacity to receive an average per day of more than 50,000 barrels of crude petroleum or liquefied petroleum gas (propane) transported over marine waters or new crude/LP gas storage.
Discussion: The NWIW methanol facility will not receive crude or refined petroleum, only natural gas. Liquefied petroleum gas is also known as LP gas, commonly known as propane, and also periodically chemically constituted as butane or isobutane. The NWIW facility will not receive, manufacture or transport liquefied petroleum gas. Neither crude, refined petroleum nor liquefied petroleum gas will be stored at the facility.
- 80.50.020(12)(e) addresses underground natural gas storage siting.
Discussion: Natural gas will be delivered to the processing facility via pipeline. There will be no underground storage facilities at the NWIW facility for natural gas.
- 80.50.020(12)(f) applies to petroleum or biofuel facilities capable of refining more than 25,000 barrels per daily.
Discussion: The NWIW facility is not a petroleum refinery. “Biofuels” are defined at RCW 43.325.010 as “biodiesel, ethanol, and ethanol blend fuels and renewable liquid natural gas or liquid compressed natural gas made from biogas.” NWIW will neither receive nor refine any biofuel product.



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The Legislature's specific and correct use of each fuel term, with different jurisdictional parameters, demonstrates that the various fuel types are not interchangeable for purposes of establishing siting authority under RCW 80.50.020(a) through (f). The NWIW Kalama methanol facility is not an energy plant under RCW 80.50.020(12)(i) through (f).

Transmission Facility is defined in RCW 80.50.020(21)(a) and (b).

- RCW 80.50.020(21)(a) applies to crude and refined petroleum pipelines or liquid petroleum transmission pipelines greater than 15 miles.
Discussion: The NWIW proposal does not involve any crude, refined or liquid petroleum pipelines, regardless of length or nature as either transmission or distribution.

- RCW 80.50.020(21)(b) applies to natural gas, synthetic fuel gas, or liquefied petroleum gas transmission pipelines larger than fourteen inches minimum inside diameter, for the transmission of these products, with a total length of at least fifteen miles for the purpose of delivering gas to a distribution facility, except an interstate natural gas pipeline regulated by the United States federal power commission.
Discussion: The pipeline that will serve the facility, at 3.1 miles, is well under the 15-mile minimum length required to trigger EFSEC jurisdiction. Further, the pipeline will not deliver natural gas to a distribution facility. Instead, the gas will be delivered to a manufacturing plant that will convert the gas into a different product. The proposed 3.1 mile of pipeline is subject to regulation by FERC.

The NWIW methanol facility proposal, inclusive of the interrelated parts described above, does not constitute either an 'Energy Plant' or a 'Transmission Facility' subject to siting by EFSEC. Based on the foregoing, I respectfully ask that your staff review these materials and confirm in writing that our analysis of the absence of EFSEC jurisdiction supports the conclusion that siting of the NWIW methanol facility is not subject to the siting jurisdiction of EFSEC. We look forward to hearing from you soon.

Best regards,

Northwest Innovation Works, Kalama, LLC

Murray V. (Vee) Godley III, President



STATE OF WASHINGTON
ENERGY FACILITY SITE EVALUATION COUNCIL
PO Box 43172 • Olympia, Washington 98504-3172

September 3, 2014

Murray V. Godley, President
NW Innovation Works, Kalama, LLC
7200 NE 41st, Suite 101
Vancouver, WA 98662

Subject: EFSEC Determination of Jurisdiction for the Proposed NW Innovation Works, Kalama, LLC

Dear Mr. Godley:

Thank you for your letter dated August 26, 2014 describing NW Innovation Works proposed methanol manufacturing facility, to be sited at the Port of Kalama.

Your letter describes the proposal as a facility that will receive natural gas by pipeline and use it to manufacture methanol for export to China from a terminal at the Port of Kalama.

Revised Code of Washington (RCW) 80.50.020 (12) defines six categories of facilities that constitute an 'energy plant'. The proposed facility, as described in your letter does not appear to fall under any of these categories.

A transmission pipeline associated with the proposed facility is also described in your letter. Your proposal to construct a total of 3.1 miles of natural gas pipeline does not meet the statutory criterion of a 'transmission pipeline' contained in (RCW) 80.50.020 (21)(b).

After consideration of the information in your letter and relevant statutory requirements, we have determined the proposed facility is not subject to Energy Facility Site Evaluation Council jurisdiction. This determination applies only to the proposed facility described in your August 26 letter.

Please contact me at 360-664-1903, if you have any questions concerning this matter.

Sincerely,

A handwritten signature in blue ink that reads "Stephen Posner".

Stephen Posner
EFSEC Manager

cc: Sally Toteff, Ecology
Alan Bogner, ORIA