

COOK INLET REGIONAL CITIZENS ADVISORY COUNCIL
September 9, 2016
Seldovia, Alaska
Approved Minutes

Members Present: Robert Peterkin, Gary Fandrei, Carla Stanley, Paul Shadura, Walt Sonen, Grace Merkes, Deric Marcocelle, Michael Opheim

Members Present by Teleconference: John Williams, Scott Smiley, Bob Flint

Members Absent: Molly McCammon, Rob Lindsey

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

Staff Present by Teleconference: Vinnie Catalano

Others Present: Graham Wood, ADEC; Lt. Brent Mellen, USCG; Randy Frazier, BlueCrest Energy; Cathy Foerster, AOGCC; Glen Faulkner, Harvest Alaska; Lori Nelson, Hilcorp; Kristin Ryan, ADEC; Maddie Jamora; Hollis French, AOGCC; Tod Larson, City of Seldovia; Crystal Collier, SVT; Phillip Hughes, Canyon Equipment; Todd Paxton, CISPRI; Mark Janes, NUKA Research; Tim Robertson, NUKA Research; Sachiko Scott; Renee Lindow; Cindy Rombach; Bretwood Higman, NUKA Research

Others Present by Teleconference: Ginny Ritchfield, ADF&G; Angie Dora, KBRR

1. CALL TO ORDER/ APPROVAL

Vice Chair Robert Peterkin called the meeting to order at 9:00 A.M. Roll was called, establishing quorum. Guests introduced themselves.

Paul Shadura moved to approve the agenda. Carla Stanley seconded. The agenda was approved.

Gary Fandrei moved to approve the minutes of the April 15, 2016 Board of Director's meeting. Deric Marcocelle seconded.

Mr. Fandrei noted the meeting was called to order at 9:03 AM, not PM.

The minutes were approved, as amended.

Gary Fandrei moved to approve the April 15, 2016 Annual Meeting minutes. Grace Merkes seconded. The minutes were approved.

2. WELCOME & INTRODUCTIONS

Mr. Munger expressed appreciation for the Nuka reception and Seldovia's hospitality.

Crystal Collier, President & CEO – Seldovia Village Tribe, extended a welcome saying CIRCAC is important to the tribe which wants resources protected and managed responsibly.

Tod Larson, City Manager, City of Seldovia echoed the welcome.

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

Angie Dora, KBRR, reported that KBRR is partnering with UAA on oceanographic projects and will integrate the data into the lease sale EIS. She requested support for the application for the next 5 year grant. Kachemak Bay has been designated a NOAA Habitat Focus Area and KBRR has received a grant to model native bivalve habitat.

Lt. Brent Mellon, USCG, is now in charge of the MSO in Homer. He fielded questions.

Tim Robertson, Nuka Research & Planning Group, reported that the Harbor Safety Committee, a forum for mariners to discuss issues pertaining to safety of navigation, will meet on October 28 in Anchorage and the public is welcome. The committee has developed a draft Harbor Safety Plan.

Mark Janes, Nuka Research & Planning Group, gave a slide presentation featuring the SOS Response Team, which partners with CISPRI to train, maintain connexes of response equipment, and the Sea Otter Recovery Center. SOS has been involved in 35 responses.

*******PRESENTATIONS*******

FRACKING IN COOK INLET

Cathy Foerster, Commissioner, AOGCC, explained the regulatory body is responsible for protecting human health and safety during oil and gas drilling and production operations, for protecting fresh groundwater and resource rights, preventing hydrocarbon and geothermal resource waste, and encouraging the use of enhanced recovery techniques. Hydraulic fracturing has been practiced in Alaska for over 50 years with no documented incidence of damage to underground water. She spoke frankly of things that could go wrong:

- 1) Fracking could create a strain on the water supply, but DNR regulates the water source.
- 2) Fluids could spill during transport to and from location; DEC & DOT regulations help deter such spills.
- 3) Fracture fluids could go where not intended; but AOGCC has strict regulations regarding well construction, mechanical integrity and pressure monitoring.
- 4) Produced fluids could be improperly disposed; AOGCC and EPA have strict regulations over injected fluids and surface evaporation pits. Every well within a prescribed radius has to meet integrity requirements.
- 5) Fluid disposal can cause earthquakes; but this is extremely unlikely in Alaska because the volume of injection is much lower and the active faulting systems are much deeper.
- 6) Flaring and air emissions; Alaska’s regulations restrict flaring waste.
- 7) Increased STDs.
- 8) Increased traffic and noise.

The frack regulations were updated in 2013 to require fluids to be disclosed and add a section titled Hydraulic Fracturing. She provided a list of requirements.

Hydraulic Fracturing can create increased domestic production/decreased foreign dependence, a decreased surface footprint, increased royalty taxes and revenue, and increased direct and indirect jobs.

Hollis French, AOGCC, reiterated that the agency employs technical expertise in the fields of geology and engineering to protect the public, water and state from bad practices.

Cathy Foerster asserted that AOGCC does not do things in Alaska the way they were done in the Gulf (Deep Water Horizon). Todd Paxton verified that AOGCC is very involved throughout the process. Mr. Munger confirmed that when the oil industry is out of compliance the AOGCC comes down hard on them.

Randy Frazier, BlueCrest Energy Alaska, provided an update on the project north of the Anchor River. The Hansen well is producing up to 200 barrels/day and the sales meter was just approved; the oil will be transported via the pipeline. A new rig is being assembled and the company hopes to spud the first well late in October, early November, and to frack during the 2nd quarter of 2017. BlueCrest plans to horizontally drill 16-20 wells into the reservoir about 7,000' below sea level and will conduct multi-fractures along the length over the next 5 years.

BlueCrest has determined the deepest water well in the vicinity is 119' deep. The surface pipe will extend 4,359' deep, thereby protecting all local fresh water. Mr. Frazier explained the safety precautions that will be implemented, assuring that if there are pressure problems or a major seismic event, operations would shut down. Fracking fluids primarily include gelling agents, surfactants and salt. Fresh water will be trucked in.

Mr. Fandrei asked about the future of fracking. Ms. Foerster said old wells do not get fracked. Only if oil prices rise and there are significant new discoveries in reservoirs that can best be developed by hydraulic fracturing would she anticipate increased fracking in the Inlet.

DRIFT RIVER OIL TERMINAL

Executive Director, Michael Munger, spoke to CIRCAC's sensitivity over any event at DROT, saying he has been advocating focused action in response to the latest underreported spill.

Graham Wood, Program Manager, ADEC Prevention, Preparedness & Response Program, spoke about the agency's reorganization aimed at closing the gap between prevention and response. The result will be better trained c-plan reviewers and responders, cost savings, and improved cost recovery.

Mr. Wood reported that the language in the Unified Plan will stand. To be compliant with the National Response framework, the ARRT is considering a change from the current 10 Subarea Plans under the Unified Plan to an Alaska Regional Plan with 4 regions: Southeast, Prince William Sound, Northern, and Western Alaska (to include Cook Inlet). The RCAC will comment on the proposal.

Kristin Ryan, Director, ADEC Spill Prevention & Response, explained the proposal will shift control to the Captain of the Port and the On-Scene Coordinators, to better represent local needs. This new system will be more recognizable to the Coast Guard, and it will increase efficiencies. Mr. Munger said the new region gives no advantage to the RCAC.

Stakeholder meetings will be scheduled regarding the proposed new drilling exercise program. The agency has been busy working to update regulations.

The spill at Drift River was caused by over-pressurization of a 20" fill line. Mr. Wood agreed the response has not progressed at a satisfactory speed; it has been hampered by weather and contractor issues. Things are on track now.

Mr. Munger asked what the agency's plan is in response to the Council's recommendation for more unannounced drills, facility inspections, an audit of all Hilcorp facilities and more communication with CIRCAC. Mr. Wood maintained no facility has had more inspections than Drift River. ADEC is committed to increasing unannounced drills in Cook Inlet. Audits are targeted and triggered by alarming trends. Mr. Munger responded that the spill in question was not on the SCADA system and the manpower has been reduced. A letter to Hilcorp outlining requirements and recommendations is being drafted. Mr. Munger noted that DEC is now requiring Hilcorp to increase personnel at the facility.

Lori Nelson, Manager External Affairs, Hilcorp, stated that Hilcorp will submit a c-plan amendment by September 15 outlining the plan to staff the facility appropriately, and the company will comply with all ADEC requirements regarding the clean-up and reactivation of the line.

Glenn Faulkner, Hilcorp, used a flow diagram to explain what caused the spill and how it was discovered. The over-pressurization occurred on June 27, and small leaks were discovered on July 2 at tank 2, tank 1 and at a non-contained tank. ADEC inspected on July 21. On July 28 while weed eating, spill site 4 was discovered. Further probing identified 2 more leak sites underground. Less than a gallon of oil spilled from the flange at tank 2, which was out of service; the bolts were not torqued down. It is not determined yet what caused the underground leak at a cluster of flanges.

Hilcorp emptied facility piping and tanks 3 & 4 (based on the tanker schedule) to pull the valves and isolate the system. Mr. Faulkner explained that there is leak detection on the pipeline, but not on the gathering/facility piping, though pressure alarm systems have been added.

The excavation of the site of the underground leak is proceeding with challenges. Hilcorp intends to build a valve box. They have not determined whether the line will be used in the future. The contaminated soil is being stored on a 40x40' impermeable barrier.

Because there were other projects going on at the time of the over-pressurization, there were plenty of people at Drift River, Mr. Faulkner said. The management group is brainstorming ways to verify the integrity of the facility piping. Ms. Nelson conveyed the company talks about the concept of a pipeline to Tesoro. Mr. Faulkner estimated the duration of the clean up to be 1 ½ months.

Mr. Munger expressed appreciation for the improved communication with Hilcorp.

3. EXECUTIVE COMMITTEE REPORT

Mr. Peterkin reported that the committee met on August 3rd and September 7th to receive the final financial report, review and approve the 2015 tax return and other financial documents, including the proposed 2016 carryover allocation, to discuss the status of the Tourism representative, the status of the recertification application and the Buccaneer bankruptcy issue.

4. EXECUTIVE DIRECTOR'S REPORT

Mr. Munger thanked the staff for their hard work. CIRCAC has been recertified. The new Admiral McAllister will visit CIRCAC next week. Mr. Munger is advocating keeping the DGPS antennae in Cook Inlet. Mr. Munger has been communicating with the new Executive Director of PWSRCAC regarding collaborative opportunities. The City of Vancouver is considering an RCAC model and has reached out to the Alaskan RCACs. The Executive Director feels the agencies are working with more coordination on the DROT issues, and will keep the board informed. Mr. Munger's op-ed article raised concerns about the potential for complacency given declining oil prices, reduced state budget, and new operators moving in. CIRCAC's job is ever more vital. The 2017 proposed budget is in the packet for information purposes. The funding is expected to be \$14,000 less than last year due to the reduced CPI index.

4. SCIENTIFIC FIELD RESEARCH

Susan Saupe, Director of Science & Research, updated the Council with Power Point presentations of two projects conducted this summer. BOEM, the National Park Service, NUKA, NOAA, Coastal Ocean Resources and CIRCAC partnered to fill the ShoreZone gap on the Alaska Peninsula, conducting aerial surveys, shore station habitat assessments and GRS ground truthing. The ShoreZone imagery will be integrated into the AOOS Portal. One GRS will be dropped, as it is unrealistic; two will be added. Bathymetry and outflow measurements and sediment and tissue sediments were taken. The database will be upgraded this winter.

The Evaluation of Nearshore Communities & Habitats in Lower Cook Inlet 2016 focused on Rocky Habitat Field Assessment. Hopefully CIRCAC's involvement with the project funded by BOEM to the Park Service and sub contracted to UAF, NOAA and CIRCAC will be extended for 3 more years. The lease sale is adjacent to the study area. Other habitats will be sampled in succeeding years.

5. STATUS OF PROGRAMS & PROJECTS

- **Environmental Monitoring Committee**

The staff report is in the packet. EMC reviewed the EIS for the Federal Lease Sale, evaluating how the data is represented, finding there was no cohesiveness and many generalizations.

- **Public Involvement**

Ms. Giguere reported the radio ads, the op-ed, CIRCAC's presence at Industry Day, and Facebook posts are raising public awareness. The 25th Anniversary Report is being redesigned, and will be actively promoted. Mr. Munger spoke of his frustration regarding BOEM's denial of a request for an extension to the public comment period on the Draft Environmental Impact Statement (DEIS) for the Cook Inlet Planning Area Lease Sale 244.

- **Prevention, Response, Operations & Safety Committee**

Vinnie Catalano participates in the Cook Inlet SubArea Plan Workgroup. Various sections of the plan are being reviewed. DEC will talk about the Regional Stakeholder Committee issue at the next ARRT meeting. Mr. Catalano occupies CIRCAC's permanent seat on the Harbor Safety Committee managing board. Mr. Munger and Mr. Rombach serve on the committee. Staff sat in on the Harvest Alaska Technical Review and attended Blue Crest public outreach meetings. Staff and public members attended the Clean Pacific Conference to learn about new response equipment and tactics. PROPS members will attend the Clean Gulf Conference.

- **Protocol Committee**

Since the last Council meeting Protocol reviewed and submitted comments to 3 Hilcorp c-plan amendments, and the Cook Inlet Energy and Furie Operations Alaska, LLC c-plans. The comments are posted on the website.

Paul Shadura requested a more detailed discussion on the subject of fracking at the PROPS Committee.

- **Administration**

Jerry Rombach noted that next year the Recertification process will be more in depth. He thanked staff for their input on the application, and expressed appreciation for Ms. Eledge's help with grants. The Bylaws, Council and Personnel Policies are being reviewed and revised. The Audit Committee will forward recommendations to the Council. Mr. Rombach will attend the National Harbor Safety Committee conference. Three new public members are serving on PROPS and EMC.

6. CALENDAR

The Clean Gulf Conference will be held in November. Mr. Munger will be traveling to DC and Vancouver. The Council will meet on December 1, 2 at the Captain Cook in Anchorage.

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

Michael Opheim thanked the board for coming to Seldovia, and said it was an informative meeting.

Deric Marcorelle commented his mind has been put at ease by the presentations by Hilcorp and DEC.

Michael Munger thanked Ms. Heaven for making all the arrangements for the meeting. He extended appreciation to the staff and board for their participation and good work, projecting that CIRCAC will be around for a long time.

Robert Peterkin echoed that the presentations were good.

Gary Fandrei appreciated Hilcorp's presentation. He wishes he could work in the field with Ms. Saupe

Grace Merkes agreed the meeting and the reception were good. Ms. Saupe has too much fun!

Carla Stanley was grateful to meet in Seldovia. CIRCAC has a strong group of public members participating.

Ms. Merkes inserted that it reflects well on the staff and board that good people want to volunteer to serve.

Walt Sonen appreciated Mr. Munger's op-ed keeping awareness up. He was sorry the board could not stay in Seldovia longer.

Paul Shadura expressed appreciation for the community's hospitality. He stated he is interested in attending the Expo and appreciates efforts to further the relationship with PWSRCAC. Ms. Saupe's work

raises the credibility of CIRCAC. He appreciated Hilcorp's straightforwardness and acceptance of responsibility.

Jerry Rombach reported that the ferry struck a rock, but another vessel has been arranged. Flying is an option, if needed.

Bob Flint said it was an excellent meeting.

The meeting adjourned at 3:29 PM.