

**1/17/80 [1]**

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THE PRESIDENT'S SCHEDULE

NOT ISSUED

Thursday - January 17, 1980

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8:00 Dr. Zbigniew Brzezinski - The Oval Office.

10:00 Mr. Hamilton Jordan and Mr. Frank Moore.  
The Oval Office.

✓ 1:00 Meeting with His Excellency Hosni Mobarak,  
(30 min.) Vice President of the Arab Republic of Egypt.  
(Dr. Zbigniew Brzezinski) - The Cabinet Room.

✓ 3:00 Oklahoma State Constituency Briefing.  
(15 min.) (Ms. Sarah Weddington) - The East Room.

✓ # 5:00 Reception for the Steering Committee for  
the Florida Carter-Mondale Fundraiser.  
The Blue Room.

# 9:30 Iowa Cluster Call to Johnson County.

THE WHITE HOUSE  
WASHINGTON

MR. CONRAD:

Further on my earlier letter. President Carter did see your article and wrote a note to you. A copy is enclosed.

Thanks,

Jim Purks  
Assistant Press Secretary

1/17/80

cc: Bob Conrad,  
She's happy & she's great!  
Jimmy Carter

She's a most happy Ella

# Does the President have plans for the Governor?

By **BOB CONRAD**  
Herald Political Writer

No one has been asking lately what's next for Ella Grasso, the governor of Connecticut, undisputed boss of her political party, and Washington commuter.

She is obviously, openly and proudly content with herself in the paying job. She has a lock on the nomination in 1982 if she decides, as many observers believe is likely, to run again.



She purrs when you ask if she likes being governor. It's a dumb question, come to think of it.

Madame Grasso is, one year into her second term, a most happy Ella.

So it's fair to ask whether this will be her peak of accomplishment in a career that will have covered three decades at very least.

By this time, she has earned some fringe benefits that go with her recognition around the country. One of them is the flattery of finding her name as the answer to clues in syndicated crossword puzzles. Another is frequent access to the White House, and getting to sit next to the President of the United States at luncheons and other big occasions.

Where does she go from here?

To hear her tell it, Mrs. Grasso is in a state of perpetual bliss just serving the people of Connecticut. She doesn't have a hankering for federal

office, she says at every opportunity. She loves her state and will be its servant for as long as the people — the voters, that is — allow her to indulge her obsession with good works.

Some greater powers have a way, however, of being mightily persuasive with people like Ella Grasso. Her friend Jimmy Carter could be the example, if he can get over his thrill at her performance in his behalf in Connecticut long enough to consider her potential in the bigger league. She seems to respond whenever he nods in her direction, rushing home once again to tell everyone how wonderful he is and how well he is doing as president.

Could he carry this political flirtation to the extent of popping the question? To wit: "Will you join me in serving even more people and thus double your pleasure, double your fun?"

Despite her testimonials to the good public life in Connecticut, Ella Grasso has never said she would refuse, for heaven's sake, the President of the United States.

But don't start speculating about her as presidential material or, bite your tongue, in a chauvinistic way as a possibility for vice president some day.

In the first place, Jimmy cannot turn either of those miracles for his friend. He has other, and more appropriate, ways to recognize her standing in the country and their party especially.

One clue came this week in a statement by another Connecticut Demo-



crat, Gloria Rice Clark of Greenwich, the first woman to be elected a county sheriff in the United States.

Sheriff Rice wasn't commenting in any way on the Grasso political career. Instead, she was firing off an angry rebuttal to the National Organization for Women. The organization had rather recklessly, in Mrs. Clark's opinion, bad-mouthed Carter for his record on naming women to important jobs. Not so, said the high sheriff. Carter has been doing much better, thank you, than some other presidents she could mention.

In ticking off the list of positions Carter has filled with women, she noted that he has named nine to ambassador rank.

Aha, does that title roll easily off the tongue? And wouldn't it be particularly fitting for Ella Grasso of Connecticut?

Ambassadorships, especially those to major countries, usually go to individuals who have made significant contributions to the party of the incumbent president — but not always. Some observers would be so unfeeling as to say they are "bought."

No way is Ella Grasso going to drag this kind of distinction into the political market place, but she has been mentioned from time to time as a possible appointee and no one has arisen to shout the idea down.

She is usually tabbed as an ideal choice for an ambassadorship to Italy. She has even gone there on public business a few times, most recently to the funeral of the Pope.

This state can show precedent for naming governors to the foreign service. The names of John Davis Lodge and Chester Bowles in recent years come to mind readily.

Mrs. Grasso may be convincing in her expressed love of the home fires in Connecticut and, eventually, back in Windsor Locks. But she need not retire with the gubernatorial stint forever recorded as her zenith of attainment — not if her best connection to date is smart enough and grateful enough to offer her more.

But that's up to Jimmy, of course, and to a lesser degree to the woman herself. Their own party owes her the consideration, and that rival crowd would be thrilled just to get her out of the country for a while.

Electrostatic Copy Made  
for Preservation Purposes

THE WHITE HOUSE  
WASHINGTON

1/16/80

jim purks --

please send a copy of  
news clipping which has  
note written on it back  
to conrad, with a cover note  
(probably best on paper this  
size) from you just enclosing  
a copy of his news article  
which includes the president's  
note.' or some such thing.

thanks-susan

↑  
Eleanor: Just address an  
envelope + send my note  
with the xerox, as per  
Susan's instructions

THE WHITE HOUSE  
WASHINGTON

Susan: Ok, here are the  
originals. I passed the  
word on to Carolyn Wimmer  
& Pat Barco about not  
writing on originals to the  
President.

Thanks,

Jim Parks

1/15/80  
ext 2947  
OEDB 166

THE WHITE HOUSE  
WASHINGTON

1/12/80

Jim Purks --

Thanks. However, please send over original incoming -- I think a presidential marginal note is due on this one!

In fact, please send the "complete package" (this time and always in future) -- the original incoming, copy of your outgoing acknowledgement, cover note/memo to me.

In addition, you may want to let your people know the President has asked several times for many years that staff NOT write on letters addressed to him (the originals). (Other than the pencilled initials of person to whom directed as indicated by correspondence section.)

An easily seen reason for this is that when he writes on the margin, or copy of original is made for whatever reason, it won't show the recipient that someone has asked "Jim to cope"!!! Besides that, it's actually the President's mail, not ours!

Thanks -- Susan Clough

January 11, 1980

Dear Mr. Conrad:

Thank you for your recent letter to President Carter sharing with him a copy of your article, "Does the President have plans for the Governor?" in which you discuss someone we very much respect here at the White House! Governor Grasso. *ELMA*

*Wish:* I had a good scoop for you, but I really don't know what the President might plan or consider in that area. I just know of the high esteem in which he holds the Governor and the pleasure they both apparently derive from their mutual admiration society.

I am taking the liberty of forwarding your letter on. To be quite honest, I am not in the "pipeline" where appointments are considered and we are encouraged not to speculate because if seems someone always gets hurt or disappointed. Also, there is the potential of publicly committing the President before a final decision is made. I hope you understand.

If I hear something, I will let you know. Again, thank you for wishing and best wishes in 1980 -- which promises to be a challenging year for the President, Governor Grasso, you, me, everyone.

Sincerely,

Jim Purks  
Assistant Press Secretary  
Office of Media Liaison

Mr. Robert M. Conrad  
The Herald  
One Herald Square  
New Britain, Connecticut 06050

*↑*  
JP/ew

THE WHITE HOUSE  
WASHINGTON

SUSAN:

FYI, this column writer thinks highly of Governor Grasso, believes the President does, too, and it might be good PR if he got a brief note from you saying his article on the Governor had reached the Oval Office, nor come very close.

We have written acknowledging the letter and saying how highly we think of the Governor.

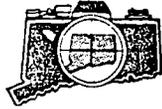
Thanks and happy new year.

Jim Purks

1/10/80  
OEOB 166  
Ext. 2947

5  
*Pat Grasso*

THE



HERALD

Central Connecticut's largest afternoon daily

ONE HERALD SQUARE  
NEW BRITAIN, CONN. 06050

225-4601  
666-9344

*Jim [unclear]*

Dec. 21, 1979

President Carter  
The White House  
Washington, D.C.

Dear Mr. President:

On the off chance that your clipping service may have missed this gratuitous suggestion in our little paper, I am sending you an author's copy at no extra charge. If you should offer the job to our mutual friend, Ella Grasso, or appoint her to anything, for that matter, I would be delighted to help publish the news up here.

Who the heck am I? A survivor of the collapse of the Hartford Times, where I was one of the very few writers recognizing your candidacy as serious in 1975 - among Connecticut pundits, that is. Stan or Barbara Weinberg can confirm that.

With every good wish,

*Bob Conrad*

Robert M. Conrad



LEE ROBINSON  
SENATOR  
TWENTY-SEVENTH DISTRICT

The State Senate  
Atlanta

864 WINCHESTER CIRCLE  
MACON, GEORGIA 31204

January 17, 1980

Dear Mr. President:

I know you are burdened with international problems, but thought it might be refreshing to read an account of one of your supporters, and fellow runners struggling through a Marathon.

Billy Watson, another supporter who, as you know, is Executive Editor of the Macon Telegraph, ask me to write (anonymously) a weekly column on running in "Sports Saturday". This is this week's version.

You have my thoughts and prayers.

Sincerely,

*LEE*

Lee Robinson

LR:em

Enclosure

*cc Lee - A writer.  
& 3:09:15 !!  
I can't believe it -  
Congratulations -  
Jimmy*

THE WHITE HOUSE  
WASHINGTON

17 Jan 80

FOR THE RECORD:

PRESIDENT HANDED DIRECTLY  
TO EIZENSTAT; RETURNED FOR  
FILES.

THE WHITE HOUSE

WASHINGTON

January 14, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*

SUBJECT: West-to-East Pipeline Decision

PURPOSE: The purpose of this memo is to seek your decision on which, if any, transportation system should be approved to transport crude oil from the west coast to northern tier and inland states. On November 29, you notified Congress that you were extending your decision on this matter in order to consider further Secretary Andrus' recommendation and unresolved issues. You also wanted to visit Washington State before making a decision. The Vice President went in your stead, due to the Iranian crisis.

BACKGROUND:

Title V of the Public Utility and Regulatory Policy Act of 1978 (PURPA) provides for a decisionmaking process by which the President can approve expedited Federal permit processing and other procedural benefits for one or more projects deemed to be in the national interest. Title V of PURPA was initiated as a response to the deficiency in crude oil supplies in northern tier refineries, and a surplus of crude oil on the West Coast.

Pursuant to Title V, four applicants submitted proposals to Secretary Andrus for his consideration. On October 15, Secretary Andrus submitted his report and recommendation to you discussing the 16 criteria set forth in PURPA.

In addition to Secretary Andrus' report, CEQ and the FTC have submitted reports to you pursuant to Title V. The Department of Energy has recently issued a report analyzing supply and demand projections and alternatives for the northern tier and inland states through the year 2000. These reports are briefly analyzed for you in this memo. Pursuant to the requirements of Title V, consultation with the Secretaries of Energy, Transportation and the Interior has also occurred and Secretary Duncan and Secretary Goldschmidt have recently written to you concerning your decision.

For a number of years, the Canadian National Energy Board has also been considering various crude oil pipeline proposals. Presently, the only active proposal pending before the NEB is that of the Trans Mountain Pipeline Company. This proposal is under review and a decision is expected this year.

The Washington State Energy Facility Site Evaluation Council must also approve the pipeline and the proposed port terminal location for each proposal. The Council is currently reviewing both the Northern Tier and Trans Mountain projects and a decision is expected this year.

The four proposals that were received under Title V are as follows:

Northern Tier Pipeline Company  
Northwest Energy Company (Foothills)  
Trans Mountain Pipeline Company  
Kitimat Pipeline, Ltd.

Two of these proposals, Northwest Energy and Kitimat, are no longer being actively considered in Canada. Additionally, Secretary Andrus recommended strongly against your approval of these systems based on environmental, national security and a number of other considerations. I concur in that view.

Thus, the remainder of this memo will address only the Northern Tier and Trans Mountain proposals. A brief description of these proposals is as follows:

Northern Tier Pipeline Company. Marine terminal at Port Angeles, Washington; 1491 miles of new pipeline, terminus at Clearbrook, Minnesota; initial throughput, 709,000 barrels per day (B/D); expansion throughput capability, 933,000 B/D; estimated initial construction cost, \$1.23 billion (1979 U.S.); estimated construction time, 2 years. (See Attachment 1)

Trans Mountain Oil Pipeline Corporation. Marine terminal at Low Point, Washington; 148 miles of new pipeline in U.S.; 573 miles of new pipeline and 102 miles of existing pipeline to Edmonton, Alberta; 500,000 B/D throughput - expansion throughput 630,000 B/D; voluntary hook-up system to Puget Sound refineries. Estimated cost (including changes in pipe diameter, increased storage and hook-up); \$574.5 million; estimated construction time, 2 years. (See Attachment 2)

#### SUMMARY OF SECRETARY ANDRUS' RECOMMENDATION

Secretary Andrus recommended that you approve the Northern Tier Pipeline Company's proposal. His report focusses on the ability

of a pipeline to obtain private financing as the ultimate test of the system's viability. If there is an economic need for a major west-to-east pipeline, the private financing markets will make that decision. He recommends that your decision not rely on uncertain and unreliable economic calculations, e.g., supply/demand estimates, future import levels, future domestic finds, oil pricing and tariff computations. Key examples of uncertain economic information available to the government include the potential size of the crude oil deficit that Northern Tier refineries will experience and the size of the west coast surplus, if any, of Alaska North Slope (ANS) crude oil. He believes that it is unlikely that additional study or analysis of these economic uncertainties will provide reliable answers.

In his view, the role of government is to ensure that public concerns such as the mitigation of environmental and socioeconomic impacts, national security and maintenance of competitive markets should serve as the primary basis of your decision. Northern Tier is in his view the most appealing proposal for the following reasons:

- o Route would move Alaskan and foreign crude oil to supply deficient northern tier refineries.
- o Unlike Trans Mountain, the route could also move oil from the promising Williston Basin and Overthrust Belt areas in the Rocky Mountains, Montana, and North Dakota.
- o Provides the greatest employment opportunities for Americans.
- o Significantly enhances local government tax base.
- o Highest net national economic benefits at full throughput.
- o Risk of potential delay is minimized because it is all-American route.
- o All-American route provides a national security advantage, particularly with respect to the Trans Mountain proposal which is 82% located in Canada.
- o Northern Tier proposal would be operational sooner because it is further along in planning and development.

If Northern Tier is unable to obtain financing after one year, Secretary Andrus recommends that the Trans Mountain proposal should receive the advantages of Title V. This project has the following appealing advantages.

- o Smaller in scope because of use of existing pipeline and smaller throughput capacity, reduced capital costs.

- o Highest net national benefits at moderate throughputs.
- o Requires fewer new permits in U.S. and no new rights-of-way in Canada.
- o Environmentally preferable to Northern Tier because most construction is in Canada.

Secretary Andrus recommended that your approval of the Northern Tier proposal should be conditioned on two system modifications. The first would require the four major Puget Sound refineries to connect directly ("hook-up") to the pipeline. This condition would have the effect of reducing the environmental hazards to valuable American and Canadian marine resources by virtually eliminating crude oil tanker traffic in the Puget Sound east of the port facility. A recent Justice Department memo states that you do not have the authority to require the refineries to hook-up to the pipeline. In view of this limitation, approval of the Northern Tier Pipeline Company application should be conditioned on the requirement that the company make the hook-up physically available to the refineries. In addition, your statement of approval should include a strong suggestion to the refineries to agree to the hook-up and that you support legislation to mandate hook-up.

The second would require the port facility to be located to some point west of Port Angeles. This was proposed largely in response to EPA's recommendation.

In a memo to me, EPA modified its position on this issue and in response to EPA's modification, Secretary Andrus has withdrawn this proposed condition. Secretary Andrus reiterated his view that the decision on a proper port site -- for either Northern Tier or Trans Mountain -- should be made by the Washington State Energy Facility Site Evaluation Council.

The Secretary also pointed out that further analysis has revealed that the siting and construction of storage and related facilities on Green Point would have a limited impact on the Dungeness Spit if design changes in the pipelines to the storage facilities were made. He suggested that such less significant changes can be stipulated in the permits after further discussions with the applicant. They need not be mandated by you at this time; your request to explore such changes in permitting procedures will suffice.

Both Northern Tier and Trans Mountain have submitted plans to assure equal opportunity through affirmative action in employment and business participation. Secretary Andrus informed them in a letter that such plans may be required as a permitting condition.

SUMMARY OF AGENCY RECOMMENDATION TO SECRETARY ANDRUS:

Agriculture. Favors Northern Tier on basis of greatest net

national economic benefits at full throughput, national security lack of need for international negotiations, dependable early completion. Trans Mountain is ranked second.

Commerce. Favors Trans Mountain on basis of net national economic benefits with moderate throughput volumes; Northern Tier ranked second.

Defense. Favors Northern Tier over Trans Mountain based only on national security considerations.

Energy. Recommends approval of Northern Tier, on the basis that delay is least likely, but also wants Trans Mountain approved if Canada approves it.

EPA. The most environmentally acceptable is the all-land, all-Canadian route -- Northwest Energy -- which is not now in active consideration. Trans Mountain is more desirable from an environmental and economic standpoint than Northern Tier.

State. Favors Northern Tier in order to determine financial viability of the project.

Transportation. Favors Trans Mountain over Northern Tier based on transportation costs.

SUMMARY OF CEQ REPORT:

CEQ concluded that the EIS was adequate to permit a reasonable choice among the alternatives. CEQ ranked the pipeline proposals according to their environmental acceptability as follows:

1. The all-land Northwest Energy (Foothills) proposal (no longer active)
2. The Trans-Mountain proposal
3. The Northern Tier proposal

CEQ has recommended that, because the all-land route (Foothills) appears to be economically infeasible, you approve both the Trans Mountain and the Northern Tier proposals.

SUMMARY OF FTC REPORT:

The proposals raise only minimal antitrust concerns which are significantly outweighed by the anticipated pro-competitive stimuli of both projects. These effects include the following:

- o Ensuring continued viability of Northern Tier refiners and stimulation of production in Alaska and California.

- o Potential to deliver additional crude to the midcontinent refinery area, enhancing the continued vitality of that refinery market.

Northern Tier has the greatest overall pro-competitive benefits. FTC recommended, however, that you should approve more than one project so they may compete in the financial markets on equal footing. It also recommended that certain specific antitrust conditions should be imposed on approval.

SUMMARY OF DEPARTMENT OF ENERGY REPORT:

Prior to the enactment of Title V, DOE began a study of supply/demand projections and alternatives for the northern tier and inland states through the year 2000. The study made the following key points:

- o A west-to-east crude oil transportation system is in the national interest.
- o Northern tier states, principally Montana and Minnesota, will experience a crude oil transportation deficit during the 1980-2000 time period.
- o The northern tier crude oil deficit (est. 140,000 B/D) is not sufficient by itself to support a west-to-east pipeline.
- o In order to be economically viable, a pipeline would need to rely on more than the present Alaskan and California production.
- o In the most likely scenario, available Alaskan crude oil will peak in 1980 at 582,000 B/D and decline sharply thereafter.
- o The Trans Mountain pipeline has an economic advantage if throughput potential is in the 500,000-600,000 B/D range.
- o The Northern Tier pipeline has an economic advantage if throughput potential exceeds 600,000 B/D.
- o Low Alaskan and California potential favors the smaller Trans Mountain proposal; high potential favors the large Northern Tier proposal.

OPTIONS:

This section discusses two decision options for you to consider.

Option 1. Approve Secretary Andrus' recommendation favoring the Northern Tier Pipeline Company proposal including modifications. This option includes a time limitation during which Northern Tier would have the opportunity to secure financing. If financing is not obtained during that time, the Trans Mountain Pipeline proposal would be approved. A time period of one year from the date of your approval, or 6 months following the Washington Energy Facility Siting and Evaluation Council's decision, whichever is later, would be appropriate.

Advantages:

- o National security advantage because all-American route.
- o While both proposals would provide crude oil for supply deficient northern tier refineries and have pro-competitive effects on the mid-continent refinery area, Northern Tier can pick up Overthrust Belt and Williston Basin crude oil.
- o Has highest net national economic benefits at full throughput (700,000 B/D).
- o Strong business, labor union and some Congressional support.
- o Greatest number of employment opportunities for U.S.
- o Keeps the Trans Mountain alternative alive.
- o Supports recommendation of Secretary Andrus, who had lead responsibility and spent considerable time on this issue. A reversal would be an embarrassment to him.

Disadvantages:

- o Economic estimates of supply/demand in northern tier states and available Alaskan crude oil potential would not appear to support a pipeline this large.
- o There is environmental and some local opposition to Northern Tier in Western Washington and parts of Montana and by some members of Congress.
- o Environmental risks are greater than Trans Mountain.

Option 2. Approve both the Northern Tier Pipeline and the Trans Mountain Pipeline in order to allow them to compete on an equal footing in the financing market.

Advantages:

- o Allows the financing markets to truly determine which pipeline is needed from an economic standpoint.
- o Preferable from environmental, local resident and Canadian government viewpoint because they believe that Trans Mountain will win the financing market test.

- o Environmentally, slightly preferable if Trans Mountain is ultimately built.

Disadvantages:

- o Less national security if Trans Mountain is built.
- o Criticism that decision is indecisive and will slow construction.
- o Business and labor union criticism that decision gives jobs to Canada, not U.S.
- o Congressional criticism from some northern tier state Senators.

RECOMMENDATION:

Title V requires that your approval of a transportation system should be based on a finding that such a system is in the national interest. Your approval of either option would satisfy the national interest test of Title V. However, the true test of the need for either of the projects before you is whether or not the private financing market will finance one of them.

Your approval of Option 1 would ratify Secretary Andrus' recommendation and provide a clear advantage in the financing markets to the Northern Tier proposal, but keeps alive the Trans Mountain proposal if Northern Tier is unable to obtain private financing after one year. Option 2 allows both projects to compete on the same footing for financing market approval. I believe, however, that your approval of Option 2 would be viewed as favoring Trans Mountain. This is because Trans Mountain does not actually need the expedited permit issuing process provided by Title V in view of the fact that it requires far fewer permits in the United States than Northern Tier. (All four original applicants filed applications under Title V because of the advantage that federal government approval gives in the financing market contest, even though three of them were entirely or partially in Canada.)

The Northern Tier Pipeline, if built, has national security and employment opportunities for Americans that far surpass Trans Mountain. The figures clearly illustrate this potential boon for employment and business when 1,557 miles of new pipe are in the U.S. for Northern Tier versus 148 miles of new pipe in the U.S. for Trans Mountain. Secretary Andrus has taken great strides to mitigate any potential environmental damage that could result from either proposal.

Northern Tier is slightly less environmentally preferable than Trans Mountain but with respect to the most important environmental value involved (Puget Sound marine resources), both proposals pose equal risks and opportunities. Secretary Andrus' recommendation that the four major refineries on the Puget Sound "hookup" with the pipeline, promises to reduce tanker traffic in the Puget Sound and the risks of damaging oil spills. Without such a pipeline, this opportunity to mitigate environmental risks to the Puget Sound is not likely to occur.

I agree with Secretary Andrus that your decision should not be based on uncertain economic estimates, nor does Title V require that you rely only on this factor. The private financing markets are best equipped to make the economic test for a west-to-east pipeline.

The financing markets are not optimistic that any pipeline is needed and should be financed. This pessimism is based on the total world oil situation, long-term supply/demand projections in the northern tier states, Alaskan production potential and future import levels. There has been very little oil company interest in new west-to-east transportation systems because of these uncertainties and because of their need to have equity ownership in a pipeline in order to make such a system a reasonable risk.

The available information that we have also questions the need for any pipeline, but particularly one as large as Northern Tier. While there is presently a small crude oil shortfall in Montana and the possibility that it could grow in the 1980's, up to 140,000 B/D including Minnesota, this possible shortfall is not by itself sufficient to support the construction of any of the proposed pipelines. Thus, a new pipeline would have to depend upon the availability of a considerable supply of Alaskan, other domestic or imported crude oil. Based on northern tier demand, estimated Alaskan potential, import levels and construction costs, it is likely that the financing markets would look more favorably on a pipeline closer to the size of Trans Mountain (500,000 B/D). Some financing experts believe that Northern Tier cannot be financed. However, if higher production potential than present is realized in Alaska and California, a pipeline the size of Northern Tier's (over 600,000 B/D) might be attractive to private financiers. All of the economic information before us is subject to question.

I recommend your approval of Option 1 because it is appropriate and desirable to give the American proposal (Northern Tier) an advantage in approaching the private financing markets. Northern Tier needs the advantages of Title V more than Trans Mountain does. In fact, the Trans Mountain company officials were

satisfied with Andrus' recommendation because it kept their project alive for possible future approval.

Given the current governmental situation in Canada, there is no clear timetable by which the Canadian government would approve Trans Mountain. Therefore, it would appear odd to give both Title V treatment on an equal basis, when one has not even been approved by Canada. While it is pending there, Northern Tier should be given the priority to attempt to obtain financing. Additionally, several months of clean air monitoring is required before Trans Mountain's proposed port site can be approved in Washington.

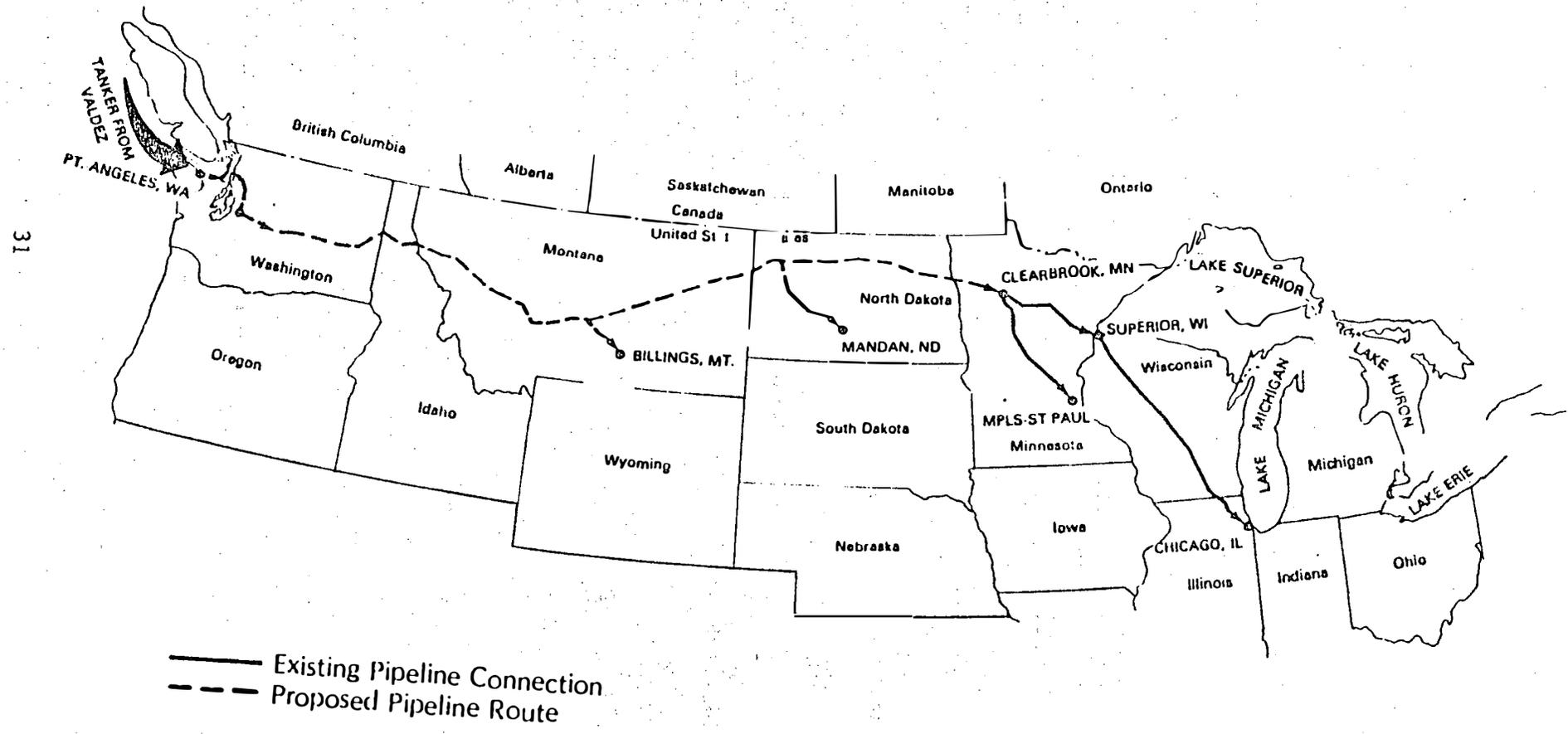
Finally, approval of Northern Tier would be the most politically beneficial choice because it has considerable support among labor unions, the business community, farmers, and local governments in northern tier states and in Congress. While DOE and DOT recommended to Secretary Andrus several months ago that he also approve the Trans Mountain proposal, Secretaries Goldschmidt and Duncan now recommend your approval of Andrus' position.

You should know that the Northern Tier proposal is very controversial in the Seattle-Puget Sound area and is publicly opposed by Representative Don Bonker, your campaign chairman in Washington, who supports Option 2. Public controversy has centered around the economic need for a pipeline as large as Northern Tier, aesthetic concerns, and environmental risks, but as I mentioned before, Secretary Andrus has greatly mitigated these risks. I believe your approval of Option 2 would be viewed as favoring the Canadian system and would invite criticism based on national security and employment grounds and because approval of both systems simultaneously would be viewed by some as an indecisive action.

DECISION:

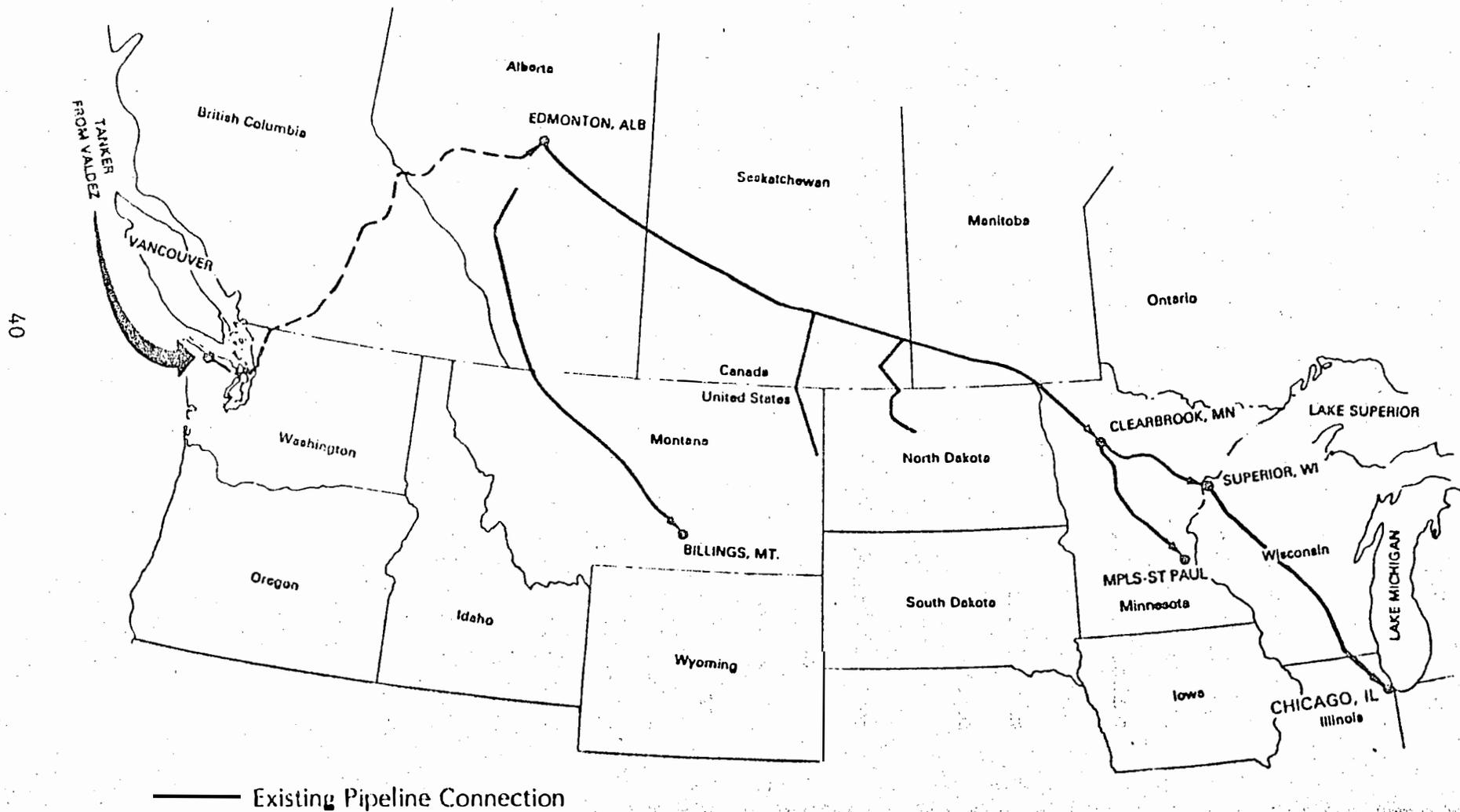
- \_\_\_\_\_ Option 1 - Approve Secretary Andrus' recommendation with modifications and time limit on obtaining financing (DOI, DOE, DOT, OMB, DPS)
- \_\_\_\_\_ Option 2 - Approve both Northern Tier and Trans Mountain with the same modification suggested by Secretary Andrus (CEQ)

# Northern Tier Pipeline Company Proposal



31

# Trans Mountain Oil Pipe Line Corporation Proposal





REPORT TO THE PRESIDENT  
ON  
CRUDE OIL TRANSPORTATION SYSTEMS  
FOR THE NORTHERN TIER  
BY THE  
COUNCIL ON ENVIRONMENTAL QUALITY  
OCTOBER 1979

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON ENVIRONMENTAL QUALITY  
722 JACKSON PLACE, N. W.  
WASHINGTON, D. C. 20006

LETTER OF TRANSMITTAL

THE PRESIDENT:

Sir: The Council on Environmental Quality is pleased to submit its Report on Crude Oil Transportation Systems for the Northern Tier, in accordance with Section 506 of the Public Utility Regulatory Policies Act of 1978.

Respectfully,

Gus Speth  
Chairman

Jane H. Yarn  
Council Member

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## BACKGROUND

Early in 1974 the Canadian government announced a plan gradually to reduce Canada's net exports of crude oil, particularly the low gravity, low sulphur crude oil produced in Alberta. A large proportion of these exports went to refineries in the Northern Tier region of the United States (Washington, Idaho, Montana, North Dakota, Minnesota, and Wisconsin).

Canadian exports to the United States totalled 1,109,000 barrels per day (BPD) at their peak in 1973. Since then they have been reduced to 285,000 BPD in 1977 and are scheduled to drop to approximately 100,000 BPD by November 1, 1979. Northern Tier refineries have responded to these reductions in different ways. Refineries in Washington State, which serve Washington, Oregon, and Idaho, shifted to offshore (foreign) crudes of similar chemical composition. When the Alyeska Pipeline from Prudhoe Bay to Valdez began pumping, one refinery on Puget Sound began processing Alaskan North Slope (Alaskan) crude, which it was specifically designed to use. Other refineries in Washington, with one exception, have either completed "sour crude revamps" to be able to process Alaskan crude (which is heavier and contains more sulphur than Alberta crude) or are planning such "revamps" in the near future. Refineries elsewhere along the Northern Tier either substituted offshore crudes imported through Mid-Continent pipelines or have arranged exchanges of domestic and offshore crudes in order to obtain a continued supply of Canadian oil. However, it appears that a new West to East crude oil transportation system might provide oil supplies at lower transportation costs.

A surplus of Alaskan crude exists on the West Coast of approximately 400,000 barrels per day. This crude is currently shipped to Gulf Coast, and Caribbean refineries through the Panama Canal.

Consequently, a number of firms proposed to construct and operate new crude oil transportation systems to supply Northern Tier refineries with Alaskan crude and offshore crudes from a West Coast marine oil terminal. These proposed alternative transportation systems are summarized in the Appendix.

## THE STATUTE

In October 1978 Congress enacted the Public Utility Regulatory Policies Act of 1978 (PURPA), Public Law 95-617. Title V of that statute provided for the expedited selection of "delivery systems to transport Alaskan and other crude oil to northern tier States and inland States," and to resolve the Alaskan crude oil surplus on the West Coast (Section 502). Applications for crude oil transportation systems must be considered under this statute and the President is required to decide which of the proposed systems shall be approved. The President's decision regarding a crude oil transportation system under this statute "may include such modifications and alterations in such system as the President finds appropriate." The Act specifies 15 criteria which must be addressed by the President's decision, among which is the "environmental impacts of the proposed systems and the capability of such systems to minimize environmental risks resulting from transportation of crude oil." (Section 507.)

The Act further requires the expeditious preparation of an environmental impact statement on the proposed systems and submittal of the statement to the President and the Council on Environmental Quality. After receiving the impact statement the Council is to report promptly to the President "on the Council's opinion concerning such statement and concerning other matters related to the environmental impact" of the proposed systems (Public Law 95-615, Section 506).

## THIS REPORT

This report is submitted pursuant to the specific requirements of PURPA and the Council's general duty to advise the President on policies to achieve the goals of the National Environmental Policy Act. It presents the Council's views on the environmental impact statement and on the major environmental issues to be considered. In conclusion, the report offers recommendations regarding the required Presidential decision and presents rankings of alternative proposals based on their environmental acceptability.

## THE DECISION

The statute requires the President to decide which, if any, of the proposed systems--either as proposed or as modified or altered by the President--shall be approved, and to describe the "nature and route" of the "transportation systems, if any, which are approved in the decision." (Public Law 95-617, section 507). Thus the decision that is before the President at this time is the preliminary one of what system, if any, best fits the nation's needs and what general corridor the pipeline should follow. The Act does not require that any system be approved or that only one system be approved. If several are acceptable, each can be approved after appropriate consideration has been given to the criteria specified in Section 507(b), but the approval of one or more systems does not imply government subsidy or support for such systems. If the President determines that there is no need for a West-to-East crude oil pipeline, he may disapprove all of the proposed systems.

## THE FINAL ENVIRONMENTAL IMPACT STATEMENT

The Council considered the Final Environmental Impact Statement (EIS) within the context of the limited decision to be made at this time. We also recognized the limits placed on the EIS team of the Bureau of Land Management by the short schedule required to meet the review and decision deadlines established under Title V of Public Law 95-617. We believe that the nature of the pending decision does not require the kind of site-specific analysis within the final EIS that would be required if Federal agencies had to reach final decisions at this time on system design, pipeline alignments within corridors, port locations, facility sites, rights-of-way and other similar decisions.

With this criterion in mind, the Council believes that the final EIS, when read in conjunction with other reports and studies on issues related to the decision, provides an adequate basis for making a reasonably well-informed choice among the competing systems. We do believe that the final EIS could have sharpened the issues and compared the impacts of alternatives more clearly and in a substantially shorter document, as our new NEPA regulations require. This final EIS was, however, prepared before the effective date of our regulations.

The Council recognizes that there are significant gaps and omissions in the analyses contained in the final EIS. Nevertheless, previous impact statements on the Alaska Gas Pipeline and other readily available documents address most of these matters. Moreover, further detailed environmental review, within the framework of the National Environmental Policy Act, will be necessary and can be expeditiously completed before final Federal decisions are made on facility sites, pipeline rights-of-way, licenses, permits, and similar federal actions. We identify many of the major actions needing additional environmental analyses in the discussion below.

#### ENVIRONMENTAL ISSUES RELATED TO THE DECISION

##### Pipeline Capacity

We believe that the selection of any system should be based on an accurate estimate of the crude oil deficit likely to occur in the Northern Tier States during the next 20 years. Construction of an unnecessarily large system would entail unnecessary environmental impacts during its construction and operation, as well as unnecessary financial costs. For example, air quality degradation, oil spill risks, and disturbances to critical wildlife and fishery resources become more significant with increases in the size of the transportation system and the amount of oil to be moved.

To determine how much crude oil transportation capacity will be needed to serve refineries in the Northern Tier states, we looked at demand within these states and at the expected future availability of crude oil from different U.S. and foreign sources.

The U.S. Department of Energy recently completed and sent to the Department of the Interior its revised analysis of crude oil supply and demand in the Northern Tier states through the year 2000. This analysis predicts a maximum crude oil supply deficit to the Northern Tier states of approximately 140,000 barrels per day in the year 2000. The report predicts that there will be no substantial crude oil supply deficits in the Northern Tier states before then, with

the exception of a 40,000 barrels per day deficit occurring in Montana in 1980. This deficit, however, can be eliminated by continuing the current practice of crude oil exchanges with Canada. The report notes that the remaining 100,000 barrels per day, required by the year 2000, in Minnesota, can be supplied by the proposed Northern Pipeline, from Wood River, Illinois to Minneapolis. Assuming that this system receives needed permits and that the sponsor is successful in obtaining necessary rights-of-way, the system could be available before 1985.

The Department of Energy report also predicts that Alaskan North Slope crude, as well as California crude (including any reasonably expected increases in production) will continue to replace foreign crudes which are now imported along the West Coast as a direct result of the foreign oil import reduction program and transportation economics.

This information indicates that there may not be sufficient crude oil demand or economically attractive crude oil supplies available on the West Coast to justify construction of a West-to-East crude oil transportation system. The implications of this view are noted below in the section that contains our rankings of the proposed systems and in the section that contains our recommendations.

#### Puget Sound Oil Spill Risks

Tanker traffic into Puget Sound is already substantial and poses significant and perhaps growing oil spill risks. The legislative Conference Report on P.L. 95-617 notes, in its discussion of the statutory decision criteria, that

"In adopting language setting forth the criteria to be considered by the President in making a decision under the section, the conferees agreed that the provision requiring the Executive to consider the 'environmental impacts of the proposed systems and the capability of such systems to minimize environmental risks from the transportation of crude oil' should be understood as

setting forth the intent of Congress that the Executive should take actions to minimize both existing and future environmental risks from the transportation of crude oil. In specific, the conferees noted that there are environmental and economic risks associated with existing crude oil tanker traffic serving refineries on Puget Sound--an invaluable and irreplaceable national resource. Risks to the economically and aesthetically important resources dependent on good water quality in Puget Sound would be substantially reduced if the existing Washington refineries were connected to and utilized a northern crude oil delivery system if one is built."

Thus, a second environmental issue posed by any system decision is (a) whether any new crude oil pipeline should include the facilities necessary to serve refineries on Puget Sound and (b) whether these refineries should be required to use the selected transportation system when it is built. Puget Sound refineries have a total capacity of approximately 400,000 barrels per day, including refinery expansions currently under construction. They currently receive all of their crude oil by direct tanker delivery, which entails slightly more than 500 port calls per year by tankers ranging in size from 40,000 deadweight tons (DWT) to 125,000 DWT (tankers larger than 125,000 DWT are currently excluded from Puget Sound's waters by U.S. Coast Guard regulations).

According to the final EIS, this existing tanker traffic results in a risk of one spill (of 2.4 barrels or more) every 1.2 years from tankers in transit to Greater Puget Sound harbors. The 95% "confidence limits" for this estimate, based upon historical spill data, are 0.7-4.1 years. Risks for large spills--10,000 barrels or more--are significantly lower. Risk of an oil spill at berth in the harbors parallels these figures; the final EIS estimates this risk to be one spill every 0.39 years, for spills of the same magnitude, with 95% confidence limits of 0.28-0.65 years.

The federally approved Washington Coastal Zone Management Program encourages the servicing of the Northern Puget Sound refineries (which account for about 7/8ths of the State's refining capacity) by a Northern Tier crude oil pipeline with a marine terminal located at, or west of, Port Angeles on the Olympic Peninsula. Although the State has recently proposed the deletion of these policies from its program, the Office of Coastal Zone Management of the Department of Commerce has not yet filed its final environmental impact statement on this proposed program amendment or reached a decision.

Although the final EIS does not concisely analyze the environmental and economic effects of a pipeline hookup to Puget Sound refineries, it does contain most of the information needed to determine whether the selected transportation system could serve the Northern Puget Sound refineries in an environmentally sound manner.

Connecting the Northern Puget Sound refineries with the selected pipeline system would eliminate most, if not all, of the crude tanker traffic on the Sound and the associated spill risks. Oil spill risks would be substantially reduced because crude oil pipelines have very low spill rates when compared to crude oil tankers. Moreover, pipeline supply systems are generally much more reliable (less subject to interruption) than tanker systems.

The economic costs associated with pipeline service appear to be outweighed by the benefits. The Department of Energy estimated that the pipeline tariff from Northern Tier's proposed port facility to the Northern Puget Sound refineries would be approximately \$0.23 per barrel. That estimate was based on Northern Tier's original proposed pipeline alignment. The actual tariff from Northern Tier's currently proposed alignment, which goes across Puget Sound rather than around it, would be lower. Similarly, Trans-Mountain Pipeline Company recently proposed a tariff of \$0.13 per barrel for service to these refineries from its proposed transportation system.

These tariff figures must be understood in relation to the costs of large oil spills. Although estimating those costs is currently more an art than a science, EPA's Office of Oil and Hazardous Materials has stated that the costs of oil spill cleanup have ranged from \$10 to \$100 per gallon (or \$420 to \$4200 per barrel) of oil recovered. If one were to add the dollar value for the environmental damages caused by unrecovered oil, federal agencies estimate that these costs could double if an oil spill were to occur in the rich and heavily used waters of Puget Sound.

The Council believes, as does the Environmental Protection Agency in comments to the Department of the Interior, that connecting the Northern Puget Sound refineries to the selected system would represent inexpensive insurance against the damages which could result from a major oil spill in Puget Sound. The principal beneficiaries of this insurance would be the principal customers of the Puget Sound refineries--the residents of Washington and Oregon.

#### Olympic Peninsula Marine Terminal Locations

An important environmental issue involved in a Presidential decision to approve a system which requires a marine terminal to receive crude oil from Alaska is the location of the marine terminal. The final EIS generally discusses the environmental effects of constructing and operating proposed marine crude oil terminals at different locations on the Olympia Peninsula. This analysis is not sufficient to determine conclusively which of the possible port sites is environmentally preferable. Two of the most important environmental issues involved in operating a marine terminal on the Olympia Peninsula are effects on air quality and the effects of oil spills.

Regarding air quality effects, the Environmental Protection Agency determined that the most that one could conclude was that the proposed Northern Tier Pipeline Company facility, at Port Angeles, might violate the "Prevention of Significant Air Quality Deterioration" (PSD) limits for sulphur dioxide in Olympic National Park (a Class I area under the PSD Program), which is adjacent to Port Angeles. The Low Point marine terminal location is farther from the Park than Port Angeles.

Regarding the effects of oil spills, the Environmental Protection Agency concluded, based on its evaluation of likely oil spill movement at the different port sites, that Low Point (west of Port Angeles) would be the preferred terminal site.

Other environmental effects that would result from construction of a marine terminal on the Olympic Peninsula appear to be relatively similar for the alternative proposals. Thus, based on the final EIS and EPA's assessment, it would appear that the Low Point location is environmentally preferable to the Port Angeles location.

If a marine terminal facility is proposed, then environmental issues, and particularly the effects on air quality of operating a marine terminal and oil spills should receive further environmental review pursuant to NEPA and other applicable laws by at least the U.S. Army Corps of Engineers when it evaluates applications for permits for a terminal under Section 10 of the 1899 Rivers and Harbors Act and Section 404 of the Clean Water Act, as amended.

Regarding land use and related environmental and social impacts caused by any large crude oil terminal located on the Strait of Juan De Fuca, these impacts could be substantial during construction and operation. The influx of new workers into the Olympic Peninsula could cause financial problems and growth pressures for Clallam County, the local government in the area. Any new terminal will create pressures for secondary coastal development. Advance planning could mitigate these effects.

#### Alternative Pipeline Routes and Alignments

The final EIS provides a qualitative and generic analysis of the environmental consequences of alternative pipeline routes and alignments. It does not, however, provide enough information to determine the best pipeline alignment or what mitigating features and other stipulations should be required for permitting the construction of any particular pipeline.

The Delta Junction pipeline system proposed is an all-land route that was submitted by Northwest Energy on August 20, 1979, as a modification of its original proposal. This submission was received after the closing date for Federal agency recommendations on all applications. Nothing in Title V of PURPA prevents consideration and approval of such a proposal by the President. The all-land route was addressed as an alternative in the final EIS.

The Delta Junction proposed involves construction of 1491 miles of new pipeline for transport of oil along the right-of-way established for the Northwest Alaskan Gas pipeline which was selected by the President in 1977 and approved by the Congress. If the Northwest Energy Company's Delta Junction to Edmonton pipeline is approved additional environmental review will be necessary by both the Canadian government and the United States in order to select a final alignment and to design appropriate stipulations for the grants of rights-of-way.

The selection of one of the systems originating on the Olympic Peninsula (Trans-Mountain or Northern Tier) will also require further detailed environmental studies on pipeline routes and alignments. Two of the major environmental issues posed by these proposals are: the effects of the pipelines on (i) streams and ground water aquifers which are potable water supplies, and (ii) streams that support anadromous fish (primarily salmon). Both the Trans-Mountain and the Northern Tier proposals would affect such streams and aquifers.

EPA's assessment of the final EIS is that it does not provide sufficient information to determine whether adequate protection would be provided for these streams and aquifers. Thus, if one of these pipeline systems is approved additional environmental and related analysis would be necessary. More detailed analysis is particularly important for assessing the effects of a pipeline system on sole-source potable water supplies and the protections developed for such supplies due to special protections accorded such supplies by statute (Safe Drinking Water Act of 1974).

#### SYSTEM RANKING

Based upon our consideration of the final EIS and other studies in the public record, we have ranked the alternative transportation systems under consideration in terms of their environmental acceptability. We recognize that there are other important factors which must be considered in making the final decision. The ranking includes a brief list of factors that contribute to each system's relative advantage or disadvantage.

However, as noted in our discussion of the significant environmental issues, there may be no present or foreseeable need for a West-to-East crude oil transportation system. Because the systems proposed under Title V would each have environmental consequences of varying significance, we believe that the question of need must be carefully assessed at this time before a decision is made on any transport system.

Our ranking of the proposed systems based on environmental criteria is as follows:

1. Northwest Energy Company (Delta Junction, Alaska to Edmonton, Alberta (Canada) Pipeline):
  - For most of its route, uses existing pipeline rights-of-way that have already been Presidentially approved for an Alaska gas pipeline.
  - Requires no marine crude oil receiving terminal; therefore avoids creating new marine oil spill risks and air quality degradation problems, especially in National Parks.
  - Could benefit from the detailed environmental, field, and engineering studies already performed by the applicant for the Alaska Natural Gas Transportation System (now known as the Northwest Alaskan Gas Pipeline).
  - Would allow construction and operational oversight by the Office of the Federal Inspector, created to oversee the design and construction of the Northwest Alaskan Gas Pipeline, which would enhance the ability to enforce environmental mitigation measures and represent a significant resource savings to the public and the Federal government.
2. Trans-Mountain Pipeline Company. (Low Point, Washington to Edmonton, Alberta Port/Pipeline):
  - Effects of crude or fuel oil spills from ships near or at berth appear to be least severe at this site west of Port Angeles.

- Effects on the air quality of Olympic National Park (a Class I area) are likely to be less than those that would result from a marine terminal at Port Angeles, which is directly adjacent to the Park; thus, it may be easier for Trans-Mountain to obtain a Clean Air Act permit than for Northern Tier.
  - Uses existing pipeline rights-of-way for most of its route, which is substantially shorter than any of the other pipeline routes being considered.
  - Would have adequate capacity to serve needs of Western Northern Tier States and existing Northern Puget Sound refineries.
  - Terminal site is remote from population centers and therefore minimizes the population exposed to the risk of a tanker explosion or fire (a low probability event but one which would have serious adverse consequences).
3. Northern Tier Pipeline Company with Port Angeles Marine Terminal (Port Angeles, Washington to Clearbrook, Minnesota Port/Pipeline):
- Site at Port Angeles terminal appears to have the largest potential of the three Olympic Peninsula marine terminals considered for adverse impacts on marine resources from at-berth and near-berth oil spills.
  - Site is in existing harbor that serves the major population center on the north coast of the Olympic Peninsula and therefore more directly exposes this population to the risks of a tanker explosion or fire than would terminals located westward.
  - Among all the proposals this system would require the longest new pipeline corridor with consequent land use impacts.

The Environmental Protection Agency evaluated the remaining two alternative systems (Kitimat and Northwest Energy Company port pipeline through Skagway, Alaska) and concluded that these systems were environmentally unacceptable. We agree with EPA's findings and with the rationale expressed in the Administrator's letter of August 17, 1979 to Secretary Andrus.

## RECOMMENDATIONS

Under Public Law 95-617 the President may approve one or more of the proposed crude oil transportation systems, either as proposed or with modifications, or may decide that no West-to-East crude oil transportation system is needed and specifically disapprove all proposed systems. We believe it important that the final decision emphasize that any system must be constructed through private means and that no federal subsidies are intended to be provided. The decision should also emphasize that the action does not constitute federal approval of the many specific actions that must follow, such as grants of rights-of-way, permits, licenses, etc. We believe that the following recommendations should be incorporated in any Presidential decision approving any particular system.

First, the report to Congress should state clearly that decisions on specific facility sites, pipeline alignments and mitigating conditions will require additional environmental reviews, some of which we have described in this report. These analyses should be carried out expeditiously under CEQ's new NEPA regulations.

Second, the statute specifically provides that in the President's report to Congress, or in additional proposals to Congress, waivers of Federal law may be recommended where such waivers are appropriate. Because no crude oil supply deficits are predicted prior to 1985, and because there may well be no need for a new transportation system before 2000, we recommend that no waivers of Federal law be proposed or granted.

Third, the report should call for the creation of a Federal management entity with authority and responsibility like that of the Office of Federal Inspector, which was established for the Northwest Alaskan Gas Pipeline to oversee its design and construction. This office could also assist agencies in ensuring adequate and expeditious completion of all necessary environmental reviews.

Fourth, the selected system should be required to be designed and constructed to provide direct pipeline crude oil deliveries to the Northern Puget Sound refineries in Washington State. This hookup would virtually eliminate hazardous crude oil tanker traffic to these refineries. This reduction in tanker traffic would be assured if, after system construction, the Coast Guard amended its Puget Sound Tanker Vessel Operating Regulations to forbid tanker service to these refineries, which the Coast Guard can do under existing statutory authority.

Our ranking of the most desirable alternative proposals, based on environmental acceptability, are presented below in order of priority.

1. The all-pipeline Northwest Energy Corporation system, which would originate at Delta Junction, Alaska, would, we believe, clearly be the least environmentally disruptive.
2. The Trans-Mountain terminal system and pipeline corridor, modified to require a hook-up to the Puget Sound refineries.
3. Northern Tier Pipeline Company proposal, modified to require the Olympic Peninsula marine terminal to be located at Low Point and a hook-up to the Puget Sound refineries.

## Appendix

System Description

## Northern Tier Pipeline Company:

- Fixed berth marine terminal on Ediz Hook at Port Angeles, Washington with two berths capable of mooring tankers in the size range between 80,000 deadweight tons (DWT) and 300,000 DWT.
- Storage facilities at Green Point, Washington (seven miles East of Ediz Hook) with an initial capacity of six million barrels.
- Initial throughput capacity of 709,000 barrels per day (BPD).
- 1,491 mile pipeline (42" and 40" diameter) running due East to Clearbrook, Minnesota.
- Capital cost: \$1.23 billion.

## Northwest Energy Company: (As modified 20 August 1979)

- 1,505 mile pipeline (34" diameter) departing from the Alyeska Pipeline right-of-way at Delta Junction Alaska, following the right-of-way of the Northwest Alaskan Gasline for most of its route to Edmonton, Alberta where the system would connect to the Inter-Provincial Pipeline System.
- 1 million barrels of crude oil storage at Delta Junction.
- Initial throughput capacity of 500,000 BPD.
- Capital cost: \$1.66 billion (applicant estimate).

## Northwest Energy Company: (Original Proposal)

- 1 fixed berth at Skagway, Alaska capable of mooring tankers up to 225,000 DWT.
- 1,091 mile pipeline (largely 30" diameter) following route of White Pass-Yukon Railroad to Whitehorse and right-of-way of Northwest Alaskan Gasline to Edmonton.
- 4 million barrels of crude oil storage at Skagway.
- Capital cost: \$1.187 billion.

## Trans-Mountain Pipeline Company:

- Two single point mooring buoys at Low Point, Washington capable of mooring tankers up to 200,000 DWT.
- 4 million barrel crude oil storage facility at Low Point.
- 823 miles of 30" pipeline over largely existing right-of-way, to Edmonton, Alberta.
- Initial throughput capacity of 500,000 BPD.
- Capital cost: \$525 million.

## Kitimat Pipeline Company:

- One floating berth at Kitimat, British Columbia capable of mooring tankers up to 225,000 DWT.
- 3 million barrel crude oil storage facility at Kitimat.
- 761 mile pipeline, 36" diameter, to Edmonton.
- Initial throughput capacity 500,000 BPD.
- Capital cost: \$850 million.





# United States Department of the Interior

OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20240

**OCT 15 1979**

The President  
The White House  
Washington, D.C. 20500

Dear Mr. President:

I am writing you concerning the decision you are to make on proposals for a west to east crude oil transportation system under Title V of the Public Utility and Regulatory Policy Act of 1978 (Public Law 95-617).

## I. The Public Utility and Regulatory Policy Act of 1978 (PURPA).

Title V of PURPA provides for the submission of proposals for the construction of a west to east crude oil transportation system. It directs the Secretary of the Interior, after consultation with heads of appropriate Federal agencies, to establish an expedited schedule for conducting reviews and making recommendations concerning the submitted proposals. It requires that the Interior Secretary secure recommendations from other Federal agencies and comments from State and local governments and the general public. He is then directed to prepare a report containing those recommendations and comments, together with his own recommendations, and submit it to the President. The President is to issue his decision concerning the proposals within 45 days after receipt of the report, or within 60 days thereafter if he determines, and so notifies the Congress, that additional time is necessary.

The expedited schedule which I established requires the submission of the report to you on October 15. A draft report was prepared and circulated to other Federal agencies, State and local governments, and the public. Federal agency recommendations were submitted in August; State and local government and public comments were received in September. The draft report was revised on the basis of the recommendations and comments. The revised report—"Report to the President: West to East Crude Oil Transportation Systems"—is attached to this letter. It contains a discussion of the proposed systems under each of the 16 criteria set forth in section 507(b) of PURPA for you to consider in your decision, the texts of the Federal agency recommendations, and summaries of State and local government and public comments. My recommendations are presented in Part IV of this letter; brief summaries of the recommendations of the other Federal agencies appear in part III of this letter.

In accordance with section 506 of PURPA, the Department has also prepared a final environmental impact statement (attached) on the proposed crude oil transportation systems. Comments were solicited on the statement, and these comments are summarized in Part VI, of the "Report to the President".

Three other reports concerning the proposed systems are being prepared and are expected to be furnished to you in the near future. The Council on Environmental Quality, pursuant to section 506 of PURPA, will submit to you a report on the Council's opinion concerning the environmental impact statement and other matters relating to the environmental impacts of the proposals. In accordance with section 505(d) of PURPA, the Federal Trade Commission is preparing a report on the impact of the proposed systems upon competition and restraint of trade. Lastly, the Department of Energy will issue their final version of a draft report released in February entitled "Petroleum Supply Alternatives for the Northern Tier and Inland States Through the Year 2000". All of these documents should be helpful to you.

## II. Proposed West to East Crude Oil Transportation Systems.

Set forth below are brief summaries of the four proposals received under Title V of PURPA for a west to east crude oil transportation system. Also summarized are system design changes proposed by two of the applicants. Although these design changes were proposed after completion of the environmental impact statement and submission of Federal agency recommendations, they could be considered by you in accordance with section 507(a) of PURPA which provides that a "decision approving a crude oil transportation system may include such modifications and alterations in such system as the President finds appropriate".

Northern Tier Pipeline Company—Marine terminal at Port Angeles, Washington; 1491 miles of new pipeline; terminus at Clearbrook, Minnesota; initial throughput, 709,000 barrels per day (B/D); expansion throughput capability, 933,000 B/D; estimated initial construction cost, \$1.23 billion (1979 U.S.) ; estimated construction time, 2 years.

Northwest Energy Company--(1) Original marine terminal proposal. Marine terminal at Skagway, Alaska; 710 miles of new pipeline to Keg River, Alberta, Canada, with connection to 312 miles of existing pipeline from Keg River to Edmonton, Alberta, Canada; initial throughput, 500,000 B/D; expansion throughput capability, 750,000 B/D; estimated initial construction cost, \$919 million (1979 U.S.); estimated construction time, 2 years.

(2) All-land route change (proposed August 20, 1979). Trans-Alaska Pipeline connection at Delta Junction, Alaska; 1509 miles of new pipeline; terminus at Edmonton, Alberta, Canada; initial throughput, Alaska North Slope crude oil only at 500,000 B/D; no expanded throughput planned; estimated construction cost, \$1.66 billion (1978 U.S.); estimated construction time, 2 years.

Trans Mountain Oil Pipeline Corporation--(1) Original proposal. Marine terminal at Low Point, Washington; 148 miles of new pipeline in U.S.; 573 miles of new pipeline and 102 miles of existing pipeline to terminus at Edmonton, Alberta, Canada; initial throughput, 500,000 B/D; expansion throughput capability, 630,000 B/D; estimated initial construction cost, \$525 million (1979 U.S.); estimated construction time, 2 years.

(2) Voluntary hook-up change (proposed September 26, 1979). Increase mainline pipe diameter from 30" to 36" and increase storage facilities at Low Point and Burlington to deliver 300,000 B/D to Puget Sound refineries (the remaining 500,000 B/D would continue to Edmonton) in a voluntary hook-up system that would bring tankers no farther east into the Strait of Juan de Fuca than Low Point, Washington. Additional cost, \$49.5 million (1979 U.S.).

Kitimat Pipe Line, Ltd.—Marine terminal at Kitimat, British Columbia, Canada; 761 miles of new pipeline to terminus at Edmonton, Alberta, Canada; initial throughput, 500,000 B/D; no expanded throughput planned; estimated construction cost, \$850 million (1979 U.S.); estimated construction time, 2 years.

### III. Federal Agency Recommendations.

Summarized below are the Federal agency recommendations on the four proposed west to east crude oil transportation systems as originally submitted under Title V of PURPA.

Department of Agriculture--Agriculture stresses the need for an uninterrupted fuel supply to the agricultural states and, in particular, to markets of the northern tier states, and strongly favors the Northern Tier proposal on the basis of greatest net national economic benefits at full throughput, national security considerations, lack of need for international negotiations, and dependable early construction completion. (These factors and factors discussed in the other agency recommendations correspond to various of the criteria contained in section 507(b) of PURPA. These criteria are discussed in the attached "Report to the President" and that discussion, as contained in the draft version of the report, was relied on by most of the agencies in making their recommendations.) Advantages are also perceived in the other proposals. The three trans-Canada routes may be able to ship crude oil to Minnesota and Illinois at a lower cost, and, if the west-to-east route is not used to capacity, the "cost of being wrong" in the form of higher tariffs would be incrementally higher for Northern Tier than for the other routes. In addition, Northern Tier would require about 160 permits as compared to no more than a dozen for the three other proposals. Trans-Mountain is ranked second; Kitimat, third; and, the Northwest Energy marine terminal proposal, last.

Department of Commerce--Commerce predicts a strong likelihood that significant demand for a west-to-east crude oil transportation system will persist for the foreseeable future and recommends that one be approved to provide flexibility in the national petroleum distribution system. The Trans-Mountain proposal is ranked first in desirability on the basis of cost-per-barrel and the net national economic benefits of a project with moderate throughput volumes. Northern Tier is ranked second on the basis of its all-U.S. routing, dependable construction period, and safer marine transportation routing than the Kitimat and Northwest Energy proposals. Kitimat is ranked third in desirability on the basis of economic considerations and net national economic benefits. The Northwest Energy marine terminal proposal is ranked last due to delivery costs that are consistently computed among the highest and net national economic benefits that are consistently estimated among the lowest.

Department of Defense--Defense recommends approval of the Northwest Energy marine terminal proposal. Northern Tier receives a second ranking; Kitimat, third; and, Trans-Mountain, last. All rankings are based only on national security considerations, with all other criteria being considered by Defense to be beyond its expertise and jurisdiction.

Department of Energy--Energy states that construction of a west to east crude oil transportation system has been delayed far too long through well-intentioned regulatory requirements, and recommends immediate approval and permitting of the Northern Tier proposal as the one least likely to experience delay through construction problems or international negotiations. The Trans Mountain and Kitimat proposals are considered attractive alternatives because of the low capital costs, low transportation charges, and short construction periods. The Northwest Energy marine terminal proposal is considered unattractive and non-competitive due to high capital and operating costs. Energy also argues that Canadian authorities must act by November 15, 1979, on permits for the three trans-Canada proposals for any of them to be selected within U.S. time requirements, and to allow system sponsors to arrange financing. Energy urges that actions designed to test the financing of the Northern Tier proposal and bring it to the construction stage be undertaken as soon as possible.

Environmental Protection Agency--EPA recommends as most environmentally acceptable an all-land route from the Trans-Alaska pipeline to Edmonton, Canada, paralleling the Alaska highway and the proposed Natural Gas Transportation System (identical to the Northwest Energy all-land route proposal submitted subsequent to EPA's recommendations). Of the submitted proposals, EPA considers the Northwest Energy marine terminal and Kitimat proposals to be environmentally unacceptable. It recommends the Trans-Mountain proposal as the most desirable of the submitted proposals on the basis of environmental and economic considerations, stating that none of the other section 507(b) criteria favor Northern Tier so strongly as to override these considerations. EPA also recommends that the marine terminal for Northern Tier be located at Low Point, Washington, rather than at Port Angeles, and that Northern Tier and Trans-Mountain, be required to hook-up with all Puget Sound refineries. (The Trans-Mountain voluntary hook-up proposed change was submitted subsequent to EPA's recommendations.)

Department of Justice--Justice does not make recommendations on any specific system, but addresses and outlines additional criteria it considers necessary for determining the antitrust aspects of the proposals. It states that primary consideration should be given to a system's ability to exercise control over price and product supply in the commercial transportation of crude oil. Justice also notes that two of the proposals--Kitimat and Trans Mountain--have large, vertically integrated oil companies as partial sponsors, and that an informal agreement may exist between the sponsors of these two proposals whereby the sponsors of one would join the sponsor of the other if either is approved. Another question raised by Justice is the necessity for further investigation into possible relationships between the sponsors of the proposed trans-Canada projects and the owners of the Interprovincial Pipeline System, which includes integrated oil companies within its ownership. Justice also suggests further information be provided concerning the impacts of Canadian regulatory policies on monopoly power and pipeline operations.

Department of State-- State recommends expediting market review and permitting procedures on the Northern Tier proposal in order to determine the financial viability of the project. State also recommends that the possibility of a trans-Canada system be kept open provided that proper review procedures are undertaken by the Canadian Government.

Department of Transportation--Based on transportation costs, Transportation ranks the Trans Mountain proposal as most desirable; Kitimat, second; Northern Tier, third; and, the Northwest Energy marine terminal proposal, last. Transportation urges selection of a competitive, safe, and efficient system, while recommending that alternate solutions be considered, such as increased oil production in the northern tier states.

Federal Energy Regulatory Commission--FERC makes no independent analysis of the need for a west to east crude oil transportation system, nor does it perform any independent assessment of the relative merits of the four competing proposals. It reports that it is not, at this time, able to provide supplemental information. FERC also states that information in the draft Report to the President leaves considerable doubt about the construction of additional pipeline facilities; but FERC does not assess the data provided in the report.

#### IV. Department of the Interior Recommendations.

The basic purpose of Title V is to confer on an applicant a series of special procedures designed to expedite the Government's regulatory function in regard to the siting, construction, and operation of a west to east crude oil transportation system. The procedures include: section 508 which provides for waiver of Federal laws, if such waiver is in the national interest; section 509 which provides for expedited permitting procedures; section 510 which addresses negotiations with Canada; and section 511 which sets limitations on judicial review. The ultimate question asked by Title V is ". . . which, if any, of such systems shall be approved for the purposes . . . of Sections 508, 509, 510, and 511."

In other words, a proposal or proposals, if any, selected by you under the provisions of Title V would be favored with a series of procedural and substantive advantages designed to make its ultimate construction and operation easier to attain, particularly from the perspective of necessary governmental functions.

I stress this basic purpose of Title V because some of the comments in past weeks and most of the reporting on the selection process appear to be premised on the belief that your decision in accordance with section 507 of Title V is a final route selection decision. Section 507 of Title V does not, and in my view cannot, provide for a final selection of a route because of factors which are external to the Title V process or overall governmental processes and which will determine the final result. I view the ability of a proposal to obtain private financing as the ultimate test of a system's viability. The proper role of government in this decision is to ensure that public concerns are accounted for, principally proper avoidance or mitigation of environmental and socioeconomic impacts, protection of the nation's security, and maintenance of reasonably competitive markets. Beyond these clear functions, government should be very cautious about the adequacy of its information, expertise, and public support for selecting projects on the basis of privately-incurred costs and benefits. Those decisions and the risks associated with them are better made by the private market.

Reliance on the expertise of the private markets to determine the viability of any proposed west to east crude oil transportation system is particularly appropriate because of the high degree of uncertainty in the basic economic indicators which would be employed in any decision on the proposals. The uncertainty is introduced into the calculations of these economic indicators through a number of sources, including: (1) estimates of future crude oil prices; (2) estimates of future crude oil demand; (3) estimates of future domestic finds and production in Alaska, California, the Overthrust Belt, and Williston Basin; (4) the future levels and sources of crude oil imports; and (5) the ambiguity of future tariff computations.

There is no doubt that shortfalls will be occurring in the northern tier states. It is difficult, however, to assess with any degree of confidence how significant in size these deficits will be and what future sources of supply will yield and where they will be found. A recent letter to me from Senator Henry M. Jackson, Chairman of the Senate Energy and Natural Resources Committee, which discusses the marketing of West Coast surpluses of Alaska's North Slope (ANS) crude oil, exemplifies the uncertainty in the economic information available to the Government. A survey of West Coast refineries made by Committee staff shows that more ANS crude oil is being absorbed by these refineries than was expected. Further, West Coast refineries have indicated a willingness to purchase more ANS crude oil; but North Slope producers appear to be unwilling to give up a guaranteed supply of the crude oil for their own refinery needs on the Gulf Coast. Each barrel of ANS crude oil delivered to the West Coast means that the producer will have to purchase a barrel of imported oil at higher costs. If the survey results are correct, Senator Jackson questions the availability of ANS crude oil for transit through a west to east crude oil pipeline. No matter which proposal, if any, you select, its economic viability may depend on the willingness of ANS and other crude oil owners to sell their product to customers of the proposed pipeline.

The question raised by Senator Jackson is indicative of the numerous economic issues pertaining to a west to east crude oil transportation system. Additional review and analysis by the Government at this time will likely be unproductive in providing answers to these economic uncertainties. Once the public concerns related to each proposed transportation system are addressed, the Government should turn to the private sector and allow the market place to decide whether or not a major west to east crude oil transportation system will be constructed.

As a result of my analysis of the four proposed systems, I recommend that the Northern Tier proposal be approved for the purpose of Sections 508, 509, 510 , and 511 of Title V. This would allow Northern Tier the opportunity to seek financial backing and throughput agreements. If Northern Tier is not able to obtain adequate financial support within a reasonable period of time, the special procedures designated under Title V should be revoked, and Trans-Mountain should be given an opportunity to take advantage of those procedures and secure financing. I suggest a year from your decision as the deadline date for Northern Tier to make a showing of financial viability.

The proposals of Northern Tier and Trans Mountain are more attractive than those of Kitimat and Northwest Energy from the standpoint of the Government's major considerations. The Kitimat proposal is deemed environmentally unacceptable by the Environmental Protection Agency. Furthermore, it appears to be environmentally unacceptable to the Government of Canada which views a West Coast port in British Columbia as undesirable. The proposal was reviewed by the Canadian National Energy Board (NEB) several years ago and the NEB concluded that the oil port was unacceptable due to the high level of navigation and the oil spill risk associated with the approach to Kitimat through Douglas Channel. Kitimat has encountered such negative reaction in Canada that it has been deterred from processing its application before the NEB, thus making any U.S. decision for Kitimat subject to lengthy delays in Canadian permitting. The Justice Department evaluated the proposal as posing the most serious question from a competitive viewpoint. The entire project would be constructed in Canada, thus providing little or no employment, materials purchase, or tax benefits. No U.S. jurisdiction removes any U.S. leverage; for example, there would be no Federal review or control of tariffs even if American companies owned the crude oil being transported to U.S. markets. Finally, the Defense Department rated the Kitimat proposal lower from a national security standpoint than the Northern Tier proposal.

Likewise, it is my judgment that the proposals of Northwest Energy do not warrant further consideration at this time. The potential environmental impacts of the original marine terminal proposal, particularly the impacts on marine resources and Glacier Bay National Monument, make it unacceptable. Because the subsequent all-land route proposal relies entirely on Alaskan production for its throughput, it offers no flexibility to receive oil from other sources. Therefore, absent a major discovery in Alaska, I am led to believe that this line would not be constructed in the near

future. It could not deliver to the Northern Tier refineries sweet crude oil which could substitute for the reduced supply of the Canadian sweet crude oil and which is needed to mix with the Alaska sour crude oil. The all-land route proposal was received late in the Title V process; consequently, it has not undergone intensive Federal agency review and analysis. The capital costs are the highest of any proposed system, as are projected tariffs. If favorable treatment in regard to tariff rates paid on the Trans-Alaska Pipeline could be obtained, tariffs would be attractive. Under present arrangements, however, only intrastate shipment of Alaskan oil can benefit from a prorated tariff structure. All oil shipped out of the state is charged the full rate for the entire length of the pipeline, regardless of where oil leaves the facility. Since the majority of the line would be constructed in Canada, it would provide minimal U.S. employment during both construction and operation.

The Northern Tier proposal is the most appealing for a number of reasons. Its routing provides a transportation system to move Alaskan and foreign crude oil to refineries in the northern tier states which are in need of refinery stock. The line would also have the capability of moving oil from indigenous Northern Tier sources, and recent events indicate that the Williston Basin and the Overthrust Belt are promising future sources of crude oil supply. Since the line is located entirely within the United States, it would provide the greatest number of employment opportunities for Americans during construction and operation. The line would also significantly enhance the tax base of local governments. It yields the highest net national economic benefits at full throughput, and these benefits would be largely internal to the United States. The permitting process is exclusively within our Federal and State jurisdictions, thereby minimizing risk of potential delay resulting from obtaining approval from the Canadian government. The system's location within United States borders is an additional advantage from a national security standpoint. The Northern Tier proposal is in the most advanced stage of any proposals. The southern routing of the line also takes advantage of climatic conditions which favor shorter construction time frames. If the proposal were to receive financial backing, it might be operational sooner than any of the other proposals.

I strongly recommend that you condition the approval of the Northern Tier proposal on two system modifications. First, the four major Puget Sound refineries should be required to connect directly to the pipeline. This measure would reduce environmental hazards to valuable American

and Canadian marine resources by virtually eliminating crude oil tanker traffic in the Sound east of the port facility. Second, the port facility at Port Angeles should be relocated to some point west of Port Angeles. Port Angeles is within 20 miles of what has been identified as the first and third most important geoduck clam beds in Washington, major salmon migration routes, a major hauling and feeding area for numerous marine mammals, and a major commercial and sports fishery. Comments on the final environmental impact statement have highlighted the fact that additional oil spill data available after the document's publication make the data in the statement obsolete. Recent data from the National Oceanic and Atmospheric Administration indicate that oil spills could have a greater impact on Puget Sound than stated in the final environmental impact statement. As risk analysis studies completed by the Oceanographic Institute of Washington show that any oil spills would move eastward, the impacts are reduced as the port is located in a more westerly location. New data from the U.S. Geological Survey also show that lateral movement of water along the shoreline east of Port Angeles could be critical in maintaining the Dungeness Spit and that construction of pipelines to the onshore storage area could adversely affect that water movement. Furthermore, a major tank rupture would spill oil into the bay and have major impacts on the Spit. The Dungeness National Wildlife Refuge is inside the Spit. Human exposure to risk of tanker fires or explosion would also be minimized by moving the port from the proximity of a population center. A more western location for the terminal would also reduce impacts on the air quality of Olympic National Park. It is my recommendation that the decision on the proper site for the Northern Tier port facility west of Port Angeles should be made by the Washington State Energy Facility Site Evaluation Council.

If the Northern Tier Pipeline Company is unable to obtain financing, the Trans-Mountain proposal offers an attractive alternative. The project is smaller in scope as a result of shorter length, the use of existing pipeline with excess capacity, and smaller throughput capability. Reduced capital costs could make the project appealing to the financial community if market forces should determine that the Northern Tier project is not feasible. Trans-Mountain's routing requires only 94 miles of new right-of-way in the United States and no new right-of-way in Canada. The proposed system does not cross any public lands; consequently, it requires the smallest number of United States permits. The proposal is environmentally preferable to Northern Tier's since there would be less temporary or permanent disruption of existing land uses, water bodies, and wildlife habitat.

Trans-Mountain submitted a revised proposal on October 5, 1979, which specifies voluntary hook-up with Puget Sound refineries. If the Trans-Mountain proposal is eventually approved for purposes of Title V, I recommend that you condition the approval of the system on mandatory hook-up of the refineries. Although the Environmental Protection Agency believes the Trans-Mountain's proposed port facility at Low Point to be an environmentally favorable site, the location of the facility should be further evaluated by the Washington State Energy Site Evaluation Council.

Both the hook-up and port location further enhance the environmental attributes of Trans-Mountain. Should the port relocation and refinery hook-up system changes I have recommended for the Northern Tier proposal not be required, substantial additional environmental advantages would accrue to the Trans-Mountain proposal.

Of course Trans-Mountain does not share in any of the several, significant advantages associated with the location of the Northern Tier pipeline as 82 percent of Trans-Mountain's line is located in Canada.

#### V. Conclusion

I fully expect that, if you decide to approve any proposal under Title V, the Department of the Interior will continue to exercise the lead responsibility on a west to east crude oil transportation system. Of immediate concern is Section 509 of PURPA which requires all Federal agencies to expedite all actions necessary to determine whether to issue, and to issue, Federal permits pertaining to the system. We are prepared to assist you in devising a mechanism which will ensure timely implementation of this provision.

I hope that my recommendations, along with those of other Federal agencies and the comments received from State and local governments and the public, will be helpful to you as you move toward a decision on this important energy initiative.

Respectfully,

  
THE SECRETARY

Attachments





THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

DEC 13 1979

MEMORANDUM FOR THE PRESIDENT  
Attention: Mr. Rick Hutcheson, Staff Secretary  
FROM: Neil Goldschmidt *NG*  
SUBJECT: Northern Tier Pipeline

Title V of The Public Utility and Regulatory Policy Act of 1978 directs the Secretary of the Interior to make recommendations for expediting government actions on proposals for construction of west-to-east oil transportation systems, and invites comment specifically from the Secretaries of Energy and Transportation.

On October 15, 1979, Secretary Andrus submitted to you his recommendation that the Northern Tier pipeline proposal be approved for such expedited action. Secretary Andrus proposes that the special procedures be authorized to Northern Tier for one year, to give the company opportunity to obtain the financial backing necessary to proceed. If Northern Tier is unable to obtain such backing during the coming year, he recommends that the special procedures be revoked and reassigned to the Trans Mountain pipeline proposal.

I concur in these recommendations.

Considerations of transport economics, which it is this Department's responsibility to assert, argue that those whose money will be ventured are best placed to judge the economic feasibility of alternative investments. Secretary Andrus' recommendation preserves this test after subjecting it to proper considerations of public interest. The Northern Tier and Trans Mountain are both acceptable proposals; they have various competing advantages and drawbacks, which can be weighed by those

who seek investment opportunities. For public policy reasons Northern Tier is given the temporary advantage of expedited Federal procedures. Even so, I would reiterate and associate myself with Secretary Andrus' underscored premise: "I view the ability of a proposal to obtain private financing as the ultimate test of a system's viability."

Should you choose to accept Secretary Andrus' recommendations, I urge you to explicitly reaffirm this premise as well.

Because of my Coast Guard responsibilities there are several points I would like to make regarding terminal siting at the Western end of the pipeline. First, the Coast Guard is the responsible agency within the Federal Government for insuring the safe navigation of vessels in coastal waters, and particularly for oil tanker safety and the prevention, containment, and cleanup of oil spills in coastal waters. The Coast Guard has reviewed the alternative terminal sites within Puget Sound in terms of vessel safety, public safety, risk of oil spillage, potential damage from such spillage and ease of containment and cleanup. They advise me that neither likely site--Low Point or Port Angeles--has a clear and unanswered advantage over the other; and that measures to mitigate the drawbacks of either are readily available. Therefore, with regard to the safety aspects, I offer you no recommendation on terminal siting, but a Departmental commitment to provide for safe operations at either.

Second, the Coast Guard maintains an air rescue station on the peninsula at Port Angeles. Rescue helicopters have the benefit of water level access to this facility. Such access is especially important during the winter, when seasonal rain and fog might close off a station away from the water and at higher elevation.

Locating the oil terminal on the peninsula as proposed would require relocation of this facility. Costs of such a move can be the subject of negotiation with the Northern Tier Pipeline Company, but it will be essential to find at least an emergency landing area proximate to the water if the present station site is surrendered. Until such a location is found, I will reserve my unqualified endorsement of locating the western terminus of the pipeline at Port Angeles.

Otherwise, I look forward to continuing this Department's work on this important transportation issue, subject to the lead responsibility exercised by the Department of the Interior. I hope my comments will be useful to you as you proceed to your decision.

ID 794686

T H E W H I T E H O U S E

WASHINGTON

DATE: 25 OCT 79

FOR ACTION: STU EIZENSTAT

FRANK MOORE

JACK WATSON

JIM MCINTYRE

INFO ONLY: THE VICE PRESIDENT

LLOYD CUTLER

AL MCDONALD

JODY POWELL

SARAH WEDDINGTON

SUBJECT: SPETH MEMO RE REPORT ON CRUDE OIL TRANSPORTATION SYSTEMS

+++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: +

+++++

ACTION REQUESTED: SUBMIT COMMENTS ON SPETH/ANDRUS MEMOS AT SAME TIME

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON ENVIRONMENTAL QUALITY  
722 JACKSON PLACE, N. W.  
WASHINGTON, D. C. 20006

October 24, 1979

MEMORANDUM FOR RICK HUTCHESON

FROM: Ed Strohbehn

SUBJECT: West-East Crude Oil Transportation System

Attached are 10 copies of our report to the President on the West-East Crude Oil Transportation System so that you can circulate it to the 10 people to whom Secretary Andrus' report on the same issue was circulated on October 16, 1979. The response time for both reports should be the same.

Attachments

4686

ID 794516

THE WHITE HOUSE  
WASHINGTON

*10/18*  
*12 noon*  
*no deadline*  
*(per Ed 10/18)*

DATE: 16 OCT 79

FOR ACTION: STU EIZENSTAT

FRANK MOORE

JACK WATSON

JIM MCINTYRE

GUS SPETH

INFO ONLY: THE VICE PRESIDENT

LLOYD CUTLER

AL MCDONALD

JODY POWELL

SARAH WEDDINGTON

SUBJECT: ANDRUS MEMO RE WEST EAST CRUDE OIL TRANSPORTATION SYSTEM

+++++  
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +  
+ BY: 1200 PM THURSDAY 18 OCT 79 +  
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON ENVIRONMENTAL QUALITY  
722 JACKSON PLACE N.W.  
WASHINGTON D.C. 20006

October 22, 1979

MEMORANDUM FOR ~~FOR~~ BILL SIMON

FROM: Ed Strohbehn

SUBJECT: West-East Crude Oil Transportation System

On October 16, 1979, your office circulated to several EOP officials for comment Secretary Andrus' letter to the President on the West-East Crude Oil Transportation System. Secretary Andrus' submission is required by statute. A copy of your memorandum is attached.

On October 17, we submitted to the President our report on the West-East Crude Oil Transportation System (a copy is attached); our report, like Andrus', is required by statute.

Because the President need not make a decision on the issue for at least 45 days, R.D. Folsom, who is staffing the issue for DPS, asked that you change the response time on your memorandum.

We would appreciate your circulating our report to the President to the same people that you circulated Andrus' letter and noting on the circulation memorandum that comments on both reports should be submitted at the same time.

Attachments

f

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON ENVIRONMENTAL QUALITY  
722 JACKSON PLACE, N. W.  
WASHINGTON, D. C. 20006

October 22, 1979

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Attachments

ID 794516

T H E W H I T E H O U S E

WASHINGTON

DATE: 16 OCT 79

FOR ACTION: STU EIZENSTAT

FRANK MOORE

JACK WATSON

JIM MCINTYRE

GUS SPETH

INFO ONLY: THE VICE PRESIDENT

LLOYD CUTLER

AL MCDONALD

JODY POWELL

SARAH WEDDINGTON

SUBJECT: ANDRUS MEMO RE WEST EAST CRUDE OIL TRANSPORTATION SYSTEM

++++  
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +  
+ BY: 1200 PM THURSDAY 18 OCT 79 +  
++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

ID 795718

THE WHITE HOUSE  
WASHINGTON

DATE: 14 DEC 79

FOR ACTION: STU EIZENSTAT

FRANK MOORE

JACK WATSON

JIM MCINTYRE

GUS SPETH

INFO ONLY: THE VICE PRESIDENT

LLOYD CUTLER

AL MCDONALD

JODY POWELL

SARAH WEDDINGTON

SUBJECT: GOLDSCHMIDT MEMO RE NORTHERN TIER PIPELINE

SUBMIT COMMENTS ON SPETH/ANDRUS/GOLDSCHMIDT MEMOS AT SAME TIME

+++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: +

+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

*NO COMMENT  
you Sally Phillips*

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON ENVIRONMENTAL QUALITY  
722 JACKSON PLACE, N. W.  
WASHINGTON, D. C. 20006

October 16, 1979

LETTER OF TRANSMITTAL

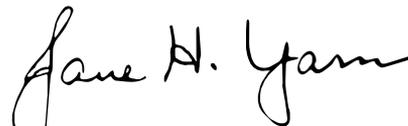
THE PRESIDENT:

Sir: The Council on Environmental Quality is pleased to submit its Report on Crude Oil Transportation Systems for the Northern Tier, in accordance with Section 506 of the Public Utility Regulatory Policies Act of 1978.

Respectfully,



Gus Speth  
Chairman



Jane H. Yarn  
Council Member

REPORT TO THE PRESIDENT  
ON  
CRUDE OIL TRANSPORTATION SYSTEMS  
FOR THE NORTHERN TIER  
BY THE  
COUNCIL ON ENVIRONMENTAL QUALITY  
OCTOBER 1979

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## BACKGROUND

Early in 1974 the Canadian government announced a plan gradually to reduce Canada's net exports of crude oil, particularly the low gravity, low sulphur crude oil produced in Alberta. A large proportion of these exports went to refineries in the Northern Tier region of the United States (Washington, Idaho, Montana, North Dakota, Minnesota, and Wisconsin).

Canadian exports to the United States totalled 1,109,000 barrels per day (BPD) at their peak in 1973. Since then they have been reduced to 285,000 BPD in 1977 and are scheduled to drop to approximately 100,000 BPD by November 1, 1979. Northern Tier refineries have responded to these reductions in different ways. Refineries in Washington State, which serve Washington, Oregon, and Idaho, shifted to offshore (foreign) crudes of similar chemical composition. When the Alyeska Pipeline from Prudhoe Bay to Valdez began pumping, one refinery on Puget Sound began processing Alaskan North Slope (Alaskan) crude, which it was specifically designed to use. Other refineries in Washington, with one exception, have either completed "sour crude revamps" to be able to process Alaskan crude (which is heavier and contains more sulphur than Alberta crude) or are planning such "revamps" in the near future. Refineries elsewhere along the Northern Tier either substituted offshore crudes imported through Mid-Continent pipelines or have arranged exchanges of domestic and offshore crudes in order to obtain a continued supply of Canadian oil. However, it appears that a new West to East crude oil transportation system might provide oil supplies at lower transportation costs.

A surplus of Alaskan crude exists on the West Coast of approximately 400,000 barrels per day. This crude is currently shipped to Gulf Coast, and Caribbean refineries through the Panama Canal.

Consequently, a number of firms proposed to construct and operate new crude oil transportation systems to supply Northern Tier refineries with Alaskan crude and offshore crudes from a West Coast marine oil terminal. These proposed alternative transportation systems are summarized in the Appendix.

## THE STATUTE

In October 1978 Congress enacted the Public Utility Regulatory Policies Act of 1978 (PURPA), Public Law 95-617. Title V of that statute provided for the expedited selection of "delivery systems to transport Alaskan and other crude oil to northern tier States and inland States," and to resolve the Alaskan crude oil surplus on the West Coast (Section 502). Applications for crude oil transportation systems must be considered under this statute and the President is required to decide which of the proposed systems shall be approved. The President's decision regarding a crude oil transportation system under this statute "may include such modifications and alterations in such system as the President finds appropriate." The Act specifies 15 criteria which must be addressed by the President's decision, among which is the "environmental impacts of the proposed systems and the capability of such systems to minimize environmental risks resulting from transportation of crude oil." (Section 507.)

The Act further requires the expeditious preparation of an environmental impact statement on the proposed systems and submittal of the statement to the President and the Council on Environmental Quality. After receiving the impact statement the Council is to report promptly to the President "on the Council's opinion concerning such statement and concerning other matters related to the environmental impact" of the proposed systems (Public Law 95-615, Section 506).

## THIS REPORT

This report is submitted pursuant to the specific requirements of PURPA and the Council's general duty to advise the President on policies to achieve the goals of the National Environmental Policy Act. It presents the Council's views on the environmental impact statement and on the major environmental issues to be considered. In conclusion, the report offers recommendations regarding the required Presidential decision and presents rankings of alternative proposals based on their environmental acceptability.

## THE DECISION

The statute requires the President to decide which, if any, of the proposed systems--either as proposed or as modified or altered by the President--shall be approved, and to describe the "nature and route" of the "transportation systems, if any, which are approved in the decision." (Public Law 95-617, section 507). Thus the decision that is before the President at this time is the preliminary one of what system, if any, best fits the nation's needs and what general corridor the pipeline should follow. The Act does not require that any system be approved or that only one system be approved. If several are acceptable, each can be approved after appropriate consideration has been given to the criteria specified in Section 507(b), but the approval of one or more systems does not imply government subsidy or support for such systems. If the President determines that there is no need for a West-to-East crude oil pipeline, he may disapprove all of the proposed systems.

## THE FINAL ENVIRONMENTAL IMPACT STATEMENT

The Council considered the Final Environmental Impact Statement (EIS) within the context of the limited decision to be made at this time. We also recognized the limits placed on the EIS team of the Bureau of Land Management by the short schedule required to meet the review and decision deadlines established under Title V of Public Law 95-617. We believe that the nature of the pending decision does not require the kind of site-specific analysis within the final EIS that would be required if Federal agencies had to reach final decisions at this time on system design, pipeline alignments within corridors, port locations, facility sites, rights-of-way and other similar decisions.

With this criterion in mind, the Council believes that the final EIS, when read in conjunction with other reports and studies on issues related to the decision, provides an adequate basis for making a reasonably well-informed choice among the competing systems. We do believe that the final EIS could have sharpened the issues and compared the impacts of alternatives more clearly and in a substantially shorter document, as our new NEPA regulations require. This final EIS was, however, prepared before the effective date of our regulations.

The Council recognizes that there are significant gaps and omissions in the analyses contained in the final FIS. Nevertheless, previous impact statements on the Alaska Gas Pipeline and other readily available documents address most of these matters. Moreover, further detailed environmental review, within the framework of the National Environmental Policy Act, will be necessary and can be expeditiously completed before final Federal decisions are made on facility sites, pipeline rights-of-way, licenses, permits, and similar federal actions. We identify many of the major actions needing additional environmental analyses in the discussion below.

#### ENVIRONMENTAL ISSUES RELATED TO THE DECISION

##### Pipeline Capacity

We believe that the selection of any system should be based on an accurate estimate of the crude oil deficit likely to occur in the Northern Tier States during the next 20 years. Construction of an unnecessarily large system would entail unnecessary environmental impacts during its construction and operation, as well as unnecessary financial costs. For example, air quality degradation, oil spill risks, and disturbances to critical wildlife and fishery resources become more significant with increases in the size of the transportation system and the amount of oil to be moved.

To determine how much crude oil transportation capacity will be needed to serve refineries in the Northern Tier states, we looked at demand within these states and at the expected future availability of crude oil from different U.S. and foreign sources.

The U.S. Department of Energy recently completed and sent to the Department of the Interior its revised analysis of crude oil supply and demand in the Northern Tier states through the year 2000. This analysis predicts a maximum crude oil supply deficit to the Northern Tier states of approximately 140,000 barrels per day in the year 2000. The report predicts that there will be no substantial crude oil supply deficits in the Northern Tier states before then, with

the exception of a 40,000 barrels per day deficit occurring in Montana in 1980. This deficit, however, can be eliminated by continuing the current practice of crude oil exchanges with Canada. The report notes that the remaining 100,000 barrels per day, required by the year 2000, in Minnesota, can be supplied by the proposed Northern Pipeline, from Wood River, Illinois to Minneapolis. Assuming that this system receives needed permits and that the sponsor is successful in obtaining necessary rights-of-way, the system could be available before 1985.

The Department of Energy report also predicts that Alaskan North Slope crude, as well as California crude (including any reasonably expected increases in production) will continue to replace foreign crudes which are now imported along the West Coast as a direct result of the foreign oil import reduction program and transportation economics.

This information indicates that there may not be sufficient crude oil demand or economically attractive crude oil supplies available on the West Coast to justify construction of a West-to-East crude oil transportation system. The implications of this view are noted below in the section that contains our rankings of the proposed systems and in the section that contains our recommendations.

#### Puget Sound Oil Spill Risks

Tanker traffic into Puget Sound is already substantial and poses significant and perhaps growing oil spill risks. The legislative Conference Report on P.L. 95-617 notes, in its discussion of the statutory decision criteria, that

"In adopting language setting forth the criteria to be considered by the President in making a decision under the section, the conferees agreed that the provision requiring the Executive to consider the 'environmental impacts of the proposed systems and the capability of such systems to minimize environmental risks from the transportation of crude oil' should be understood as

setting forth the intent of Congress that the Executive should take actions to minimize both existing and future environmental risks from the transportation of crude oil. In specific, the conferees noted that there are environmental and economic risks associated with existing crude oil tanker traffic serving refineries on Puget Sound--an invaluable and irreplaceable national resource. Risks to the economically and aesthetically important resources dependent on good water quality in Puget Sound would be substantially reduced if the existing Washington refineries were connected to and utilized a northern crude oil delivery system if one is built."

Thus, a second environmental issue posed by any system decision is (a) whether any new crude oil pipeline should include the facilities necessary to serve refineries on Puget Sound and (b) whether these refineries should be required to use the selected transportation system when it is built. Puget Sound refineries have a total capacity of approximately 400,000 barrels per day, including refinery expansions currently under construction. They currently receive all of their crude oil by direct tanker delivery, which entails slightly more than 500 port calls per year by tankers ranging in size from 40,000 deadweight tons (DWT) to 125,000 DWT (tankers larger than 125,000 DWT are currently excluded from Puget Sound's waters by U.S. Coast Guard regulations).

According to the final EIS, this existing tanker traffic results in a risk of one spill (of 2.4 barrels or more) every 1.2 years from tankers in transit to Greater Puget Sound harbors. The 95% "confidence limits" for this estimate, based upon historical spill data, are 0.7-4.1 years. Risks for large spills--10,000 barrels or more--are significantly lower. Risk of an oil spill at berth in the harbors parallels these figures; the final EIS estimates this risk to be one spill every 0.39 years, for spills of the same magnitude, with 95% confidence limits of 0.28-0.65 years.

The federally approved Washington Coastal Zone Management Program encourages the servicing of the Northern Puget Sound refineries (which account for about 7/8ths of the State's refining capacity) by a Northern Tier crude oil pipeline with a marine terminal located at, or west of, Port Angeles on the Olympic Peninsula. Although the State has recently proposed the deletion of these policies from its program, the Office of Coastal Zone Management of the Department of Commerce has not yet filed its final environmental impact statement on this proposed program amendment or reached a decision.

Although the final EIS does not concisely analyze the environmental and economic effects of a pipeline hookup to Puget Sound refineries, it does contain most of the information needed to determine whether the selected transportation system could serve the Northern Puget Sound refineries in an environmentally sound manner.

Connecting the Northern Puget Sound refineries with the selected pipeline system would eliminate most, if not all, of the crude tanker traffic on the Sound and the associated spill risks. Oil spill risks would be substantially reduced because crude oil pipelines have very low spill rates when compared to crude oil tankers. Moreover, pipeline supply systems are generally much more reliable (less subject to interruption) than tanker systems.

The economic costs associated with pipeline service appear to be outweighed by the benefits. The Department of Energy estimated that the pipeline tariff from Northern Tier's proposed port facility to the Northern Puget Sound refineries would be approximately \$0.23 per barrel. That estimate was based on Northern Tier's original proposed pipeline alignment. The actual tariff from Northern Tier's currently proposed alignment, which goes across Puget Sound rather than around it, would be lower. Similarly, Trans-Mountain Pipeline Company recently proposed a tariff of \$0.13 per barrel for service to these refineries from its proposed transportation system.

These tariff figures must be understood in relation to the costs of large oil spills. Although estimating those costs is currently more an art than a science, EPA's Office of Oil and Hazardous Materials has stated that the costs of oil spill cleanup have ranged from \$10 to \$100 per gallon (or \$420 to \$4200 per barrel) of oil recovered. If one were to add the dollar value for the environmental damages caused by unrecovered oil, federal agencies estimate that these costs could double if an oil spill were to occur in the rich and heavily used waters of Puget Sound.

The Council believes, as does the Environmental Protection Agency in comments to the Department of the Interior, that connecting the Northern Puget Sound refineries to the selected system would represent inexpensive insurance against the damages which could result from a major oil spill in Puget Sound. The principal beneficiaries of this insurance would be the principal customers of the Puget Sound refineries--the residents of Washington and Oregon.

#### Olympic Peninsula Marine Terminal Locations

An important environmental issue involved in a Presidential decision to approve a system which requires a marine terminal to receive crude oil from Alaska is the location of the marine terminal. The final EIS generally discusses the environmental effects of constructing and operating proposed marine crude oil terminals at different locations on the Olympia Peninsula. This analysis is not sufficient to determine conclusively which of the possible port sites is environmentally preferable. Two of the most important environmental issues involved in operating a marine terminal on the Olympia Peninsula are effects on air quality and the effects of oil spills.

Regarding air quality effects, the Environmental Protection Agency determined that the most that one could conclude was that the proposed Northern Tier Pipeline Company facility, at Port Angeles, might violate the "Prevention of Significant Air Quality Deterioration" (PSD) limits for sulphur dioxide in Olympic National Park (a Class I area under the PSD Program), which is adjacent to Port Angeles. The Low Point marine terminal location is farther from the Park than Port Angeles.

Regarding the effects of oil spills, the Environmental Protection Agency concluded, based on its evaluation of likely oil spill movement at the different port sites, that Low Point (west of Port Angeles) would be the preferred terminal site.

Other environmental effects that would result from construction of a marine terminal on the Olympic Peninsula appear to be relatively similar for the alternative proposals. Thus, based on the final EIS and EPA's assessment, it would appear that the Low Point location is environmentally preferable to the Port Angeles location.

If a marine terminal facility is proposed, then environmental issues, and particularly the effects on air quality of operating a marine terminal and oil spills should receive further environmental review pursuant to NEPA and other applicable laws by at least the U.S. Army Corps of Engineers when it evaluates applications for permits for a terminal under Section 10 of the 1899 Rivers and Harbors Act and Section 404 of the Clean Water Act, as amended.

Regarding land use and related environmental and social impacts caused by any large crude oil terminal located on the Strait of Juan De Fuca, these impacts could be substantial during construction and operation. The influx of new workers into the Olympic Peninsula could cause financial problems and growth pressures for Clallam County, the local government in the area. Any new terminal will create pressures for secondary coastal development. Advance planning could mitigate these effects.

#### Alternative Pipeline Routes and Alignments

The final EIS provides a qualitative and generic analysis of the environmental consequences of alternative pipeline routes and alignments. It does not, however, provide enough information to determine the best pipeline alignment or what mitigating features and other stipulations should be required for permitting the construction of any particular pipeline.

The Delta Junction pipeline system proposed is an all-land route that was submitted by Northwest Energy on August 20, 1979, as a modification of its original proposal. This submission was received after the closing date for Federal agency recommendations on all applications. Nothing in Title V of PURPA prevents consideration and approval of such a proposal by the President. The all-land route was addressed as an alternative in the final EIS.

The Delta Junction proposed involves construction of 1491 miles of new pipeline for transport of oil along the right-of-way established for the Northwest Alaskan Gas pipeline which was selected by the President in 1977 and approved by the Congress. If the Northwest Energy Company's Delta Junction to Edmonton pipeline is approved additional environmental review will be necessary by both the Canadian government and the United States in order to select a final alignment and to design appropriate stipulations for the grants of rights-of-way.

The selection of one of the systems originating on the Olympic Peninsula (Trans-Mountain or Northern Tier) will also require further detailed environmental studies on pipeline routes and alignments. Two of the major environmental issues posed by these proposals are: the effects of the pipelines on (i) streams and ground water aquifers which are potable water supplies, and (ii) streams that support anadromous fish (primarily salmon). Both the Trans-Mountain and the Northern Tier proposals would affect such streams and aquifers.

EPA's assessment of the final EIS is that it does not provide sufficient information to determine whether adequate protection would be provided for these streams and aquifers. Thus, if one of these pipeline systems is approved additional environmental and related analysis would be necessary. More detailed analysis is particularly important for assessing the effects of a pipeline system on sole-source potable water supplies and the protections developed for such supplies due to special protections accorded such supplies by statute (Safe Drinking Water Act of 1974).

#### SYSTEM RANKING

Based upon our consideration of the final EIS and other studies in the public record, we have ranked the alternative transportation systems under consideration in terms of their environmental acceptability. We recognize that there are other important factors which must be considered in making the final decision. The ranking includes a brief list of factors that contribute to each system's relative advantage or disadvantage.

However, as noted in our discussion of the significant environmental issues, there may be no present or foreseeable need for a West-to-East crude oil transportation system. Because the systems proposed under Title V would each have environmental consequences of varying significance, we believe that the question of need must be carefully assessed at this time before a decision is made on any transport system.

Our ranking of the proposed systems based on environmental criteria is as follows:

1. Northwest Energy Company (Delta Junction, Alaska to Edmonton, Alberta (Canada) Pipeline):
  - For most of its route, uses existing pipeline rights-of-way that have already been Presidentially approved for an Alaska gas pipeline.
  - Requires no marine crude oil receiving terminal; therefore avoids creating new marine oil spill risks and air quality degradation problems, especially in National Parks.
  - Could benefit from the detailed environmental, field, and engineering studies already performed by the applicant for the Alaska Natural Gas Transportation System (now known as the Northwest Alaskan Gas Pipeline).
  - Would allow construction and operational oversight by the Office of the Federal Inspector, created to oversee the design and construction of the Northwest Alaskan Gas Pipeline, which would enhance the ability to enforce environmental mitigation measures and represent a significant resource savings to the public and the Federal government.
2. Trans-Mountain Pipeline Company. (Low Point, Washington to Edmonton, Alberta Port/Pipeline):
  - Effects of crude or fuel oil spills from ships near or at berth appear to be least severe at this site west of Port Angeles.

- Effects on the air quality of Olympic National Park (a Class I area) are likely to be less than those that would result from a marine terminal at Port Angeles, which is directly adjacent to the Park; thus, it may be easier for Trans-Mountain to obtain a Clean Air Act permit than for Northern Tier.
  - Uses existing pipeline rights-of-way for most of its route, which is substantially shorter than any of the other pipeline routes being considered.
  - Would have adequate capacity to serve needs of Western Northern Tier States and existing Northern Puget Sound refineries.
  - Terminal site is remote from population centers and therefore minimizes the population exposed to the risk of a tanker explosion or fire (a low probability event but one which would have serious adverse consequences).
3. Northern Tier Pipeline Company with Port Angeles Marine Terminal (Port Angeles, Washington to Clearbrook, Minnesota Port/Pipeline):
- Site at Port Angeles terminal appears to have the largest potential of the three Olympic Peninsula marine terminals considered for adverse impacts on marine resources from at-berth and near-berth oil spills.
  - Site is in existing harbor that serves the major population center on the north coast of the Olympic Peninsula and therefore more directly exposes this population to the risks of a tanker explosion or fire than would terminals located westward.
  - Among all the proposals this system would require the longest new pipeline corridor with consequent land use impacts.

The Environmental Protection Agency evaluated the remaining two alternative systems (Kitimat and Northwest Energy Company port pipeline through Skagway, Alaska) and concluded that these systems were environmentally unacceptable. We agree with EPA's findings and with the rationale expressed in the Administrator's letter of August 17, 1979 to Secretary Andrus.

## RECOMMENDATIONS

Under Public Law 95-617 the President may approve one or more of the proposed crude oil transportation systems, either as proposed or with modifications, or may decide that no West-to-East crude oil transportation system is needed and specifically disapprove all proposed systems. We believe it important that the final decision emphasize that any system must be constructed through private means and that no federal subsidies are intended to be provided. The decision should also emphasize that the action does not constitute federal approval of the many specific actions that must follow, such as grants of rights-of-way, permits, licenses, etc. We believe that the following recommendations should be incorporated in any Presidential decision approving any particular system.

First, the report to Congress should state clearly that decisions on specific facility sites, pipeline alignments and mitigating conditions will require additional environmental reviews, some of which we have described in this report. These analyses should be carried out expeditiously under CEQ's new NEPA regulations.

Second, the statute specifically provides that in the President's report to Congress, or in additional proposals to Congress, waivers of Federal law may be recommended where such waivers are appropriate. Because no crude oil supply deficits are predicted prior to 1985, and because there may well be no need for a new transportation system before 2000, we recommend that no waivers of Federal law be proposed or granted.

Third, the report should call for the creation of a Federal management entity with authority and responsibility like that of the Office of Federal Inspector, which was established for the Northwest Alaskan Gas Pipeline to oversee its design and construction. This office could also assist agencies in ensuring adequate and expeditious completion of all necessary environmental reviews.

Fourth, the selected system should be required to be designed and constructed to provide direct pipeline crude oil deliveries to the Northern Puget Sound refineries in Washington State. This hookup would virtually eliminate hazardous crude oil tanker traffic to these refineries. This reduction in tanker traffic would be assured if, after system construction, the Coast Guard amended its Puget Sound Tanker Vessel Operating Regulations to forbid tanker service to these refineries, which the Coast Guard can do under existing statutory authority.

Our ranking of the most desirable alternative proposals, based on environmental acceptability, are presented below in order of priority.

1. The all-pipeline Northwest Energy Corporation system, which would originate at Delta Junction, Alaska, would, we believe, clearly be the least environmentally disruptive.
2. The Trans-Mountain terminal system and pipeline corridor, modified to require a hook-up to the Puget Sound refineries.
3. Northern Tier Pipeline Company proposal, modified to require the Olympic Peninsula marine terminal to be located at Low Point and a hook-up to the Puget Sound refineries.

## Appendix

System Description

## Northern Tier Pipeline Company:

- Fixed berth marine terminal on Ediz Hook at Port Angeles, Washington with two berths capable of mooring tankers in the size range between 80,000 deadweight tons (DWT) and 300,000 DWT.
- Storage facilities at Green Point, Washington (seven miles East of Ediz Hook) with an initial capacity of six million barrels.
- Initial throughput capacity of 709,000 barrels per day (BPD).
- 1,491 mile pipeline (42" and 40" diameter) running due East to Clearbrook, Minnesota.
- Capital cost: \$1.23 billion.

## Northwest Energy Company: (As modified 20 August 1979)

- 1,505 mile pipeline (34" diameter) departing from the Alyeska Pipeline right-of-way at Delta Junction Alaska, following the right-of-way of the Northwest Alaskan Gasline for most of its route to Edmonton, Alberta where the system would connect to the Inter-Provincial Pipeline System.
- 1 million barrels of crude oil storage at Delta Junction.
- Initial throughput capacity of 500,000 BPD.
- Capital cost: \$1.66 billion (applicant estimate).

## Northwest Energy Company: (Original Proposal)

- 1 fixed berth at Skagway, Alaska capable of mooring tankers up to 225,000 DWT.
- 1,091 mile pipeline (largely 30" diameter) following route of White Pass-Yukon Railroad to Whitehorse and right-of-way of Northwest Alaskan Gasline to Edmonton.
- 4 million barrels of crude oil storage at Skagway.
- Capital cost: \$1.187 billion.

## Trans-Mountain Pipeline Company:

- Two single point mooring buoys at Low Point, Washington capable of mooring tankers up to 200,000 DWT.
- 4 million barrel crude oil storage facility at Low Point.
- 823 miles of 30" pipeline over largely existing right-of-way, to Edmonton, Alberta.
- Initial throughput capacity of 500,000 BPD.
- Capital cost: \$525 million.

## Kitimat Pipeline Company:

- One floating berth at Kitimat, British Columbia capable of mooring tankers up to 225,000 DWT.
- 3 million barrel crude oil storage facility at Kitimat.
- 761 mile pipeline, 36" diameter, to Edmonton.
- Initial throughput capacity 500,000 BPD.
- Capital cost: \$950 million.

SUMMARY



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**FINAL: Environmental Statement  
Crude Oil Transportation Systems**  
proposed by : NORTHERN TIER PIPELINE COMPANY  
KITIMAT PIPE LINE LTD.  
NORTHWEST ENERGY COMPANY  
TRANS MOUNTAIN OIL PIPE LINE CORPORATION.

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