



Billings Refinery

June 28, 2016

Dear Council Member:

Please find attached a copy of the minutes from our **June 14, 2016** CAC meeting.

Just a reminder that the next CAC meeting will be the Meet in the Park event on **THURSDAY, SEPTEMBER 8, 2016** at South Park gazebo. Members are requested to be there at 4:00 p.m. to help with set-up. The event will run from 5:00-7:00 and there will be a brief CAC meeting from 7:00-7:30.

Sincerely,

Ann L. Clancy, Ph.D.
Meeting Facilitator

**September CAC Meeting Location:
MEET IN THE PARK EVENT
South Park Gazebo**

**PHILLIPS 66 BILLINGS REFINERY
CITIZENS ADVISORY COUNCIL
June 14, 2016**

MEETING MINUTES

Present: Council members: Rob Lowe, Dale Fincel, Gregory Neill, Shirley McDermott, John Pulasky, Andrew Sullivan,
Phillips 66 management: Ray Rigdon, Colin Franks
Midstream: Mark Hilbert
Facilitator: Ann Clancy

Absent: Keith Beartusk, Lucas Blehm, Paul Dextras, Ralph Hanser, Travis Harris, Bob Hoar, Bruce MacIntyre, Jim Ronquillo, Heather Schwab, Melanie Schwarz, Emily Shaffer, Mike Yakawich, Stella Ziegler

Guests: David Hobbs, EEG, Inc.
City College Students: Jacob Streeter, Warren Findor, Rick Stalker, Brad Cash, Alex Songstad

AGENDA

- Welcome/Introductions
- Phillips 66 Midstream Presentation
- Community & Refinery Updates
- Next CAC Meeting: September 8, 2016

WELCOME/INTRODUCTIONS

Ray Rigdon welcomed members and guests. Mark Hilbert introduced staff members with Midstream operations that were in attendance to help with the presentation and tour of Midstream facilities: Eli Kliewer, Division Manager Terminals; Mike Miller, Division Manager Pipelines; Morgan Remus, Operations Superintendent; Josh Brown, Terminal Supervisor; Ron Omsberg, Area Supervisor; and Bruce Smith, Pipeline technician. Following the presentation, CAC members and guests toured the Billings truck rack and Yellowstone/Seminole Pipeline Station in vans.

PHILLIPS 66 MIDSTREAM PRESENTATION

Eli Kliewer, Division Manager for Terminals, began the presentation with an overview of Midstream operations. Midstream is an energy manufacturing and logistics company that is in the business of transporting crude oil, refined products, natural gas and natural gas liquids (NGL); and which gathers and processes natural gas and NGL.

Midstream Vision & Value Chain

The Phillips 66 vision is to provide energy and improve lives. The Midstream vision is to provide services designed to ensure safe and timely delivery and storage of crude oil, refined products and natural gas liquids.

The Midstream value chain begins at the well head with either crude production or gas production. With crude oil production, the product is carried through pipelines, marine (barges, tankers) and rail to refineries to be processed. The finished products are then carried through pipelines and terminals to refined product markets. Gas production is refined and moved for fractionation and storage, then the finished product is sent through pipelines and terminals to LPG markets or into petrochemical processing.

Operations Functional Role & Divisions

Phillips 66 Midstream Operations vision is to own and operate assets that:

- Proactively enable the general and strategic interests of the company
- Provide flexibility to capture market opportunities.

The Midstream role is to be one of the industry leaders in HSE performance, attracting and retaining top people, cost to operate, asset availability, and project execution. The goal of the division is to be more diversified, rebrand and create a new role in the marketplace as a safe place to make stock investments. Midstream charges a fee to move crude or processed products. Prices are subject to government regulation.

Eli showed a map of five Phillips 66 pipeline and terminal divisions across the U.S., with headquarters in the Houston area. They are West Coast, Billings, East/Gulf, Amarillo and Central. The Billings Division has 119 employees with 48 located in Billings. The Division consists of four pipeline systems (Yellowstone, Seminoe, Pioneer, Glacier) and operates 2,246 miles of pipeline, 13 terminals and has three million barrels of storage capacity. Unlike the other divisions, Billings is almost exclusively integrated with the refineries in the area. The division has built a new rail loading facility and pipeline in North Dakota and hired a full time measurement person to ensure specifications are safe and operations are secure in terms of leak detection.

Pipeline and Terminal Operations

Morgan Remus, Operations Superintendent, explained the size and scope of pipeline operations around the country. Crude pipelines transport crude from gathering systems, marine terminals and other pipelines to Phillips 66 and third party refineries. The product pipelines transport refined products from Phillips 66 and third party refineries and other pipelines to terminals. Shipments are moved in batches and pipelines are typically designated as Common Carriers, meaning they are open to anyone meeting connection and quality policies and they are charged a published tariff. Operations overall include almost 530 employees, 10,100 miles of operated regulated pipelines, 1,300 miles of operated non-regulated pipelines, 9,500 miles of non-operated joint venture pipelines, five crude gathering systems, six crude terminals and one coke handling terminal.

Product terminals provide additional refinery, storage or marine unloading storage capacity and deliver products to retail stations, airports and other pipelines. Terminals are usually proprietary and the primary customers are the Marketing and Commercial branches of Phillips 66. Terminal services are made available to third parties as part of the company's business strategy. Fees are typically based on market rates. Multiple products are usually loaded onto trucks for transport to retail stations. The number of lanes and loading spots depend on demand and additives and renewables are blended at the rack. Nationwide, terminal operations employ 390 workers at 42 locations which include 38 product truck racks, six marine terminals, three LPG terminals, one product/crude terminal, two product rail racks, one crude rail rack and one NGL fractionation facility.

Operations Control Center

The primary control center is located in Bartlesville, Oklahoma with a back-up center in Ponca City, Oklahoma. The center now has 11 operating consoles, double its previous size, and a training simulator console. Staff operates and monitors 12,000 miles of pipeline moving 2.0 millions of barrels daily. The “points” they monitor number more than 40,000. Points to be monitored include things like temperature, flow rate, vibration, etc. According to Morgan, the Center focuses on operational excellence, improving leak detection abilities and preparing for growth. To improve leak detection, the Center is switching over to a real time transient modeling program. In terms of growth, the Center has expanded the physical points it can monitor and has doubled its monitoring capacity.

In terms of growth opportunities for Phillips 66, the company is in a unique position to take advantage of its asset locations. It is a global commercial organization with an established Midstream business, extensive refinery integration, a strong industry reputation and full value chain coverage.

Tour of Midstream Facilities

Following the presentation, CAC members and guests were given a tour of the Billings Truck Rack and the Yellowstone/Seminole Pipeline Station.

COMMUNITY UPDATES

The following updates were given:

- RiverStone Health: Friday, June 17, about 60 RiverStone Health employees will participate in a large-scale public health emergency drill at West High. They will be practicing a point of dispensing to see how quickly they can get medications out to the population. The practice is applicable to events like natural disasters, epidemic disease outbreaks, or terrorism that require a large scale response. More than 100 volunteers will act as patients.
- South Side: On June 16, there will be a community graffiti removal event at Friendship House.
- City College: The Process Plant Technology Program will be doing summer research on processing camelina, a Montana crop that is a relative to canola, as a possibility for biofuel.
- Agriculture: Crops are doing well, no hail storms have wreaked devastation, and there is water in the streams.

REFINERY UPDATE

Operations: The refinery is running well and it's been a good year so far for operations. There will be no refinery turnarounds or outages until mid-April of 2017, when the refinery will be down for 56 days. Currently, there is a lot of building activity going on in the refinery which will continue through June of 2017. The Jupiter plant is also undergoing a \$100 million upgrade.

Safety: There have been no recorded injuries so far this year.

Environmental: There are no recent refinery incidents to report this year. The EPA has reversed a 2013 finding that Billings was out of compliance with air pollution standards, saying that the closure of the Corette coal-burning power plant eased the problem. This changed the

nonattainment designation for the one-hour SO₂ National Ambient Air Quality Standard in Billings. Analyses conducted by the Montana Department of Environmental Quality indicated that high SO₂ concentrations in the past were the result of a limited set of exceptional events and were from emissions originating with the Corette plant, which was closed in 2015. Governor Bullock submitted a request in December, 2015 for redesignation of the nonattainment to a designation of attainment. The redesignation was approved in early May

Market: The oil market has been fluctuating over the last eight months but fuel prices are more stable. Oil prices are rebounding and are currently around the \$50 mark for crude. No big changes are forecast for the near future. There is some renewed interest in the Bakken region as oil prices increase and producers have been able to streamline their refinery operations so they are more efficient; they can now produce a barrel of oil for \$50 rather than \$60.

MIDSTREAM UPDATE

Environmental: There are no incidents to report.

Safety: There are no incidences to report. The U.S. Senate approved the 2016 pipeline safety reauthorization bill with House amendments and sent it to the White House today. The measure requires the U.S. Pipeline & Hazardous Materials Safety Administration (PHMSA) to set federal minimum safety standards for underground natural gas storage facilities and allows states to go above those standards for intrastate requirements. It also authorizes emergency order authority for pipelines, updates regulations for certain natural gas facilities to better match changing technology and markets, and increases inspection requirements for certain underwater oil pipelines. The law also creates a working group including PHMSA, states, industry stakeholders, and safety groups to develop recommendations on how to create an information sharing system to improve safety outcomes. This gives PHMSA authority to study the feasibility of a national integrated pipeline safety database for oversight efforts. Mark reported that Senator Daines advocated for the bill and that the pipeline industry in Montana considers the bill a good one as it allows the Department of Transportation more enforcement, provides for spill response plans and safety plans for abandoned pipelines. Mark stated that Phillips 66 Midstream already exceeds the rulings of this bill in terms of compliance and, in fact, some Phillips 66 staff members were consulted as the bill was being drafted.

NEXT MEETING: September 8, 2016

Location: South Park

- Meet in Park event
- Brief CAC member meeting
- Next Meeting: October 11, 2016