



**CITGO Petroleum Corporation
102 Mechanic Street
South Portland, Maine 04038**

August 6, 2013

City of South Portland Planning Board
c/o Department of Planning & Development
496 Ocean Street
South Portland, ME 04106

Re: Citizen Initiated Waterfront Protection Ordinance

Dear Chair and Members of the Planning Board:

CITGO Petroleum Corporation ("CITGO") is the operator of the terminal located at 102 Mechanic Street, tax map and lot numbers 017/001 and 025/118 (the "Terminal"). The Terminal is jointly owned by CITGO and Irving Oil Terminals Inc. ("Irving"). CITGO has been the terminal operator since 2006, and this terminal is located within the Commercial ("C") District and the Shoreland Overlay Area of the C District.

On August 13, 2013, the Planning Board will conduct a second public hearing on the citizen initiated Waterfront Protection Ordinance ("WPO"). CITGO earlier sent a letter to the Planning Board dated July 22, 2013 expressing its concerns about the WPO, which concerns are similar to those voiced by Irving. South Portland Terminal Manager, William W. Sousa, Jr., spoke at the Planning Board's July 23, 2013 public hearing to express CITGO's concerns about the WPO. It became apparent by the end of that public hearing however, that more specific and concrete examples of the potential effects of the WPO upon CITGO's and Irving's operations at the Terminal were needed in order for the Planning Board to assess properly the land use implications of the proposed WPO.

Therefore, CITGO submits this letter to the Planning Board to illustrate how the WPO could have affected recent actions at the Terminal, could impact current operations and may negatively affect projected future operations at the Terminal.

The WPO would likely restrict multiple new and important activities within 250 feet of the high water mark at our Terminal facility. Enclosed is a plan that superimposes the 250-foot Shoreland Overlay Area on the Terminal property. The plan shows that the 250-foot Shoreland Overlay Area encompasses our entire dock, vessel receiving pipelines, some truck rack lines, storage tanks 1 (ethanol), 2 (diesel), 3 and 4 (gasolines) and their associated pumps and equipment, a vapor combustor unit and our warehouse.

The tanks within the Shoreland Overlay Area represent 40% of our tanks and 46% of total available storage.

Section 4 of the WPO would prohibit “enlargement or expansion of existing petroleum storage tank farms and accessory piers, pumping and distribution facilities . . .” including “new construction, reconstruction or alteration of any facility or facilities to change the function or capacity of such facilities”. To provide you with examples of the type of impacts the WPO may have on our Terminal facility, the following is a list of some recent improvements and current operations that, depending on interpretation of Section 4 of the WPO by the City and its legality, would likely be prohibited. None of these activities involve in any respect crude oil or oil sands; our Terminal is not equipped to handle them.

- Tank 1 was converted from a heating oil storage tank to an ethanol storage tank so that we would have the necessary facilities to blend our gasoline and diesel products to meet current federal renewable fuel laws. As a result, new pumps, piping, pump pads, electronics and pipe supports were added or changed as part of the ethanol project; and an ethanol injection skid was required and set up within the Shoreland Overlay Area. To meet the legal requirements associated with the next generation of low carbon fuels, additional new storage facilities will be a necessity.
- Tanks 1, 2 and 3 have each undergone major alterations, including the addition of new larger diffusers on the receipt lines in the tanks. The diffusers help us to safely adjust the discharge rate of vessels pumping off at our Terminal facility, and thus help limit the time vessels need to be docked at to our facilities.
- We have altered our gasoline storage tanks to meet seasonal product demands and air attainment standards (for example, depending upon the time of year, Tanks 3 and 4 store 7.8 RVP gasoline, which is required to be sold in the summer in larger cities in Southern Maine; 9 RVP gasoline, which is formulated for northern Maine, New Hampshire and Vermont; and 13 RVP gas, which is used at other times of the year). Piping changes are also required to segregate these products and maintain product specifications in compliance with law. A large percentage of these changes are made within the 250-foot Shoreland Area.
- On its own initiative, the Terminal recently replaced a section of buried piping with new, safer aboveground piping that can be visually inspected. The aboveground section of line required larger diameter piping than the section being replaced.

All of these projects were critical to continue safe operations, to meet regulatory requirements and to satisfy our customers' expectations for new, high quality products. The WPO, however, may prohibit some or all of these activities. Under the WPO, these activities and future activities like them may be considered prohibited "construction, reconstruction or alteration of an existing facility to change the function or capacity of such facilities" and/or "construction of any new . . . equipment, structure, or machinery . . . for the transportation or storage of petroleum". A review of City building permits alone would not show many of these changes and projects, since many of them do not require building permits.¹ What is more, many of these projects were not "necessary to comply with the Americans with Disabilities Act (ADA), fire codes, or pollution control regulations" and therefore would not have been relieved of the WPO by the variance provision in Section 4(d).²

Operating a refined products terminal is a dynamic business where demands are changing constantly in response to world petroleum markets, international industry standards and Federal and State environmental, security and safety regulations. To meet these new demands, we need to have the land use flexibility to change out hardware at the Terminal. Below are several future projects we envision for the Terminal in order to maintain safe, reliable and economically viable operations. These projects are in various stages of development and may not be allowed under the WPO as drafted. They include:

1. Replace the existing dock hose structure with safer and more efficient chiksand arms. Chiksand arms are not required by law, but are part of the on-going commitment of the Terminal owners to operate safely and efficiently.
2. Increase the size of our dock to accommodate newer and more efficient tankers. This change allows fewer ship movements, which also improves safety. The industry has already moved from single to double hulled vessels, requiring many facility alterations. We see this as another direction to improve efficiency and safety.
3. Perform dredging to accommodate newer and more efficient tankers with somewhat greater draft that the industry is using for refined product marine transportation.
4. Increase the number of mooring points on the dock to accommodate larger vessels.
5. Replace the existing dock fenders with larger, more protective fenders.

¹ It is important to remember that the WPO is a restriction on the types of land uses that may be made in the Shoreland Overlay Area of the C District. As such, it may impact even those activities that do not require City building permits.

² Although Section 4(d) purports to allow certain expansion activities by "waiver or variance", we have been advised by legal counsel that no such waiver or variance mechanism actually exists in the City's Code.

6. Expand decking to better accommodate modern gangways to comply with international shipping standards as well as with South Portland's own safety codes.
7. Extend new vapor control piping to the vessel berth for barge operations.
8. Install new tankage within Tank 1 dike for new products, to meet laws requiring the industry to accelerate usage of lower carbon fuels.
9. Install a bio-blending system for blending of heating oil and ultra low sulfur diesel products, again in response to the transition to lower carbon fuels mandated by federal renewable fuel laws.

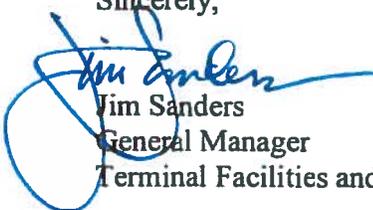
In addition to the above projects, we make special note that the United States Coast Guard and other federal agencies administer a vast array of federal laws vital to the security and protection of our ports such as the **Maritime Transportation Security Act of 2002**. Our Terminal has made multiple operational and facility changes since 2002 within the 250 foot Shoreland Overlay Area such as gates, surveillance technology, and access restrictions to comply with these laws and increase security protections at our Terminal. As technology changes and improves, we expect to be installing new equipment to make our Terminal even more secure. There is no exception in Section 4 of the WPO to allow us to install new equipment to comply with terminal security or safety laws.

We also wish to point out that the suggestion of proponents of the WPO that our Terminal will not be impacted materially because the WPO allows expansion outside the 250-foot Shoreland Area is illusory. Our business is highly water-dependent. Because almost all of our refined products are received by marine vessels, we cannot make enlargements or expansions outside of the 250-foot Shoreland Overlay Area without, in most all instances, constructing new facilities within the 250 foot Shoreland Area, such as, for example, installation of segregated piping required to maintain product purity. These changes are almost always necessary to move the products from the vessels docked at our Terminal to the storage tanks.

For the foregoing reasons, we renew our request that the Planning Board recommend that Section 4 of the WPO be removed because of its material adverse land use implications for our Terminal and the other marine terminals in the Commercial (C) District.

Thank you for your consideration of CITGO's concerns.

Sincerely,


Jim Sanders
General Manager
Terminal Facilities and Pipeline

cc: William W. Sousa, Jr.



Legend

- 250' Buffer Line
- Terminal Boundary

CITGO
South Portland Terminal
250' Buffer

Date: 8/1/2013

Map: C:\PT\GIS\WORK\AREA\ENR\13011013_3_PT\13011013_BUFFER_PORTLAND_BUFFER.mxd