

November 29, 2016

The Honorable Eric Garcetti  
Mayor of Los Angeles  
200 North Spring Street  
Los Angeles, CA 90012

**Re: Oil-by-Rail Risks and Interstate Impacts of Tesoro Projects in Los Angeles, California and Vancouver, Washington**

Dear Mayor Garcetti,

As city and county elected officials from the states of Oregon and Washington, we write about a problem common to our communities and Los Angeles: the risks to human health, public safety, and water from increased development of oil infrastructure along the West Coast. We are also members of the Safe Energy Leadership Alliance (SELA), a coalition of more than 165 elected local, Tribal and state leaders from four states and British Columbia advocating for assessment of the full costs and risks of proposals to ship crude oil and coal through our region.

We understand that Los Angeles is evaluating the impacts of the Tesoro Refining & Marketing Company's Los Angeles Refinery Integration and Compliance Project (LARIC) in Carson and Wilmington, California. Here in the Pacific Northwest, we are assessing a parallel proposal. Tesoro has proposed North America's largest oil-by-rail shipping terminal in Vancouver, Washington. From statements made by Tesoro, it appears that the LARIC refinery project is intertwined with Tesoro's proposed shipping terminal in Vancouver, Washington.

Based on your international leadership on environmental issues including climate and health, we know that the health, safety, and environment of your community are top priorities for you as well. We want to share our experience in assessing and addressing the regional risks of crude oil transport by rail and barge. We hope that you can advocate for assessment of regional impacts of Tesoro's LARIC proposal in California.

This past June in Mosier, Oregon, an oil train derailed on Union Pacific's mainline, causing a large and dangerous fire, polluting groundwater and the Columbia River, and prompting the evacuation of a nearby elementary school and many nearby homes. Recent inspections conducted just weeks prior to the derailment had concluded that the Union Pacific track was safe. The U.S. Department of Transportation has warned the public that Bakken crude – the same crude that ignited in Mosier - is especially volatile. We learned this first-hand in Mosier, as the oil train fire required millions of gallons of water and over 15 hours to extinguish. We were fortunate that there was no loss of life, but it was a wake-up call about the magnitude of risks from oil spills, fires, and explosions to communities along rail and barge corridors.

Nearby on the same rail corridor along the Columbia River, Tesoro's Vancouver, WA proposal would dramatically increase oil train traffic along the Columbia River and through our communities. The City of Vancouver has estimated that a worst-case oil train accident in the city could cause \$5 billion in damages or more. Despite the demonstrable recklessness of shipping oil in unsafe rail cars along the Columbia River, Tesoro continues to push forward its plans for North America's largest oil-by-rail terminal in Vancouver. Because of the extreme health, safety, and environmental risks to our local communities and the region, we have expressed our public opposition to the approval of the Tesoro Savage in Vancouver.

In the case of Tesoro in Vancouver, and several other proposed oil- and coal-by-rail facilities in the Pacific Northwest, environmental review has largely focused on the immediate local area surrounding proposed terminals and refineries. We have joined with other members of SELA to advocate for regional reviews that consider impacts and risks to public health and safety, environment, treaty rights, traffic, and economic development along rail and barge transport routes.

Tesoro has publicly acknowledged the interconnection between its projects in Vancouver, Washington and Los Angeles in reports to investors.<sup>1</sup> If both the Tesoro Savage Vancouver terminal and the LARIC project were approved, the same oil that threatens our communities in unsafe oil trains threatens yours with increased air pollution, an issue on which you have shown consistent leadership.

We understand that Tesoro plans to build new storage tanks at its Los Angeles refinery that would accommodate almost three and a half million barrels of additional crude oil, and that Tesoro has identified the Vancouver terminal as a transfer point to bring this crude oil to Los Angeles. The "upstream" oil transport impacts should be considered in the ongoing review of the LARIC project, and we hope that you can advocate for a regional assessment of impacts and risks.

We know that you are in the forefront of work to protect the climate and the health of Los Angeles' neighborhoods. Like you, our communities in Oregon and Washington strive to protect environmental health, and we hope our communities can learn from one another, as we have certainly learned from California's leadership in addressing oil-related air pollution. Together, local governments must take the lead in calling for full assessment of risks that arise from our dependence on oil.

We understand that the Mayor's office is not the lead agency on this decision, but we believe your recommendation to decision-makers would be very influential. We appreciate your consideration of these issues which impact all of us locally, nationally, and globally.

Please let us know if we can provide more information to help ensure that all of our communities get a full picture of Tesoro's plans for oil-by-rail and oil refineries on the West Coast.

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<sup>1</sup> Please see attached.

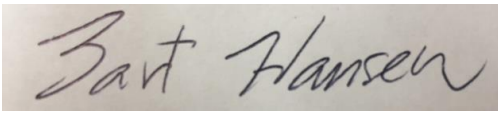
Sincerely,



Dow Constantine, Executive, King County,  
Washington and Chair, SELA



Arlene Burns, Mayor, Mosier, Oregon



Bart Hansen, City Councilmember,  
Vancouver, Washington



Paul Blackburn, Mayor, Hood River, Oregon

**Edited Transcript TSO - Tesoro Corporation 2015 Analyst and Investor Day**, December 09, 2015, p. 10, available at <http://phx.corporate-ir.net/phoenix.zhtml?c=79122&p=irol-presentations>

*“When you think about formalizing competitive advantage and fully integrating our value chain, that is really what the Los Angeles Integration and Compliance Project is about. And when we think about creating value, we are not just thinking about advantaged crude oils in front of our refineries, but we're thinking about how that supply to the west coast of advantaged crude oils can change the shape of the crude oil supply/demand dynamics for the west coast. And that's what we are trying to accomplish through Vancouver Energy.”*

**Tesoro Presentations webpage:** Morgan Stanley Corporate Access Day, 5/12/16, Slideshow entitled: *Driven to Create Value, Morgan Stanley Refining Corporate Access Day, May 2016*, available at: <http://phx.corporate-ir.net/phoenix.zhtml?c=79122&p=irol-presentations>

## Strategic Investments for Distinctive Value

- **Creating advantage through integration**
  - Los Angeles Refinery Integration and Compliance Project
- **Changing** the West Coast crude oil supply dynamics
  - Vancouver Energy Project
- **Capturing higher margins** in a high growth market
  - West Coast Mixed Xylenes Project
  - Anacortes Isomerization Project



## Supplying Advantaged Crude Oil to the West Coast

### Vancouver Energy Project

- Joint venture with Savage Companies
- Up to 360 MBD Rail-to-Marine Terminal
- Most efficient route to West Coast for Bakken crude oil
- Significant infrastructure exists; low development cost

### Strategic Crude Supply

- Increases West Coast competitive crude supply
- Relative refining values of \$3 to \$5 per barrel

