

# Sacramento officials kept in dark about crude oil transfers at rail facility

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Recently filled, a tanker truck drives past railway cars containing crude oil on railroad tracks in McClellan Park in North Highlands on Wednesday, March 19, 2014. North Highlands is a suburb just outside the city limits of Sacramento, Calif.

SACRAMENTO, CALIF. — Since at least last September, trains carrying tank cars filled with crude oil have rolled into the the former McClellan Air Force base. Workers have transferred the oil, including some volatile Bakken crude, from trains to tanker trucks, which take it to Bay Area refineries.

Until this week, Sacramento's InterState Oil ran the crude operation without a required permit. Local fire and emergency officials who would be called upon to respond in case of a spill or fire weren't informed it was happening.

Jorge DeGuzman, supervisor of permitting for the Sacramento Metropolitan Air Quality Management District, said an inspector first discovered in the fall of 2012 that InterState Oil was unloading ethanol from rail cars at McClellan without a permit. The company then applied for a permit and received it in October 2012.

Last September, another inspection revealed that InterState was transferring crude oil from rail cars to trucks taking their loads to Bay Air refineries; again without a permit.

The company was not fined, and continued the ethanol and crude operations during the permitting process. The crude oil permit was approved this week.

Fuel transfer operations such as the one at McClellan have popped up in California and other states amid an energy boom driven by hydraulic fracturing of shale oil formations in North Dakota and elsewhere. While the oil furthers economic growth and energy independence, it's also bringing unforeseen safety risks to communities, catching many state and local officials off guard.

"As long as it's not stored, I don't think it's required for them to inform me," said Steve Cantelme, Sacramento's chief of emergency services. Still, he said, "I would like to know about it."

State and local governments have scant jurisdiction over the movement of goods on rail lines, which is generally a matter for the federal government.

Federal regulators and the rail industry have taken voluntary steps to improve the safety of such shipments, including reduced speeds, more frequent inspections and using safer routes. They're also working on a safer design for tank cars. But some state and local officials feel the response hasn't matched the risk they face.

Fiery derailments in Alabama, North Dakota and Canada in the past several months have raised safety and environmental concerns about rail shipments of crude. On July 6, a 72-car train of crude oil from North Dakota broke loose, rolled down a hill and derailed in the lakeside village of Lac-Megantic, Quebec. The unusually volatile oil fed a raging fire and powerful explosions that leveled the center of town. Of the 47 people who were killed, five vanished without a trace.

The issue has received limited attention in California because the state has continued to rely on its traditional petroleum supply, which arrives on marine tankers.

But that's changing. In December 2012, the state received fewer than 100,000 barrels of oil by rail. A year later, it was receiving nearly 1.2 million, according to the California Energy Commission.

"It potentially could be a fatal issue here in Sacramento," Cantelme said.

The state projects that within two years, California could receive a quarter of its petroleum supply by rail. That would mean at least six trains of 100 tank cars every day, or 500,000 barrels of oil, passing through the capital. The capacity of the proposed Keystone XL pipeline is 830,000 barrels.

InterState officials declined a request by The Sacramento Bee to observe the McClellan operations. The company also declined to answer questions The Bee sent last week about the facility, including how frequently the transfers take place and what safety precautions are taken.

In an emailed statement, the company's president, Brent Andrews, said InterState has "the highest regard for safety procedures" and is "very thorough in our education and training with our employees."

InterState's new permit allows it to transfer about 11 million gallons of crude oil and ethanol a month at McClellan.

"That's a lot," said Darren Taylor, assistant chief of operations at the Sacramento Metropolitan Fire Department.

Neither McClellan Business Park, where the operation takes place, nor Patriot Rail, the short line railroad that switches the cars there, were required to verify that InterState had the necessary permits.

Another company, Carson Oil, was unloading ethanol at McClellan without a permit, but has since received one. Carson, based in Portland, Ore., is also seeking a permit to unload crude oil at McClellan in hopes of securing a contract. Carson did not return phone messages and emails requesting comment.

"If we don't see anything alarming, we don't shut a business down just because they missed some paperwork," DeGuzman said. "The inspector felt it was a paperwork procedure."

The McClellan operation straddles the boundary between Metropolitan Fire's jurisdiction and that of the Sacramento Fire Department. Both departments could be involved in an emergency response to the site.

After a reporter told him about the facility last week, Dan Haverty, the city fire department's interim chief, sent his battalion chief and a hazardous materials inspector to McClellan, where they reported finding 22 tank cars loaded with crude oil.

Haverty said far more hazardous commodities move by rail through Sacramento, including toxic chemicals, such as chlorine and anhydrous ammonia, and that his department has planned and trained for emergencies involving those materials.

Taylor said he was "comfortable and confident" in his department's capabilities.

But Niko King, Sacramento's assistant fire chief, said he didn't have a lot of information on what was coming through the region by rail and new risks his department might face.

"I don't want to say we're in front of the curve," he said. "We're definitely reacting."

The U.S. Department of Transportation has required that petroleum producers test and properly label and package Bakken oil before it is transported. But once the oil reaches its destination, whether a refinery or a transfer facility, such as the one in Sacramento, it's handled no differently than conventional crudes.

The McClellan operation falls outside of some agencies' jurisdiction. The Sacramento County Environmental Management Department regulates crude oil storage facilities, but McClellan isn't considered one.

"We regulate the stuff that's there" for more than 30 days, said Elise Rothschild, chief of the department's Environmental Compliance Division, "not the stuff in transit."

The railroads bringing crude oil to Sacramento, meanwhile, are not required to tell local officials that they're doing so. One of them, BNSF Railway, is the nation's largest hauler of crude oil in trains, mostly from North Dakota.

Earlier this month, CSX, the largest railroad on the East Coast, reached an agreement with Pennsylvania's emergency management agency to share information on the shipment of hazardous materials on its network, including crude oil.

But the agreement requires state officials not to make the information public. It is possible to determine where shipments are going, however. BNSF, for example, lists Sacramento as one of its crude-by-rail terminals on a marketing website. A Sacramento Bee photographer who visited the McClellan site recently found crude oil being transferred from rail cars to trucks, activity that was plainly visible.

Cantelme said he's begun in recent weeks to organize a regional task force with other local officials and the state Office of Emergency Response in an effort to better understand the risks of such operations and develop a coordinated response plan.

"This is preliminary for us," he said. "We're just now getting into it."

A McClatchy analysis of federal data showed that more than 1.2 million gallons of crude oil spilled from trains in 2013 alone. In contrast, fewer than 800,000 gallons had been spilled nationwide from 1975 to 2012.

“Nobody saw this incredible increase in volume,” said Tom Cullen, administrator of the oil spill prevention office in the California Department of Fish and Wildlife. In his January budget proposal, Gov. Jerry Brown proposed increasing funding for the Office of Oil Spill Prevention and Response and shifting its focus from marine spill to inland spills.

Other states where crude oil shipments have increased are taking action.

In January, New York Gov. Andrew Cuomo directed several state agencies to review safety procedures and emergency response plans. That state’s capital, Albany, has become a hub for rail shipments of North Dakota and Canadian oil for East Coast refineries. Earlier this month, Albany County placed a moratorium on the expansion of a train-to-barge facility blocks from state offices until the completion of a health study.

Washington lawmakers considered several measures to address increased oil shipments, including a 5-cents a barrel tax on crude oil shipped by rail into the state, but the efforts died before the session adjourned last week.

Activists in the Bay Area cities of Benicia, Richmond and Martinez are fighting the expansion of crude oil deliveries to local refineries. Earlier this month, Elizabeth Patterson, the mayor of Benicia, called on Brown to sign an executive order similar to Cuomo’s.

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# After oil, natural gas may be next on North American rails

BY EDWARD MCALLISTER

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1 OF 2. Irving Oil workers inspect rail cars carrying crude oil at the Irving Oil rail yard terminal in Saint John, New Brunswick in this March 9, 2014 file photo.

(Reuters) - As politicians debate the dangers of a massive increase in oil carried by rail in North America, railroads and energy producers are considering the same for natural gas.

Buoyed by the unexpected success of crude by rail, companies are beginning to consider transporting natural gas as remote drilling frontiers emerge beyond the reach of pipelines, executives said.

Natural gas by rail is years away and likely to face strong public resistance after a series of explosive crude-by-rail accidents. But the potentially multibillion-dollar development could connect gas-rich regions like North Dakota with urban centers, presenting an opportunity for railroads, drillers and tank car makers already cashing in from hauling oil on trains.

It could also be a cure for environmentally unfriendly flaring, a growing problem in far-flung areas where more than \$1 billion of natural gas produced alongside oil is burned off each year for lack of processing plants or pipelines that can take years to build.

"Everyone is talking about moving gas by rail," said David Demers, chief executive officer of Westport Innovations, which is developing technology for natural gas-powered locomotives. "They see this as a large opportunity and have their pencils out to see how it could work."

Demers said Berkshire Hathaway's BNSF was one railroad considering the move.

BNSF declined to comment on its plans, but a spokeswoman said it would take time for any development of gas by rail.

Transporting gas by rail, most likely as cryogenic liquefied natural gas (LNG), faces obstacles. The technology is in its infancy, and so far no tank car is permitted to carry the fuel on U.S. rails. Nor are there enough plants that convert natural gas to LNG to support a robust gas-by-rail market, experts said.

More-volatile liquids like ethylene and propane already travel on the rails in growing volumes. But as concerns about the safety of crude by rail intensify, regulators are exercising extreme caution with uncertified fuels like LNG, said executives involved in developing the technology.

Stressing that it is too early to say, many of the major Class 1 railroads that have embraced crude by rail declined to speak about specific plans for gas by rail. Calgary-based Canadian Pacific Railway Ltd, for example, was just "monitoring any discussions in this area," a spokesman said.

Breitling Energy Corp CEO Chris Faulkner said he and other gas producers were discussing the idea, but his company was not considering it.

"I can only imagine the amount of pushback we're going to have on transporting gas by rail," Faulkner said. "The discussion isn't about safety and fact, it's about fear."

But as railroads team up with companies like General Electric Co and Caterpillar Inc to develop technology to run locomotives on LNG, many say that hauling the fuel as cargo is the next step as a drilling revolution transforms North American energy markets.

"A LOT OF MONEY"

LNG, natural gas cooled and shrunk to a liquid for shipping, already powers heavy-duty trucks and boats in the United States and Canada. A network of fueling stations is cropping up with backing from the likes of Royal Dutch Shell Plc and Clean Energy Fuels Corp.

Small-scale refrigeration plants that can turn gas to LNG are being built in drilling regions to reduce gas flaring. In remote North Dakota, one-third of the gas produced is flared.

Now, gas by rail is emerging as a possibility. Energy producers have approached Jacksonville, Florida-based CSX Corp about moving LNG by rail, said Louis Renjel, vice president of strategic infrastructure initiatives, but the company has no plans to do so.

Westport Innovations has been approached about developing fuel systems for tank cars that would haul LNG as cargo, according to Paul Blomerus, director of the company's high horsepower sector.

"They make a lot of money transporting oil, so it would make sense" to do the same with gas, Blomerus said.

BNSF is testing LNG-powered locomotives and million-dollar tank cars that would hold the fuel, the first step in a plan announced last year to wean trains off costly diesel.

Regulators and railroads last year established a task force to establish standards for LNG rail cars. A spokesman for the U.S. Federal Railroad Administration said there was no specified deadline for drafting actual rules.

Building these tank cars would be "a natural progression into hauling LNG, similar to what we do with crude oil," said Ken Webster, chief accounting officer at Chart Industries Inc.

Outside North America, steps have already been taken. Chart is developing an LNG tank car in Germany in a joint venture with Hamburg-based manufacturer VTG Aktiengesellschaft.

Japan Petroleum Exploration Co began transporting LNG by train in 2000 by loading specially designed tanks onto railcars, supplying local distributors in regions beyond the reach of gas pipelines. The company says the trains have proven cheaper than trucks in supplying LNG.

## EXTRA PRESSURE

Crude by rail has been a lesson not just in how quickly a new transport can emerge but also in the dangers.

An unmanned train carrying crude oil from North Dakota's Bakken region exploded and killed 47 people in the center of the Canadian town of Lac Megantic in July.

Among a string of other accidents, 21 oil tank cars on a BNSF train caught fire after a crash in Casselton, North Dakota, in December.

As concerns grow, a movement against new crude train infrastructure has emerged.

This has "paced" if not slowed progress in rail transport of fuels, said Tina Donikowski, who heads a team developing gas-powered locomotives at General Electric.

"The Federal Railroad Administration is being very cautious," Donikowski said. "They most definitely feel the extra pressure with the problems of crude by rail."

(Reporting by Edward McAllister; Editing by Jessica Resnick-Ault and Lisa Von Ahn)

# 2 States Beef Up Oil-by-Rail and Pipeline Safety After String of Accidents

Other states that have surging oil-by-rail traffic and pipelines carrying tar sands are expected to consider similar safety requirements.

[By Elizabeth Douglass, InsideClimate News](#)

Alarmed by a string of explosive and disastrous oil spills, two states recently passed laws aimed at forcing rail and pipeline companies to abide by more rigorous emergency response measures instead of relying on the federal government.

The moves by New Hampshire and Minnesota reflect a desire for more control over in-state hazards, as well as mounting frustration over gaps in federal law involving oil pipelines and oil trains, superficial federal reviews and the [secrecy surrounding spill response plans](#) submitted to U.S. regulators.

"At this point, lots of states are looking at oil-by-rail and thinking about how they would respond—whether they have the resources, whether their first responders have the resources, and whether their laws are sufficient to protect their communities," said Rebecca Craven, program director at the [Pipeline Safety Trust](#), a safety advocacy group based in Washington State.

It's the same with pipelines. "States are becoming more aware of new pipelines being proposed in their states, or expansion of existing pipelines, or changes in [a pipeline's] products," Craven said. "As a result of public concerns being raised, they're starting to respond by undertaking state-level spill response plans. I think it could be a trend."

Under [New Hampshire's law](#), which the governor is expected to sign, the state gains the power to establish its own, more stringent requirements for inland pipeline spill response plans and equipment. Minnesota's law creates tougher emergency preparedness standards for pipelines and oil-carrying railroads. It also charges rail and pipeline companies a fee to help equip and train local fire departments to handle oil accidents.

"I think it's pretty much indisputable at this point that what exists at the federal level is not adequate," said Sheridan Brown, legislative coordinator for the [New Hampshire Audubon](#). "We're happy that there's going to be some state level oversight."

The concern over the safety of oil transport has been building with each major oil pipeline spill and train derailment.



The most catastrophic incident was the July 6, 2013 accident in Lac-Mégantic, Quebec, where a train derailed, causing 63 railcars full of North Dakota light crude oil to explode and killing 47 people. Since then, a series of other oil train derailments have resulted in fires or explosions, including in Aliceville, Ala.; Casselton, N.D.; Plaster Rock, New Brunswick; and Lynchburg, Va.

Major pipeline spills have been in the public spotlight, too. The most notable of them is the July 2010 pipeline rupture in Marshall, Mich., where more than one million gallons of tar sands oil spilled, fouling the Kalamazoo River—a disaster that has yet to be fully cleaned up. In April 2013, a pipeline split open and [dumped tar sands oil into a Mayflower, Ark., neighborhood.](#)

Under pressure to provide better oversight, the [Pipeline and Hazardous Materials Safety Administration \(PHMSA\)](#) and the [Federal Railroad Administration \(FRA\)](#) have enacted and proposed new rules for pipelines and [trains](#) and [imposed voluntary restrictions for oil-laden trains.](#)

But both agencies have a history of being [too thinly staffed to carry out the oversight already required of them.](#) And with industry lobbyists working to derail new regulations, critics worry that the [necessary protections will never be enacted.](#)

"Essentially, there's no meaningful regulation or requirements or standards for oil spill response for railroads," said [Paul Blackburn](#), an attorney and consultant who helped push for Minnesota's new law. "Instead, decades old federal regulations continue...[that] for all practical purposes exempt railroads from federal oil spill response standards."

### **Urgency Felt in Wash., N.H.**

Under the [federal 1990 Oil Pollution Act](#), states are allowed to enact their own rules for spill preparedness as long as they are equal to or more rigorous than the federal regulations. Several, including California, Washington, and Oregon, did so years ago.

Now, railroads carrying crude oil through Minnesota have to submit spill prevention and response plans to the state pollution control agency, carry out practice drills and comply with other requirements in an emergency. Companies that move oil in the state via rail or pipeline also have to pay a fee to fund training and buy equipment for emergency crews to respond to an oil-train explosion or pipeline rupture.

"Minnesota recognized that scores of its cities and towns are threatened by crude oil shipments by rail and pipeline, and that local first responders are almost always the first on the scene," said Blackburn. "To respond to a major spill—such as from an oil unit train [of around 100 tank cars]—is well beyond the abilities of most rural fire departments."

Blackburn said he expects other states that have growing oil-by-rail traffic to consider similar fees and requirements.

In New Hampshire, lawmakers were focused on preventing and cleaning up oil possible spills from just one pipeline: the [Portland-Montreal Pipeline](#), the only hazardous liquids pipeline in the state. It is partly owned by Portland Pipe Line Corp.

"They have, by and large, been good neighbors, but you look around the country and you see some of the problems that have occurred," said state Sen. Jeff Woodburn, who sponsored the New Hampshire bill. "I think it's pretty important to take steps toward giving more authority, more autonomy, to the states to be more engaged in the potential of a spill."

The 236-mile line consists of three separate pipes built to carry conventional crude oil from Maine, through New Hampshire and Vermont, and on to refineries in Montreal and Ontario. Two of the pipes are still carrying varying amounts of oil, while [a third was retired in 1984](#).

What worries state officials and environmentalists is that the Portland-Montreal pipeline could be reversed and used to carry tar sands oil to Maine's coast for export. Canada approved what could be the first part of this plan—a reversal on Enbridge Inc.'s Line 9b so it can deliver Alberta's tar sands to Montreal.

The Portland-Montreal pipeline runs through New Hampshire's picturesque northern region, crossing more than 70 streams and wetlands, including two major rivers, according to Brown, the legislative coordinator for New Hampshire Audubon. Brown and others are concerned that oil spills involving dilbit are harder to clean because globules tend to sink in water.

"Our North Country economy is primarily based on recreation, so to have something up there that damages wetlands and rivers would really be catastrophic for those communities," said Brown.

"That got us looking at what [protections are] in place," he said. "And there really isn't a lot at the state level...there is a heavy reliance or faith in the federal government that it's going to take care of things. But the spill in [Michigan] and some of these other spills have shown that that is not the case."

Once the governor signs it, the New Hampshire law will give the state's department of environmental services the authority to craft pipeline spill regulations to cover inland oil transit. Currently, that agency is in charge of marine spill prevention and response.

The catch is that the new law won't come with any new funding—and least not yet. A proposed fee ran into opposition and was dropped from the legislation.

"Our department of environmental services was very generous to accept additional responsibility without additional money," said Brown. "They saw enough urgency there to doing this, enough benefit to doing it that they said, 'let's go forward, and we'll figure out the funding part of it some other time'...they were eager to have that tool to make sure the plans are better here in the state."