TESORO SAVAGE
Vancouver Energy Distribution Terminal

Mr. Stephen Posner
Interim EFSEC Manager
Washington State Energy Facility Site Evaluation Council
1300 S. Evergreen Park Drive SW
Olympia WA 98504-3172

Dear Mr. Posner:

Tesoro Savage Petroleum Terminal LLC (the Applicant) seeks a Site Certificate Agreement (SCA) to construct and operate the Tesoro Savage Vancouver Energy Distribution Terminal (the Facility) at the Port of Vancouver USA (the Port). At full build-out, the Facility will be able to receive up to an average of 360,000 barrels of crude oil per day by rail, store the oil on site, and load the oil onto marine vessels primarily for delivery to refineries located on the United States' West Coast (the USWC). The Facility will be entirely located within the Port of Vancouver. Washington State Energy Facility Site Evaluation Council (EFSEC) jurisdiction will begin at the time of delivery from the class 1 railroads transfering control of the unit trains to the Applicant at the project site boundary within the Port, and will end upon the return of the trains back to the receiving class 1 railroads from the Applicant.

The Facility's principal purpose is to provide North American crude oil to U.S. refineries to offset or replace declining Alaska North Slope crude reserves, California crude production, and more expensive foreign crude-oil imports. The crude oil handled by and shipped through the Facility will largely offset other sources of crude oil used by U.S. refineries that choose to source a portion of their crude through the Facility. In accordance with current federal law, crude oil extracted in the United States generally cannot be exported to foreign countries.

The Facility will increase the stability of energy supply for the USWC and advance the nation's movement toward energy independence. In accordance with the Merchant Marine Act of 1920 (better known as the "Jones Act") the oil, transported by water between United States ports, will only be carried in United States-flag ships, constructed in the United States, and owned and crewed by United States citizens and permanent residents. The economic impact directly and indirectly spurred by the Facility, through investment in energy exploration and development, manufacturing, and construction and facility operation jobs, will be significant. This benefit will extend both into the State of Washington, and to other areas of the United States. The applicant's analysis of the economic benefit the Facility shows that once in operation, the Facility will bring to the State of Washington and the City of Vancouver significant revenue through taxation of the Facility's capital improvements and annual property taxes. In total, construction of the terminal is expected to generate $9.76 million in non-recurring taxes, of which Washington State can be expected to receive $7.67 million and local government $2.09 million. Based on the value of the project, the annual property tax generated is estimated to be $1,552,951 in current (2013) dollars.

Facility Location: Oil production in portions of the United States and Canada is growing, resulting in the increased availability of crude oil to serve the U.S. domestic market. Transportation of the crude oil from the well sites, primarily in North Dakota, Montana, Colorado, Wyoming, and Texas, is limited by the lack of pipelines to the USWC. At the same time, production in California and Alaska is declining. USWC refineries have typically relied upon the receipt of crude oil from domestic and foreign sources for supply of refinery operations by marine vessels. These new sources of supply from Midwest North America will primarily replace crude oil from the Alaska North Slope and foreign sources all currently transported to the USWC by marine vessel.

The Port is an economic engine for the entire southwest Washington region. The Port has been in continuous operation since 1912, and provides quality jobs, international trade connections, a strong industrial land base and economic stability by generating revenue for our state and local services. Through the Columbia River and efficient national rail and road systems, the Port connects Southwest Washington to the national and global marketplace, a key factor in bringing community prosperity to Clark County. The Port represents the closest deep water port to the primary sources of the increased domestic production of petroleum, and is already served by the Class 1 railroads providing service from the source regions, thereby already providing the necessary transportation infrastructure for transportation of crude oil to United States West Coast refineries.

Among the many advantages of the Facility's location, are the Port's position on the Columbia River, a water way that has a comprehensively-developed infrastructure to serve large vessels of the type that will berth at the Facility. In addition, the Port has an existing, mature spill contingency planning system that is already serving the transportation of crude oil, petroleum products, and other materials. The Port's spill contingency planning, and other workplace and environmental plans and protocols, have been developed collaboratively with existing tenants and operators, local, state and federal agencies, and the environmental community.

The Port has existing deep draft berths to accommodate current and future marine vessels. It has programmatically developed the necessary rail infrastructure to handle the proposed rail traffic resulting from this and other projects, fully planned and constructed for unit train configuration; and it has the associated requisite marine infrastructure. The project is proposed in a fully developed industrial location, and will not require the filling of wetlands or the removal of long established native vegetation. With the exception of project-specific rail loops, no additional rail lines need to be constructed to service the facility's operations. The project will be constructed in an area that consists of modern fill, and direct impacts to cultural resources will be minimal to non-existent.

The Site; Heavy Industrial Zoning and Compatible Use: Much of the project will be located in northern portion of the Port that is the former site of aluminum processing facilities. The site has an intensive history of industrial use, dating back to 1940, when Alcoa first developed the site for aluminum smelting operations, and continuing until the early 2000's. When aluminum processing activities on the property ended, the Port completed the purchase of the Evergreen and Alcoa properties, with the exception of the on-site water tower and the dock structure in the Columbia River. All structures of the defunct aluminum processing plants have since been removed. The City of Vancouver's zoning allows all operations of the Facility within this heavy industrial-zoned area.

Transportation of Domestic Crude Oil: The Applicant proposes to bring unit trains of up to 120 cars with crude oil from Midwest North America into the Port, transported via Class I railroad lines. The oil will be received at the Port's existing West Vancouver Freight Access ("WVFA") rail facility, a facility built to accommodate unit trains for transport of materials on the Columbia River. The WVFA facility is considered by the State of Washington to be an "essential public facility," which has been subject to extensive prior land use planning and prior environmental review. The WVFA facility needs little enhancement to accommodate the project, and is operated and controlled by a Washington governmental agency (the Port), subject to rigorous environmental and safety standards.

Up to four unit trains per day (on average) will be delivered onto the Port's rail network for staging on the rail loops serving the Facility. Trains will arrive at Terminal 5 from the east and travel to the rail unloading building located on the north side of the Terminal 5 rail loop. The design of the rail access will accommodate complete unit trains, eliminating the need to break trains into smaller segments during the unloading process. Transportation of products via unit trains is more efficient and economical, while also

avoiding the potential safety risks inherent in breaking down and dispatching train cars within the transportation chain.

To support the staging of unit trains, two new rail lines will be added to the Terminal 5 rail infrastructure. These additional lines will form two complete loops inside the existing rail loops and will begin and end near the Gateway Avenue grade separation. The rail car unloading facility is composed of a covered structure through which the trains will be pulled and safely secured where the unloading will occur. Once delivered by rail, the crude oil will be transferred by pipeline into storage tanks, and then delivered by pipelines to the dock facility, where it will be loaded onto vessels.

The Marine Terminal: Impacts to critical areas have been avoided, to a large degree, by locating the Facility at an existing marine terminal, thus avoiding many of the direct environmental effects that could be expected from a new in-water facility. To obtain an optimal mooring configuration and to meet current, rigorous structural and seismic standards, a number of modifications will be required at the existing dock. These modifications include the removal of existing mooring dolphins and existing over-water solid and grated walkways, and the installation of new mooring dolphins and piles, along with new grated walkways. To mitigate the impacts of this in-water work the Applicant proposes to remove a substantial number of existing shallow water pilings, with a net benefit for the surrounding river habitat.

Air Quality and Greenhouse Gas: The applicant has designed the project to meet all applicable air emission standards, and is proposing measures to reduce emissions including handling crude oil in a fully closed system throughout the Facility to reduce VOC emissions, firing Facility boilers with pipeline quality natural gas, and installing a floating roof in each of the storage tanks. The applicant has conducted a comprehensive Best Available Control Technology (BACT) analysis, and has selected the most feasible, effective and economically viable emission controls.

Safety: The safe construction and operation of the Facility is the Applicant's top priority. Due to its location within the Port of Vancouver, the Facility is proposed to be within an area of the Port of Vancouver that has managed the transportation of many materials, including petroleum products, for many years. The Port and its tenants have long-established protocols, plans and operational strategies to respond to safety concerns, including a collaborative system to avoid and respond in the unlikely event of unintentional releases.

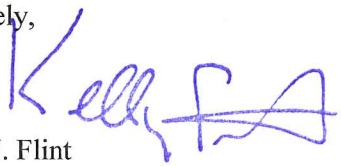
The Facility will receive crude oil in FRA and DOT approved rail tank cars. Beginning October 2011, all new DOT rail tank cars in crude oil service have included additional protective safety measures as compared to previous versions of these cars, including increased head and shell thickness, the use of normalized steel, incorporation of a ½-inch thick head shield, and a more robust housing or rollover skid for protection of top fittings. The Facility will incorporate industry standard secondary containment systems and will implement operating procedures, monitoring and inspection systems to ensure all unloading, storage, conveyance and vessel loading activities are conducted with the highest standard of care. These systems will include the capability to collect unintentional releases from the unloading operation with a capacity to secure the contents of an entire railcar; a fully lined storage area containment berm designed to capture 110% of the contents of the largest tank, in addition to storm water resulting from a 24-hour 100-year storm event, fully welded transfer pipelines, and a vessel loading facility designed to meet USCG spill prevention and safety regulations. The Facility will not handle Group 5 persistent oils which sink in water in the event of unintentional releases. The Facility will have at hand state-of-the-art booming and skimming equipment to recover materials should there be any releases to water; the Facility will also participate in the comprehensive spill contingency plan cooperatively implemented by local, state and federal regulators and marine shipping related industries. The Facility will incorporate a comprehensive fire protection system, and will work cooperative with local emergency responders to ensure they are equipped and trained to respond if needed.

Public and Agency Outreach: The Applicant has conferred with local, state and federal agencies, and will continue to do so in order to achieve compliance with all applicable regulatory standards. We have engaged in formal pre-application consultation with the City of Vancouver, and we anticipate fully meeting all applicable local land use, environmental and safety standards. We have conferred extensively with EFSEC staff, and anticipate achieving compliance with all regulatory standards, including assurance of safe, environmentally sound operation of the Facility. Consultation with local Native American Tribes is proceeding, and will continue throughout the EFSEC process. We have participated in public forums conducted by the Port, and have met individually with members of the local neighborhood association, along with local business and civic organizations. We will continue this outreach and consultation, including an upcoming public meeting to be held in Vancouver.

The Applicant requests that EFSEC make a determination under WAC 463-47- 060(1) that an Environmental Impact Statement is required.

We are looking forward to working with EFSEC on this site certification permit. We feel that our core values of safety and environmental stewardship will be a positive contribution to the area. Further, we feel the project fits within historical use for this site and the Facility will bring many jobs to the area. We are committed to educating the community and interested parties about our proposed project through the EFSEC process. Please feel free to contact me at 801-944-6600 should you have any questions.

Sincerely,



Kelly J. Flint