Attachment A

CREF 2015-2017 Reassessment

The Coastal Resource Enhancement Fund (CREF) Guidelines identify a process by which the CREF mitigation fees are reassessed at five-year intervals. In 2012, the Board of Supervisors approved the 2013-2017 five-year assessment. In mid-2017, Energy & Minerals Division staff will conduct the five-year reassessment of CREF fees for 2018-2022 and present that to the Board of Supervisors by fall of 2017, before the start of the 2018 CREF cycle.

Due to the May 19, 2015 shutdown of the Plains All-American Pipeline, Freeport-McMoRan's (FMO&G) Point Arguello Unit and ExxonMobil's Santa Ynez Unit (SYU) facilities have ceased production and subsequently removed all oil from their facilities. Some CREF impacts associated with these two facilities are currently not occurring as predicted when the 2013-2017 five-year assessment was conducted. Rather than reassess the 2015-2017 years retroactively in the regularly scheduled five-year reassessment, staff has conducted a current reassessment of Point Arguello Unit and SYU CREF fees. Point Pedernales Unit is not affected by the shutdown of Plains All-American Pipeline so staff did not reassess Point Pederanales' 2015-2017 years.

CREF is designed to mitigate impacts in four categories: coastal aesthetics, coastal tourism, coastal recreation and environmentally sensitive coastal resources. The original environmental review of Point Arguello Unit and SYU identified a number of significant impacts in these four categories, with payment of CREF fees as mitigation. When assessing CREF fees, staff assigns impact points with values of 0-5 per year in each of the four impact categories. A value of 1 represents a low impact; a value of 5 signifies a high impact. CREF Guidelines adopted in 1988 identified that each impact point had a $20,000 value, with CPI adjustment every five years to reflect current dollars. Staff multiplies the number of impact points by the $20,000 value in current dollars to determine an oil company's annual contribution to CREF. The revised CPI-adjusted dollar value for the 2013-2017 period is $38,600 per CREF point.

Over time, some significant impacts requiring mitigation through CREF have been either reduced or eliminated (e.g., construction impacts, restoration impacts). Consequently, the number of impact points has similarly been reduced (see Tables 2 and 3 in the CREF Guidelines for points assigned to SYU and Point Arguello Unit from 1988 to 2017).

Point Arguello Unit

In 2012, the Board of Supervisors approved the following CREF points for the corresponding impacts associated with Point Arguello Unit during the 2013-2017 time period:

- ***Coastal Tourism Impacts:*** Zero points reflect that the cumulatively significant but mitigable tourism impacts have been mitigated to an insignificant level.

- ***Coastal Aesthetics Impacts:*** Two and a half points (2.5) represent the following impacts:
  - (a) the project-specific and cumulatively significant and unavoidable impacts on ocean views due to three platforms, and
  - (b) the project-specific and significant impact of the onshore facility.

- ***Coastal Environmentally Sensitive Impacts:*** Two points (2.0) represent the following impacts:
  - (a) the project-specific ongoing bank erosion at one remaining creek crossing (Middlewood Creek) along the pipeline corridor, and
  - (b) the project-specific and cumulatively significant potential of an oil spill.

Table 1 lists Point Arguello Unit's impact points and annual CREF fees in each category for the 2013-2017 time period, as approved by the Board of Supervisors in 2012.

Table 1: Point Arguello Unit Project
CREF Assessments for 2013 - 2017 Cycle

	2013	2014	2015	2016	2017
Tourism	0	0	0	0	0
Aesthetics	2.5	2.5	2.5	2.5	2.5
Environmentally Sens. Resources	2	2	2	2	2
Recreation	2	2	2	2	2
Total Points	**6.5**	**6.5**	**6.5**	**6.5**	**6.5**
Value Per Point*	$38,600	$38,600	$38,600	$38,600	$38,600
CREF Fees Per Year	$250,900	$250,900	$250,900	$250,900	$250,900

* Assessed at $38,600 per point, pursuant to CREF Guidelines to reflect 1988 dollars.

<u>2015-2017 Reassessment</u>.

The reason for this mid-cycle reassessment is that Point Arguello Unit is not producing oil due to the May 2015 shutdown of the Plains All-American Pipeline. Because Point Arguello Unit platforms are no longer producing oil and the associated offshore and onshore pipelines have been purged, the impacts associated with the risk of an oil spill have been reduced. This reduction in potential impacts would affect the assessment of CREF fees until Point Arguello Unit resumes production. Below is a chronology of facts that affect Point Arguello Unit's CREF reassessment and Energy & Minerals Division's staff's analysis of how these facts affect the risk of an oil spill.

2015

- Point Arguello Unit produced oil between January 1, 2015 and May 19, 2015.
- Point Arguello Unit stopped producing oil on May 19, 2015 due to the shutdown of the Plains All-American Pipeline.
- Between May 19 and December 10, 2015, Point Arguello Unit's pipelines contained approximately 76,000 barrels of oil.
- Point Arguello Unit's pipelines were purged on December 10, 2015 and the oil was transported to Phillips 66 refinery in Nipomo via Plains All-American Pipeline 903 and Phillips 66 Pipeline 300.
- After December 10, one onsite storage tank contained 11,000 barrels of residual oil.

Risk Assessment for 2015: Point Arguello Unit produced oil for almost half of the year. Although production ceased in mid-May, the pipelines were still full of oil. The risk of a major oil spill remained because: (a) the pipelines were filled with oil and under pressure, and (b) the platforms had wells under pressure. Since the oil spill risk continued into all 12 months of 2015, this year is not considered to have a reduced risk.

2016

- The year began with no oil in Point Arguello Unit's pipelines and 11,000 barrels of residual oil in Point Arguello Unit's onshore storage tank.
- It is estimated that by April 2016, Point Arguello Unit will remove the remaining 11,000 barrels of oil from the tank.
- After April 2016, Point Arguello Unit and its related onshore facilities will be fully purged of oil.

Risk Assessment for 2016: Staff evaluated the risk of an oil spill along the pipelines, the storage tanks and the platforms for the 2016 reassessment. There is no risk associated with Point Arguello Unit's pipelines since the pipelines are purged of oil. Approximately 11,000 barrels of oil are contained in one of Point Arguello Unit's onshore storage tanks. The Emergency Containment Basin capacity servicing the tank will contain this amount of oil if it leaked from the tank; therefore, there is no risk of a major oil spill associated with the storage tank. FMO&G has advised staff that they have secured the platforms wells with at least three barriers (block valves) in place from the hydrocarbon zones to surface. In addition, FMO&G states that the wells' piping at the platforms has been disabled to eliminate any active flow from the wells. With these protections at the platforms, the likelihood of an oil spill is extremely rare. Therefore, in 2016, for CREF reassessment purposes, we are not considering Point Arguello Unit to have any measurable risk of an oil spill.

2017

- It is unknown when the Plains All-American Pipeline will resume transporting oil and, subsequently, Point Arguello Unit will begin producing.

Risk Assessment for 2017: Since it is unknown when Point Arguello Unit will restart, for this CREF reassessment, it is assumed that Point Arguello Unit will not be producing and its pipelines and storage tanks will remain purged of oil and its platforms preserved and secured for all of 2017. Similar to 2016, there is no measurable risk of a major oil spill associated with Point Arguello Unit for CREF reassessment purposes.

Below is a description of Point Arguello Unit's 2015-2017 reassessments for Point Arguello Unit's remaining impacts associated with CREF.

- ***Coastal Tourism Impacts:*** Zero points remain, reflecting that the cumulatively significant but mitigable tourism impacts have been mitigated to an insignificant level. No changes have occurred in 2015-2017 to affect this tourism impact.

- ***Coastal Aesthetics Impacts:*** Two and a half points (2.5) remain, representing two project-specific and cumulatively significant aesthetic impacts due to the platforms and the onshore facility. No changes have occurred in 2015-2017 to affect this aesthetic impact.

- ***Coastal Environmentally Sensitive Impacts:*** The first impact listed under this category is the project-specific ongoing bank erosion at Middlewood Creek along the pipeline corridor. We estimate that this impact is one quarter point (0.25) of the two points for this category. FMO&G recently reported that there are 15 feet of exposure for the 24-inch oil pipeline and 7 feet of exposure for the 20-inch gas line. The pipelines are still exposed and no restoration of the creek channel has occurred. It is anticipated that no restoration will occur through 2017. Therefore, the quarter point (0.25) remains throughout the 2015-2017 reassessment period for this first impact.

  The second impact associated with this category reflects the project-specific and cumulatively significant potential of an oil spill during the operational phase. As noted above, there is no reduced risk of an oil spill in 2015; therefore, one and a three-quarters points (1.75) remain for this second impact.

  For 2016, there is an estimated 100% reduced risk of a major oil spill; therefore, the one and three-quarter points (1.75) are reduced to zero points for this second impact. The same reduction applies to 2017.

  In summary, for this category's two impacts, the following CREF points would be reassessed: 2.0 points for 2015 and 0.25 points each for 2016 and 2017.

- ***Coastal Recreational Impacts:*** The two recreational impacts for this category are project-specific and cumulatively significant impacts to Jalama Beach due to the presence of offshore platforms and decline of shoreline recreational experience due to industrial development. The impacts in that section are associated with the potential for a major oil spill and degradation of the recreational experience due to the visual intrusion of oil and gas structures. Of the two impact points in this category, staff estimates that one and a half points (1.5) represents the impacts associated with an oil spill and a half point is associated with degradation of the recreational experience due to visual intrusion of oil and gas structures.

Regarding the first impact associated with the risk of an oil spill, as noted above, there was not an estimated reduced risk from a major oil spill in 2015; therefore, the impact points for this impact in 2015 remain at one and a half points. In 2016 and 2017, there is an estimated 100% reduced risk from a major oil spill, reducing this impact from one and a half points to zero points.

The second impact, with a value of a half point (0.5), is associated with degradation of the recreational experience due to visual intrusion of oil and gas structures. There are no changes during the 2015-2017 time period that would reduce this impact. When restoration of Ellwood Marine Terminal (EMT) begins and its tanks are removed, the cumulative degradation of environmentally sensitive coastal resources may be reduced. A half point (0.5) remains during the 2015-2017 reassessment for this second impact.

Therefore, considering the two impacts associated with this category, the impact points for 2015 remain at two points (2.0) and for 2016 and 2017, the impact points are reassessed at 0.5 points.

Table 2 below summarizes staff's recommendations for CREF points and fees on the Point Arguello Unit project for the years 2015-2017.

Table 2: Point Arguello Unit Project
CREF Assessments for 2015 - 2017 Cycle

	2015	**2016**	**2017**
Tourism	0	0	0
Aesthetics	2.5	2.5	2.5
Environmentally Sens. Resources	2.0	0.25	0.25
Recreation	2.0	0.5	0.5
Total Points	**6.5**	**3.25**	**3.25**
Value Per Point*	$38,600	$38,600	$38,600
CREF Fees Per Year	$250,900	$125,450	$125,450

* Assessed at $38,600 per point, pursuant to CREF Guidelines to reflect 1988 dollars.

When Plains All-American Pipeline is able to transport oil and the Point Arguello Unit begins producing and transporting oil through its pipelines again, the original impact points for the 2013-2017 reassessment (see Table 1) will be reapplied. If production occurs mid-year 2017, staff would pro-rate the fees based on number of months the facility is in preservation/secured mode and production mode.

Santa Ynez Unit

In 2012, the Board of Supervisors approved the following CREF points for the corresponding impacts associated with SYU during the 2013-2017 time period:

- ***Coastal Aesthetics Impacts:*** Two points (2.0) reflect the aesthetic impact of the platforms.
- ***Coastal Tourism and Coastal Recreation Impacts:*** One and a quarter points (1.25) reflect the cumulatively significant and unavoidable impacts of an oil spill during the operational phase for each of these two impact categories.

- ***Coastal Environmentally Sensitive Impacts:*** One and a half points (1.5) represents:
  - fairly constant industrialization of the Gaviota Coast (i.e., degradation of environmentally sensitive coastal resources from all types of development); and
  - potential for a cumulatively significant impact from a major oil spill.

Table 3 lists SYU's impact points and annual CREF fees in each category for the 2013-2017 time period, as approved by the Board of Supervisors in 2012.

Table 3: Santa Ynez Unit Project
CREF Assessments for 2013 - 2017 Cycle

	2013	**2014**	**2015**	**2016**	**2017**
Aesthetics	2	2	2	2	2
Recreation	1.25	1.25	1.25	1.25	1.25
Tourism	1.25	1.25	1.25	1.25	1.25
Environmentally Sens. Resources	1.5	1.5	1.5	1.5	1.5
Total Points	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**
Value Per Point*	$38,600	$38,600	$38,600	$38,600	$38,600
CREF Fees	$231,600	$231,600	$231,600	$231,600	$231,600

* Assessed at $38,600 per point, pursuant to CREF Guidelines to reflect 1988 dollars.

<u>2015-2017 Reassessment</u>.

The reason for this mid-cycle reassessment is that SYU is not producing oil due to the May 2015 shutdown of the Plains All-American Pipeline. Because SYU platforms are no longer producing oil and the associated pipelines have been purged, the impacts associated with the risk of an oil spill have been reduced. This reduction in potential impacts would affect the assessment of CREF fees until SYU resumes production. Below is a chronology of facts that affect SYU's CREF reassessment and Energy & Minerals Division's staff's analysis of how these facts affect the risk of an oil spill.

<u>2015</u>

- SYU produced oil between January 1, 2015 and June 16, 2015.
- SYU filled its onshore storage tanks with oil and stopped producing oil on June 17, 2015 due to the shutdown of the Plains All-American Pipeline on May 19, 2015.
- Between June 17 and December 21, 2015, SYU's onshore and offshore pipelines contained approximately 23,000 barrels of oil; the onshore storage tanks contain approximately 402,000 barrels of oil.
- On December 21, 2015, SYU purged its approximate 23,000 barrels of oil from the on- and offshore pipelines into the onshore storage tanks, totaling approximately 425,000 barrels of oil in the storage tanks.

Risk Assessment for 2015: SYU produced oil for approximately half of the year. Although production ceased in mid-June, the offshore pipelines were still full of oil. The risk of a major oil spill remained because: (a) the pipelines were filled with oil and under pressure, and (b) the platforms had wells under pressure. Since the oil spill risk continued into all 12 months of 2015, this year is not considered to have a reduced risk.

<u>2016</u>

- The year began with no oil in SYU's onshore and offshore pipelines and approximately 425,000 barrels of oil in SYU's onshore storage tanks.
- In late April or early May 2016, ExxonMobil is scheduled to begin transporting oil from SYU's storage tanks to Santa Maria using approximately 30 trucks per day for 3-6 months.
- By approximately September 2016 or sooner, SYU will be fully purged of oil.

Risk Assessment for 2016: Staff evaluated the risk of an oil spill along the pipelines, storage tanks and platforms for the 2016 reassessment. There is no risk associated with SYU's onshore and offshore pipelines since the pipelines are purged of oil. All 425,000 barrels of oil are contained in SYU's two onshore storage tanks. The Emergency Containment Basin capacity servicing the two tanks is 314,000 barrels. Considering SYU's EIR, the risk of a tank rupture is rare. The risk of both tanks rupturing simultaneously and losing full contents is extremely rare. Therefore, since the risk of an oil spill associated with the storage tanks is very small, no measureable risk is present for CREF reassessment purposes. ExxonMobil has advised staff that they have secured the platform wells with at least three downhole barriers (block valves) in place from the hydrocarbon zones to surface. In addition, ExxonMobil states the wells' piping at the platforms has been disabled to eliminate any active flow from the wells. With these protections at the platforms, the likelihood of an oil spill is extremely rare. Therefore, in 2016, for CREF reassessment purposes, we are not considering SYU to have any measurable risk of an oil spill.

2017

- It is unknown when the Plains All-American Pipeline will resume transporting oil and, consequently, SYU will begin producing.

Risk Assessment for 2017: Since it is unknown when SYU will restart, for this CREF reassessment, it is assumed that SYU will not be producing and its pipelines and storage tanks will remain purged of oil and its platforms preserved and secured for all of 2017. Similar to 2016, there is no measurable risk of an oil spill associated with SYU for CREF reassessment purposes.

Below is a description of SYU's 2015-2017 reassessments for SYU's remaining impacts associated with CREF.

- ***Coastal Aesthetics Impacts:*** Two points (2.0) remain, reflecting the aesthetic impact of the platforms. No changes have occurred in 2015-2017 to reduce this aesthetic impact.

- ***Coastal Tourism and Coastal Recreation Impacts:*** The impacts associated with these two categories reflect the cumulatively significant impacts of an oil spill during the operational phase (1.25 points for each category). The 2008-2012 five-year assessment stated that the points in these two categories should continue for the life of the project, as long as a significant oil spill impact still exists for SYU. As noted above, there is no reduced risk of an oil spill in 2015; therefore, one and a quarter points (1.25) each for these two categories remains.

  As noted above, there is no risk of a major oil spill for CREF reassessment purposes in 2016. Therefore, the one and a quarter (1.25) points each are reduced by 100% to zero points each. The same reduction applies to 2017.

- ***Coastal Environmentally Sensitive Impacts:*** The first impact listed under this category is the "fairly constant industrialization of the Gaviota Coast (i.e., degradation of environmentally sensitive coastal resources from all types of development)." There are no changes during the 2015-2017 time period that would reduce this impact. When restoration of Ellwood Marine Terminal (EMT) begins and its tanks are removed, the cumulative degradation of environmentally sensitive coastal resources may be reduced.

The EMT site has not yet been restored; a half point (0.5) remains during the 2015-2017 reassessment for this first impact.

The second impact listed under this category is the "potential for a cumulatively significant impact from a major oil spill." Again, as noted above, there is no reduced risk for an oil spill in 2015, so one point remains for this impact. For 2016, and 2017, there is an estimated 100% reduced risk from a major oil spill; therefore, the impact point for this impact in both 2016 and 2017 is reduced from one point to zero points.

In summary for this category with its two impacts, the following CREF points would be reassessed: 1.5 points for 2015 and 0.5 points each for 2016 and 2017.

Table 4 summarizes staff's recommendations for the reassessment of CREF points and fees on SYU for the years 2015-2017.

Table 4: Santa Ynez Unit Project
CREF Assessments for 2015 - 2017 Cycle

	2015	**2016**	**2017**
Aesthetics	2	2	2
Recreation	1.25	0	0
Tourism	1.25	0	0
Environmentally Sens. Resources	1.5	0.5	0.5
Total Points	**6.0**	**2.5**	**2.5**
Value Per Point*	$38,600	$38,600	$38,600
CREF Fees Per Year	$231,600	$96,500	$96,500

* Assessed at $38,600 per point, pursuant to CREF Guidelines to reflect 1988 dollars.

When Plains All-American Pipeline is able to transport oil and SYU begins producing and transporting oil through its pipelines again, the original impact points for the 2013-2017 reassessment (Table 3) will be reapplied. If production occurs mid-year 2017, staff would pro-rate the fees based on number of months in preservation/secured mode and production mode.