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Rich Crispo
Mayor, City of Newcastle (Via Email)
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Dear Mr. Mayor,

Thank you for taking the time over the past several days to speak with representatives of Olympic Pipe Line Co. ("Olympic") in connection with Puget Sound Energy's ("PSE's") proposed Energize Eastside project. We understand that questions have arisen in recent weeks at planning commission and council meetings regarding the colocation of Olympic's pipelines and PSE's project. We also understand that this issue is likely to be a topic of discussion at today's council meeting, in connection with agenda items relating to utility and pipeline regulations.

As you know, PSE's project involves significant infrastructure improvements along an 18-mile utility corridor shared by petroleum products pipelines owned by Olympic. While we understand that representatives of PSE will be attending today's council meeting, unfortunately the Olympic personnel best suited to address Olympic's coordination with PSE and speak to potential new land use and zoning regulations are not available today. However, we wanted to take this opportunity to provide this written assurance that Olympic is continuing to work closely with PSE and the responsible permitting authorities to identify and mitigate any potential threats to the pipelines' integrity along the shared corridor, including within Newcastle city limits. We also wanted to highlight for you certain of the statutes and regulations that establish uniform national standards governing pipeline safety. Finally, we will attempt to address the specific questions you recently posed to Olympic in connection with PSE's project.

While we recognize that Olympic representatives have shared some of the information in this letter in prior discussions with you, we hope you find the following summary of Olympic's involvement in the process useful and informative.

Please accept this as our formal submission to the City in connection with today's council meeting. We also request notification of any proposed ordinance potentially impacting PSE's project or Olympic's pipelines so that we have an opportunity to provide our comments during development of the ordinance and before it is finalized.

Olympic's Operations

The Olympic pipeline system consists of 400 miles of high-strength carbon steel pipeline located within a 299-mile corridor. It connects four refineries in Northwestern Washington near the Canadian border to markets throughout Western Washington and Portland, Oregon,

providing a critical link in the transportation infrastructure. Approximately 4.5 billion gallons of refined petroleum products are transported through the pipelines on an annual basis – roughly equivalent to 1500 tanker trucks per day.

Olympic is a joint venture owned by Enbridge Holdings (Olympic), L.L.C. (85%) and Arco Midcon LLC (15%) (“Arco Midcon”). Arco Midcon is a subsidiary of BP Pipelines (North America) Inc. (“BPPL”). BPPL has been the operator of Olympic since July 2000.

Olympic’s interstate pipeline system is subject to extensive regulation at both the federal and state levels, including by the Federal Energy Regulatory Commission, the U.S. Department of Transportation’s Pipeline and Hazardous Materials Safety Administration (PHMSA), the Washington State Department of Transportation, and the Washington Utilities and Transportation Commission.

Pipeline Safety and Integrity

Pipeline safety is established through a partnership between PHMSA, state regulators and the private sector. Olympic meets or exceeds all safety and pipeline integrity requirements established by the responsible regulatory authorities, including through implementation of the landmark Pipeline Safety Improvement Act of 2002 and more recent Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011. Together, these statutes and regulations establish uniform national standards governing pipeline safety. This ensures that pipeline companies like Olympic are held to the same comprehensive safety standards anywhere within the state, and guarantees that local and regional jurisdictions can rely on the applicability of these standards to pipelines within their borders. These principles have been tested in the courts, which have determined that the exclusive responsibility for ensuring pipeline safety remains at the federal level.

In connection with the governing federal safety requirements, including 49 CFR 195, Olympic’s pipelines are regularly tested and inspected to ensure that pipeline safety and integrity are maintained. For example, Olympic uses sophisticated inline inspection tools (often referred to in the industry as “smart pigs”) to test the lines for anomalies that may require further attention. Although only one such inspection is required every five years, in the first 10 years of BPPL’s operation of the pipeline (from 2000-2010), eight inspections were conducted. During that ten-year period, Olympic spent approximately \$40 million on its in-line inspections and general maintenance of the pipeline system.

Federal regulations also require control of external corrosion of Olympic’s pipelines via a cathodic protection system that passes a low-level electrical current through the pipeline’s protective coating, which suppresses any oxidation reaction.

Pipelines and AC power lines often share the same rights of way–this is common in the industry. As a result, numerous proven practices and guidelines are used by the industry to successfully mitigate potential AC interference-related-corrosion on pipelines. As such, Olympic has a program to actively monitor and, where necessary, mitigate the impact of AC interference on its pipelines. As part of this program, AC interference is currently monitored in the existing corridor that Olympic and PSE share in Newcastle. To minimize any risk associated with potential lightning strikes, we will work with PSE to evaluate and implement appropriate

mitigation measures, including installation of AC grounding systems. We understand that these systems are commonly installed in connection with power transmission towers to safely dissipate any energy to ground and, as the project plans evolve, we will undertake an engineering analysis to assess the necessity for installation of similar systems along the pipeline.

In addition to its extensive internal inspection program and these corrosion-inhibiting measures, Olympic engages geotechnical experts to provide routine assessments and ongoing monitoring of landslide prone areas on the pipeline system.

Olympic also works closely with individuals and businesses planning construction near Olympic's pipeline corridor. To address the potential risk of damage caused by third-party excavations the Washington legislature enacted the "one-call" locator service law (RCW ch. 19.122). Under the one-call program, anyone planning to excavate near an underground utility is required to provide advance notice of the excavation by calling a designated central number. The affected utility is then notified and required to monitor the excavation work to ensure no damage is done. Consistent with these requirements, if a project is within 100 feet of Olympic's pipeline, its Damage Prevention Team will meet with the construction team onsite at the start of the project and weekly thereafter to reinforce the importance of following established safety protocols. The Damage Prevention Team also will be on-site to monitor the excavation project any time equipment with the ability to reach within 10 feet of the pipeline is being used. While the relevant federal regulations generally require at least 12 inches of clearance between a pipeline and any underground structures,¹ Olympic's practice is to double the federal standard and ensure at least 24 inches of clearance. As the PSE project plans evolve, Olympic will engage in a technical analysis to ensure compliance with these and other relevant safety standards. Additionally, while Olympic prefers to maintain at least 10 feet of clearance aboveground to facilitate convenient access to the pipeline for maintenance purposes, alternative plans can be adopted on a case-by-case basis where access is more limited.

Olympic regularly coordinates with local governments as they work through public project planning or third-party permitting issues that may impact the pipeline. Keeping an open line of communication with those planning construction along the pipeline system is of utmost importance in keeping the pipeline safe.

Olympic employs a variety of measures to mitigate the risk of pipeline damage during construction activities. Some of the more frequent measures include:

- Temporary fencing of the pipeline area
- Temporary cover of pipeline to mitigate excessive load from heavy equipment
- Casing the pipeline at road crossings
- Require hand-digging within two feet of the pipeline

¹ The relevant regulation, 49 CFR 195.250 (Clearance between pipe and underground structures) provides that:

Any pipe installed underground must have at least 12 inches (305 millimeters) of clearance between the outside of the pipe and the extremity of any other underground structure, except that for drainage tile the minimum clearance may be less than 12 inches (305 millimeters) but not less than 2 inches (51 millimeters). However, where 12 inches (305 millimeters) of clearance is impracticable, the clearance may be reduced if adequate provisions are made for corrosion control.

- Maintain signage over the pipeline in compliance with regulations

These and other related measures are critical components of a robust pipeline safety and integrity program designed to meet BPPL's and Olympic's common goals of "no accidents, no harm to people, and no damage to the environment."

PSE's Energize Eastside Project

With regard to PSE's Energize Eastside project, Olympic and PSE have a mutual interest in ensuring that any work conducted in close proximity to Olympic's pipelines is thoughtfully planned and carefully executed in a manner that ensures the continued safe operation of these vital utilities for the benefit of the public.

Olympic's pipelines and PSE's power transmission lines have successfully coexisted in the Eastside utility corridor for several decades. Two of Olympic's pipelines fall within the 18-mile area of PSE's project, one with a 16-inch diameter and the other with a 20-inch diameter. Both pipelines are constructed of welded carbon steel and were installed at depths of three to four feet, as required by applicable regulatory guidelines.

Olympic has been working with PSE in connection with its Energize Eastside project since 2012, sharing information, and supporting requests for information about its facilities and operations. Olympic and PSE meet regularly to discuss, identify and mitigate potential threats to the pipelines' integrity. Over the course of these ongoing discussions, the project plans have evolved to minimize any impact on Olympic's pipelines.

Responses to Specific Issues

In recent discussions with Olympic and BPPL personnel, you had asked a number of specific questions. Although some of our responses are incorporated in the general discussion above, we paraphrase your questions and summarize our responses as follows:

- Q: What clearance is required between the pipeline and underground objects?
A: As noted above, the relevant federal regulation (49 CFR 195.250) generally requires 12 inches of clearance. Olympic's practice is to ensure a minimum of 24 inches.
- Q: What protects the pipeline from potential damage in the event lightning strikes a power transmission tower?
A: In the unlikely event of a lightning strike, we would expect that PSE's AC grounding systems would safely dissipate energy to the ground. Olympic will evaluate PSE's project plans as they evolve and consider the proximity of PSE's facilities to the pipeline when assessing whether installation of additional or different grounding systems may be appropriate.
- Q: Does PSE have the right to require Olympic to relocate its pipelines to create additional distance between the PSE and Olympic facilities?
A: Given Olympic's current understanding of PSE's project plans, there would be no need for Olympic to relocate its pipelines in order to satisfy the federal standards governing pipeline safety. As long as the applicable federal standards are met,

Olympic does not believe that PSE would have any right, or need, to require relocation of the pipelines.

If we have overlooked any specific questions and if you would like us to address any additional topics either in writing or at an upcoming planning commission or city council meeting, please let us know and we will make the necessary arrangements.

Conclusion

Olympic's highest priority is the continued safety and integrity of its pipeline system. Based on our analysis and evaluation of PSE's project plans to date, we believe that the proposed transmission line towers can be installed safely and in compliance with all relevant regulatory requirements, including those promulgated by PHMSA, set forth in 49 CFR 195.

We will continue to work cooperatively with PSE and to evaluate on an ongoing basis the impact of any changes or modifications to its project plans to ensure that Olympic remains in full compliance with all applicable regulatory requirements and that the pipelines can be operated safely. With effective planning, ongoing coordination between Olympic and PSE, proper execution of the proposed work, and faithful adherence to the principles underlying Olympic's integrity and maintenance plan, Olympic believes that the project can be accomplished in a way that ensures the continued safe operation of Olympic's pipelines well into the future.

We hope that you find the foregoing information useful and that it provides additional reassurance that Olympic remains actively engaged with the PSE project team on the important issue of pipeline safety.



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President

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