

COOK INLET REGIONAL CITIZENS ADVISORY COUNCIL
Captain Cook Hotel, Anchorage, Alaska
December 4, 2015
Approved Minutes

Members Present: John Williams, Robert Peterkin, Gary Fandrei, Molly McCammon, Carla Stanley, Scott Smiley, Paul Shadura, Walt Sonen, Rob Lindsey, Grace Merkes, Bob Flint, Deric Marcorelle

Members Absent: Michael Opheim (excused)

Staff Present: Michael Munger, Susan Saupe, Vinnie Catalano, Jerry Rombach, Linda Giguere, Vaito'a Heaven, Cindy Sanguinetti

Staff Present by Teleconference: Maritta Eledge

Others Present: Captain Paul Albertson, USCG; William Albright, USCG; Matt Melton, Alaska Chadux; Steve Lufkin, PROPS; Ted Rockwell, EMC; Dan Urban, EMC; Arni Thomson, Commercial Fishing alternate; Steve Russell, ADEC; Kate Blair, AOGA; Kyle Crow, City of Kodiak alternate, Catherine Berg, NOAA; Ted Moore, PROPS; Jim McHale, PROPS; Jan Hansen, PROPS; Scott Hamann, PROPS; Meg Kohler, ADEC; Ethan Berkowitz, Mayor, Anchorage; Katie ?, Office of the Mayor; Larry Persily, Kenai Peninsula Borough; Larry Burgess, BlueCrest Energy

1. CALL TO ORDER/ APPROVAL

President John Williams called the meeting to order at 9:04 A.M. Roll was called, establishing quorum.

Molly McCammon moved to approve the agenda. Carla Stanley seconded. The agenda was approved.

Robert Peterkin moved to approve the minutes of September 11, 2015. Carla Stanley seconded. The minutes were approved.

2. WELCOME & INTRODUCTIONS

- **Introductions of Guests**

Guests introduced themselves.

- **New Ex-Officio Directors**

Captain Paul Albertson, USCG, Commander Sector Anchorage, complemented the reception and staff for providing insight into the issues and concerns of the RCAC. The Ice Guidelines are undergoing final review. The Captain looks forward to the area Maritime Committee and Harbor Safety Committee working together.

Catherine Berg, NOAA, noted the wonderful work of the RCAC over the past 25 years and said she looks forward to serving as ex-officio.

- **Ethan Berkowitz, Mayor-Municipality of Anchorage**, welcomed and congratulated the RCAC saying the RCAC partnership model is worthy of imitation. He commended the Council for its ice work, an important effort with the Arctic opening and the planned port development. He thanked Ms. McCammon for representing Anchorage all these years.

*******Public Comment*******

Matt Milton, Alaska Chadux, reported that his board approved 3 additional hubs, including 1 in Homer, for a total of 17. The OSRO is expanding its Vessel of Opportunity capabilities there.

*******PRESENTATIONS ON RELATED ACTIVITIES*******

Larry Persily, KPB, represents the borough on the \$45-\$65 billion Alaska LNG project proposed by Exxon, Mobil, BP and the State of Alaska to pipe gas from Pt. Thompson to Prudhoe Bay for gas treatment and then to one of the largest LNG plants in the world to be constructed at Nikiski. Subsequently, the liquefied natural gas will be shipped out by 15-20 carriers per month. Mr. Persily anticipates that the plant, storage tanks and marine terminals will cost roughly half the budget.

Thirteen environmental reports will be submitted by late 2016 and the decision on the EIS by the Federal Regulatory Commission is expected by late 2018. Construction is expected to take 5 years, with the first tankers expected to pull out 2024-2025.

The 804 mile 42" pipeline, will tunnel under the Yukon, be sunk to the bottom of Cook Inlet, likely from Beluga to Boulder Pt., run parallel to the highway on the industrial side and then cross under the Spur to the plant.

Two storage tanks exceeding 300' diameter are planned. A 3200' pier will service the tankers, and a temporary marine offloading facility will be used during construction. The latter will require extensive dredging. The Kenai Spur Highway will be relocated by 2018.

The project partners have approved the 2016 workplan, with a commitment of \$230 million to finish the preliminary field work, engineering, design and to submit final reports to FERC. A number of studies are underway regarding pipeline route selection, logistics, and labor needs that can be met in-state. Of the 900 Acres needed, 600 have been acquired.

If the project is to move forward construction on the initial barge landing would need to begin in early 2019. Questions were raised about the effect of the project on the set net sites and beach access issues. The issues will need to be addressed in the public arena.

The companies and the state have negotiated an \$800 million Impact Aid fund to be dispersed during construction. During operations the state and partners have negotiated a formula in lieu of property tax to be based on throughput and construction costs to the amount of \$14-15 billion over the first 25 years. The boroughs will vie for their portion. The legislature will have to adopt legislation to resolve the allocation issues.

The next decision to proceed, to spend \$1.5 billion for the final blueprints and final permits, will come in late 2016-early 2017.

With the increased sailings through Shelikof to the Asian market, Mr. Lindsey noted that Kodiak will want their share of the funds.

The gas is presently being produced at Prudhoe Bay and is reinjected to maintain pressure. The AOGCC has already approved the use of some of the gas for this project. More exploration will be needed by 2030.

The state negotiated with the producers to own 25% of the gas in lieu of royalty checks, it has now bought out TransCanada for \$80-90 million for their work to date to become a full 25% partner in the project. Mr. Persily said the market will need to recover to make the project economical.

There are a lot of details to work out regarding tugs, fishing openings, exclusions zones, etc. The producers have said they will install 5 off takes from the pipeline; the state will be responsible to choose the locations and determine how to get the gas to the citizens.

Mr. Persily can be contacted via the borough website, and reports will be posted also to the CIRCAC website.

2. EXECUTIVE COMMITTEE REPORT

Mr. Williams presented the Executive Committee report. The committee reviewed and recommends approval of the 2016 budgets, approved awarding the three year contract for tax preparation and the financial audit to Lambe, Tuter & Wagner, and adopted the meeting schedule for the next year: April 15 in Kenai, September 9 in Seldovia, and December 1 & 2 in Anchorage. The committee received updates on legislation and regulatory matters, the funding agreement, CIE's bankruptcy and all financial reports. Executive sessions were held to discuss funding, corporate strategy, legal and personnel matters.

3. Executive Director's Report

Mr. Munger reported he has received funding agreements reflecting new OPA 90 language from Tesoro, Hilcorp and BlueCrest Energy. CIE has filed for Chapter 11; the company is paid through the end of 2015. Furie's platform is producing but the company has scaled back gas exploration efforts. Hilcorp is likewise scaling back.

The Executive Director participated on the Coast Guard Waterways Suitability Study; AK LNG made a verbal commitment to place a tug in the lower inlet as well as 4-6 tugs in Nikiski.

The Cook Inlet Harbor Safety Committee has been formed; it will give CIRCAC a voice in maritime issues. Mr. Catalano serves on the managing board; Mr. Munger serves on the board of directors.

Tesoro has shelved the cross inlet pipeline project.

CIRCAC will continue to collaborate with key partners to accomplish major accomplishments. He quoted, "We may not always agree, but we disagree very well."

- **2016 Proposed Operating & Program Budgets**
Paul Shadura moved to approve the 2016 Operating & Program Budgets. Gary Fandrei seconded.

Maritta Eledge presented the budget, previously reviewed by the Executive Committee, which adds the carryover identified following the 2014 carryover.

The motion passed.

4. STATUS OF PROGRAMS & PROJECTS

- **Environmental Monitoring Committee**

Ms. Saupe stated the report is in the packet. She shared a note from Steve Okkonen in response to the 25 Years in Cook Inlet Project Highlights commending CIRCAC for amassing an amazing amount of biological, chemical and physical data and utilizing it for both researchers and practical application.

EMC's FY16 budget includes match for a BOEM funded project to fill in a ShoreZone data gap along Alaska Peninsula/ Shelikof Strait, including shore station and GRS ground truthing.

Ms. Saupe is working with contractors to integrate all of CIRCAC's data to be served on the portals. The Beluga prey trawl and contaminant data will be posted soon. The committee discussed the failure of the beluga to recover; Ms. Saupe wonders if there is a lack of food in the winter, and Mr. Shadura brought up the increased killer whale activity in Kachemak Bay. Others are studying the effects of acoustics on the whales. Mr. Smiley noted that a lot of species are not recovering.

EMC will review the APDES general permit in early 2016. Ms. Stanley recommended the committees add a budget line item for the scholarship.

- **Public Involvement**

Ms. Giguere reported she has been monitoring the website and has seen significant spikes in response to the radio ads. More ads will be forthcoming. The 25 year report will appear online and the link will be provided. The webpage is designed to grow to add milestones and special reports.

The Public Outreach Coordinator works to promote the scholarship, the Coastal Impressions exhibit and the newsletter.

*******PRESENTATION*******

Larry Burgess, Blue Crest Energy, which is a privately owned company working the Cosmopolitan field purchased from Pioneer. The company intends to drill 22 wells (11 oil producers, 9 water injection and 1 or 2 for disposal) to offshore targets at 75' depth to previously undiscovered zones. They plan to spud the first well in May. Gas development is on hold pending confidence of tax credit continuation or reasonable alternatives. Blue Crest hopes to start producing from an existing well in April, and trucking the oil to Tesoro.

The company seeks to be a good neighbor, and has been holding town hall meetings to encourage feedback. Blue Crest prefers local hire. A berm was constructed to mitigate light and noise; it is not a containment berm.

When Blue Crest produces gas it will go into the ENSTAR line to Homer. The gas deposit is very large. The longevity of the oil is estimated to be about 30 years. At peak the estimated oil production will be 17-18,000 bbls/day. Mr. Burgess spoke about the company's intent to use specially designed tank trucks

and to construct a turning lane. He showed slides of the camp and the rig. It will cost \$30 million and take 90 days to drill the 1st well; there will be challenges due to coal seams and faultlines.

- **Protocol Committee**

Mr. Catalano reported that the committee reviewed the Blue Crest Operating C-plan and proposed changes to the Financial Responsibility for Oil Discharges regulation.

- **PROPS Committee**

Mr. Catalano has been reviewing the Subarea C-plan and working with the Harbor Safety Committee which has established 4 standing committees. PROPS is proposing the following new projects: A Self-Arrest Study using the AVTEC simulator; an Escort & Assist Tug Panel composed of experts to inform the Council regarding those issues; and a Pipelines & Facilities bottom mapping project to identify obstructions in the production area to be included as a layer on the CIRT.

The Council discussed ideas for the scholarship program.

The Cook Inlet Response Tool will accommodate the GRID and other projects, and training will be provided.

- **Administration**

Cook Inlet RCAC was recertified for the 24th time. The annual financial audit will be conducted in February; Ms. Eledge said it should go well. The election/appointment process for seats due to expire is underway.

5. CALENDARS & MISCELLANEOUS

The Council meeting dates for 2016 will be April 15 in Kenai, September 9 in Seldovia and December 1 & 2 in Anchorage. The Board discussed the Executive Director's decision not to have an open bar at the 25th Anniversary reception. Staff will research and propose a policy.

*****Closing Comments*****

Vinnie Catalano said he and his wife will host the Council and Committee members at his house after the April 15 meeting.

Walt Sonen said the meeting was very educational and he enjoyed the venue.

Carla Stanley agreed the meeting was very informative and she appreciates how well the board and staff work together.

Grace Merkes welcomed Vaito'a.

Gary Fandrei commented that it is impressive how much the RCAC has accomplished in 25 years; he congratulated the board and staff.

Robert Peterkin liked having the committee members included and declared the 2 day event a great job.

Bob Flint pointed out that CIRCAC is the smaller of the 2 RCAC's but it does 4-5 times as much work. He is proud to be involved.

Mike Munger noted that only the main projects were highlighted. He is very proud of the staff and appreciative of the Council.

Deric Marcorelle added that he too is proud of the organization and he enjoyed the presentations.

Paul Shadura mentioned that CIRCAC sponsored his trip to the Pacific Expo where he spoke with PWSRCAC about including a commercial fishing representative on their board. He attended Ms. Saupe's presentation as well.

Rob Lindsey expressed appreciation for the professionalism and the relationships built, to Ms. Saupe for her years of service and Mr. Munger who has been a bridge builder and for his efforts resulting in amendments to OPA90. He is proud of CIRCAC's credibility.

Linda Giguere requested feedback.

Vaito'a Heaven expressed appreciation for being made to feel welcome.

Susan Saupe thanked all who attended the Projects Highlights.

Robert Regis commented that he was intrigued with the Highlights presentations.

Scott Hamann added that it helped him see the bigger picture.

James McHale said it was a good meeting.

Kyle Crow appreciated the opportunity to attend.

Steve Russell reiterated that DEC is overjoyed to continue to work with the RCAC. CIRCAC plays a key role in making sure development is done responsibly.

Others expressed appreciation for the meeting and presentations.

John Williams thanked the administration noting the success of the meeting and the reception.

The meeting adjourned at 2:27 PM.