



Independent Liquid Terminals Association
1444 I Street NW, Suite 400
Washington, DC 20005

May 4, 2007

The Honorable Dalton S. Edge
Members of the City Council
306 Cedar Road
Chesapeake, VA 23322

Re: Ethanol Fee Proposal - Ordinance amending section 34-6 of the Chesapeake City Code

Dear Mayor Edge and Members of the City Council,

The Independent Liquid Terminals Association (ILTA) is a trade association representing 74 companies and partnerships that operate bulk liquid storage terminals in 41 states and 42 countries. Within the City of Chesapeake, our membership includes Allied Terminals, Apex Oil, Center Terminal, Citgo Petroleum, Hess Corporation, and TransMontaigne. These facilities serve the vital economic purpose of transferring liquid products from one transportation mode to another. Products handled by our members include crude oil, petroleum products and a wide variety of chemicals, as well as ethanol, biodiesel, vegetable oils, molasses and fertilizers.

ILTA is writing in opposition to the proposed "fees" of 0.5 ¢/shell-gallon annually on ethanol tankage and \$5 per tank truck, \$25 per railcar and \$50 per barge for ethanol deliveries to terminals within Chesapeake city limits. We object on the basis of (1) the unprecedented nature of the "fee" proposal on a single product and a sub-segment of one industry, (2) the disconnect between municipal concerns about transport-related ethanol fires and terminal responsibility, and (3) existing terminal ethanol-response capability.

First, a similar "fee" does not exist elsewhere in the Commonwealth of Virginia. ILTA is not aware of an instance anywhere in the nation where ethanol has been targeted in such a manner. The proposed "fee" on terminals, rightly characterized as a tax, is unprecedented and discriminatory. It unfairly impacts a very narrow sub-segment of only one industry.

Second, the proposed "fee" does not present a solution linked to the responsibility for ethanol transportation. In April of 2006, the Chesapeake fire department expressed concern regarding its preparedness for responding to the increased risk of ethanol-related emergencies from growing volumes entering and traversing its community. Certain terminal companies have declared that passage of the proposed "fee" will indeed reduce terminal ethanol business in Chesapeake. Our industry does not influence the regulated demand for these fuels, even if local retail stations are increasingly serviced from terminals in other communities. Thus, in addition to lost commercial business for Chesapeake, such a "fee" may result in increased ethanol truck traffic from outside of the municipality.

Third, the terminal community in the City of Chesapeake already has on hand ethanol-appropriate fire fighting foam in much larger quantities than the 4,040 gallons called for in the original "fee" proposal. Combined with rapidly growing knowledge for responding to emergencies involving this product, the proposed ethanol "fee" is unnecessary.



Independent Liquid Terminals Association
1444 I Street NW, Suite 400
Washington, DC 20005

It is unreasonable to tax the terminal industry, especially in light of our proactive response in addressing the ethanol safety problem.

The terminal industry neither manufactures, owns, controls, nor regulates the usage of ethanol. Since June of 2006, it has been actively engaged in the process of educating the domestic emergency response community about materials and methods to effectively combat industrial ethanol fires. ILTA is a founding member of the Ethanol Emergency Response Coalition (EERC), which also includes the International Association of Fire Chiefs, the National Fire Protection Association, the Virginia Department of Emergency Response, the Renewable Fuels Association, the Department of Transportation, Ansul Fire Protection, and others active in the emergency response community. The EERC recently completed a study on the effectiveness of fire fighting foams in combating industrial ethanol fires and is beginning to publicly communicate our findings. We have spoken with the City of Chesapeake Fire Department about this foam study initiative and invite a continuing dialogue with ILTA regarding EERC research and reporting.

The City of Chesapeake's proposed ethanol "fee" is contrary to the intent of EERC's focused effort to develop a unified nationwide approach to ethanol emergency response. ILTA strongly recommends that this proposal not be allowed to move forward.

Thank you for your consideration.

Robert C. Weaver
Director of Regulatory Compliance and Safety