SANTA BARBARA COUNTY
BOARD AGENDA LETTER

Clerk of the Board of Supervisors
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TO: Board of Supervisors

FROM: Dianne Meester, Interim Director
Planning & Development

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SUBJECT: Coastal Resource Enhancement Fund (CREF): 2003 – 2007 Fee Assessment

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Recommendation(s): That the Board of Supervisors amend the CREF Guidelines as recommended in Attachment A for the purpose of assessing 2003-2007 CREF fees and making minor updates.

Alignment with Board Strategic Plan: The recommendations align with Goal No. 5. A High Quality of Life for All Residents.

Executive Summary and Discussion:

2003 to 2007 Assessment. Permits for four oil and gas projects (Point Arguello, Santa Ynez Unit, Gaviota Terminal, and Point Pedernales) require payment of mitigation fees to the Coastal Resource Enhancement Fund (CREF) for the life of the project. These fees help mitigate impacts to coastal aesthetics, coastal recreation, coastal tourism, and environmentally sensitive coastal resources. The CREF Guidelines stipulate a process by which these fees are assessed at five-year intervals; 2003 marks a new five-year cycle.

Consistent with past assessments, each of the four oil and gas projects is assigned up to five points per year in each of the four impact categories. The points are multiplied by a fixed-dollar amount to determine the CREF fee of each project. This multiplier is adjusted every five years, based on the change in consumer price index for the preceding five years; the revised CPI-adjusted dollar value for the 2003-2007 period is $29,800 per CREF point.

Staff recommends the 2003-2007 schedule of CREF fees in the table below. Care should be taken not to compare the recommended fees for each project with each other. The identification and treatment of significant impacts addressed by CREF vary among the projects, due to differences among projects and differences among their respective Environmental Impact Reports, permit conditions, and findings for approval. For example, EIRs attribute significant, unavoidable impacts directly to visual resources for three of the four projects: however, the environmental assessment of the Gaviota oil terminal classifies significant visual degradation as significant impacts to recreation. In another example, applicable CREF permit conditions vary in scope, restricting applicability to either project-specific or cumulative impacts only in two cases, and encompassing both project-specific and cumulative impacts in two other cases.

CREF Fees for 2003-2007*

PROJECT	**2003**	**2004**	**2005**	**2006**	**2007**
Point Arguello**	$253,300	$223,500	$223,500	$223,500	$223,500
Santa Ynez Unit	$208,600	$208,600	$208,600	$208,600	$208,600
Gaviota Terminal	$149,000	$149,000	$149,000	$149,000	$149,000
Point Pedernales***	$149,000	$149,000	$149,000	$134,100	$134,100
CREF Fees Per Year	**$759,900**	**$730,100**	**$730,100**	**$715,200**	**$715,200**

* Assessed at $29,800 per point, pursuant to CREF Guidelines to reflect 1988 dollars.
** Arguello, Inc. has received approval to partially dismantle its onshore processing facility, removing 12 of the facility's 13 columns. These columns range 62 and 107 feet in height. The CREF assessment credits Arguello one point, commencing the year following removal of the columns. In this table, we assume removal will occur in 2003 for illustrative purposes.
*** The half point reduction in the aesthetics category applies the year following confirmation by Energy Division that the newly planted trees are established, thriving, and of adequate growth to screen the electrical substation from direct view. (In this table, we are assuming the reduction will occur in 2006, for illustrative purposes only.)

This 2003-2007 assessment marks the fourth five-year assessment. In summary, the first assessment (1987-1991) assessed the projects mainly on construction-related impacts. The second assessment (1992-1997) moved into the operational phase; however, that assessment still dealt with construction-related impacts that had carried over into the second assessment (e.g., restoration). The third assessment (1998-2002) mostly assessed the operational phase. The current assessment (2003-2007) continues with the operational phase and is mainly a status quo from the past assessment. There are just four noted changes between the last assessment and the current assessment.

The first change is associated with the Point Arguello project; Arguello Inc. plans to remove the tallest pieces of equipment, ranging in height from 62 to 107 feet, from the Point Arguello onshore facility. Staff recommends a one-point fee reduction, representing the slightly less project-specific and cumulatively significant impacts to the industrial appearance along the coast.

The second and third changes are associated with the Santa Ynez Unit project. Staff recommends a two-point reduction from the past assessment, whereby the year 2003 represents the time when two impacts have been mitigated to an insignificant level. These two impacts had been identified in the past environmental document as significant and mitigable. All remaining impacts associated with the Santa Ynez Unit project in this CREF assessment are significant and unavoidable.

The fourth change is associated with the Point Pedernales project. The current assessment did not change much from the past assessment. However, Nuevo Energy Company submitted a revised landscape plan for the electrical substation at Surf. Staff recommends a half point reduction beginning in the year 2006 if the trees are established and are screening the substation from direct view by the end of 2005 (see the footnoted conditions under the table above).

There are no changes to the Gaviota Terminal's current assessment from the past assessment.

Attachment B addresses the assessment in more detail and describes how staff arrived at its recommendation for each oil and gas project.

We conclude by noting what over $13 million in CREF mitigation fees has done to improve the County's coastal environment: preserving over 3,000 acres of coastal open space; improving coastal parks with safer beach access and more park amenities; and helping heighten the awareness and sensitivity of our coastal and marine environments through various educational programs. From the Guadalupe Dunes area in the northern reaches of our county to the Carpinteria Marsh in our southern parts, CREF has benefited our coastal environment considerably.

In so doing, we believe CREF has served well along side other direct measures to mitigate the significant adverse impacts of annual offshore oil and gas operations to the maximum extent feasible, as required by the California Coastal Act (Sec. 30260) and the County's Local Coastal Program. It has also served well, pursuant to requirements of the Coastal Zone Management Act, to balance the contribution that offshore oil and gas development extends to the nation's energy supplies with the localized significant impacts of such development. Additional opportunities to employ CREF fees as a viable ongoing mitigation abound. In less than a month, your Board will consider a list of nearly $2 million in proposals for CREF grants.

Additional CREF Guidelines Amendments. Staff recommends that the Board amend the CREF Guidelines to:

(a) include the 2003-2007 CREF fees;
(b) update the CREF Guidelines with past assessment points and fees; and
(c) reflect general directions rather than specific dates for each assessment.

In a number of areas throughout the CREF Guidelines, the Guidelines speak specifically to the 1993-1997 CREF five-year period. Staff amended these sections to be more general in nature so that these sections do not have to be amended each assessment. For example, on page 10, second paragraph, staff amended the following sentences:

> "The fee is assessed as an annual payment to be paid each year ~~for the years 1993-1997~~. Annual payments ~~for 1993~~ will be due ~~sixty (60) days after the Planning & Development Department bills the CREF-assessed projects. Annual payments for the years 1994-1997 will be due~~ by January 10 ~~for~~ <u>of</u> each ~~of those~~ year~~s~~. A reassessment of impacts and CREF contributions <u>for the next five-year period</u> will be done <u>during the last year of the last assessment.</u> ~~in 1997 to cover the next five-year period, 1998-2002~~."

The CREF Guidelines attached (Attachment A) show staff recommended changes in detail.

Mandates and Service Levels: Mitigation of impacts to coastal resources from offshore oil and gas development is required as a condition of permits on four projects. Mitigation is provided through the Coastal Resource Enhancement Fund. The Board-approved Guidelines for administering CREF require an assessment of fees every five years for these projects. There are no changes in service level as a result of these assessments.

Fiscal and Facilities Impacts: No fiscal and facilities impacts. Each of the four oil and gas developments pay for staff costs to prepare the oil and gas project's CREF assessment. Interest accrued to CREF, which is funded by mitigation fees paid by developers of offshore oil and gas reserves, pays for staff costs to amend the CREF Guidelines. The CREF program is part of the mitigation program within the Energy Division Cost Center on page D-26 in the Planning & Development Department's section of the County's Budget F02/03.

Special Instructions:

None.

Concurrence:

None.

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Attachment A

CREF Guidelines
(Revised October 22, 2002)

COASTAL RESOURCE ENHANCEMENT FUND

GUIDELINES

Adopted: June 6, 1988
Revised: April 25, 1990
Revised: December 8, 1992
Revised: May 24, 1994
Revised: October 22, 2002

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COASTAL RESOURCE ENHANCEMENT FUND GUIDELINES

1. PURPOSE OF THE COASTAL RESOURCE ENHANCEMENT FUND

Environmental impact reports for ~~four~~ five oil projects concluded that Santa Barbara County's coastal resources will be adversely affected by the impacts of ~~cumulative~~ offshore oil and gas development along or near the County's coast. Permit conditions for these County-approved offshore oil and gas projects, ~~Chevron~~ Point Arguello, ~~Exxon~~ Santa Ynez Unit, ~~Unocal~~ Point Pedernales, ~~and the~~ Gaviota Terminal ~~Company Marine Terminal~~, and Molino Gas require each project to contribute to a Coastal Resource Enhancement Fund (CREF). The permit conditions specify that ~~each company's~~ for the Santa Ynez Unit and Point Arguello projects, the contribution to the CREF shall not exceed $327,400 annually for the life of the project. ~~($325,000 for GTC and Unocal).~~ For Gaviota Terminal and Point Pedernales projects, the contribution to CREF shall not exceed $325,000. The Molino Gas project's permit requires a CREF payment of $71,880 (in 1997 dollars) every year while the drilling rig is erected for primary drilling operations and $17,970 (in 1997 dollars) every quarter for well workovers and abandonment procedures.

The purpose of the CREF is to provide the required mitigation for these residual and cumulative impacts that cannot be fully mitigated by other project-specific mitigation measures. The CREF is designed specifically to mitigate, to the maximum extent feasible, impacts to coastal recreation, aesthetics, tourism, and/or sensitive environmental resources. The CREF achieves mitigation by providing enhancement projects, which will compensate for the residual impacts to the County caused by these oil and gas projects that are not fully mitigated by other project-specific mitigation measures. Any future offshore oil and gas projects permitted by Santa Barbara County would be expected to participate in the CREF program consistent with the adopted guidelines.

1.1 Coastal Resource Enhancement Fund Program Approved by the Board of Supervisors

On April 18, 1988 the Board of Supervisors approved a funding approach for implementing the CREF. This approach requires ~~each~~ four of the five affected offshore oil projects (Point Arguello, Santa Ynez Unit, Point Pedernales, and the Gaviota Terminal), to make either a front-end, five-year payment to the CREF or to make annual payments for the next five years. The CREF payments required of these projects for each five-year period are ~~1993--1997 were~~ reassessed by the Board of Supervisors ~~on December 8, 1992~~. The results of the past reassessments are ~~compared to the assessments for 1988--1992~~ in Table 1.

The County specified the CREF fees for the Molino Gas project in the permit, rather than resorting to five-year assessments, due to state law effective for mitigation fees approved after January 1, 1989. The Molino Gas project has paid $71,880 to CREF in 1997.

Table 1. Past CREF Payments (adjusted for inflation) ~~, 1988--1992, and Reassessment, 1993--1997.~~

	Santa Ynez Unit	Point Arguello	Gaviota Terminal	Point Pedernales	Totals
1987/88	$240,000	$981,000	$480,000	$400,000	$2,101,000
1989	$240,000	$327,400	$240,000	$100,000	$ 907,400
1990	$240,000	$327,400	$240,000	$ 60,000	$ 867,400
1991	$240,000	$300,000	$100,000	$ 60,000	$ 700,000
1992	$240,000	$300,000	$100,000	$ 60,000	$ 700,000
1993	$239,600	$327,400	$119,800	$ 95,840	$ 782,640
1994	$263,560	$327,400	$119,800	$ 95,840	$ 806,600
1995	$239,600	$327,400	$239,600	$ 95,840	$ 902,440
1996	$239,600	$327,400	$119,800	$ 95,840	$ 782,640
1997	$239,600	$327,400	$119,800	$ 95,840	$ 782,640
1998	$234,450	$299,575	$104,200	$130,250	$ 768,475
1999	$234,450	$273,525	$ 78,150	$130,250	$ 716,375
2000	$234,450	$247,475	$ 78,150	$130,250	$ 690,325
2001	$234,450	$247,475	$ 78,150	$130,250	$ 690,325
2002	$234,450	$221,425	$ 78,150	$130,250	$ 664,275

1.2 Mitigation Requirements

The Coastal Resource Enhancement Fund provides a mechanism for receiving and utilizing funds assessed as part of oil and gas development project approval and permit issuance. The CREF ensures that impacts identified in project Environmental Impact Reports (EIRs) are mitigated to the maximum extent feasible.

Inclusions: Provisions of the CREF are applicable to all projects related to offshore oil and gas development, where the EIR for the project identifies potential residual impacts to the County's coastal zone of one or more of the following types: coastal recreation, aesthetics, tourism and environmentally sensitive resources. Residual impacts are those impacts remaining after project-specific mitigation has been implemented.

Impacts resulting from all project phases -- including construction, operation, facility removal, and site restoration -- are subject to the provisions of the CREF.

"Residual" is emphasized above as the CREF addresses only those impacts that have not already been mitigated through project-specific conditions. Impacts that can be eliminated by project mitigation measures will continue to be addressed in that manner and only unmitigated impacts fall under the purview of the CREF.

Exclusions: To avoid duplicative mitigation, impacts addressed by any existing program (including in-lieu fee programs) are not included within the scope of the CREF. Impacts and associated mitigation programs or existing funds that are specifically excluded from the CREF are outlined below.

Local Fishermen's Contingency Fund: For coastal developments containing offshore project components such as platforms, pipelines, and piers, monies are required to be set aside in this contingency fund. Funds are specifically used to aid commercial fishermen whose gear is damaged or lost due to offshore oil or gas development.

Fisheries Enhancement Fund: Although payments to this fund are from the same type of offshore developments as referenced above, monies are targeted for improvement of commercial fisheries. The purpose of the fisheries fund is to offset losses of, or disturbances to, commercial fishing areas. Projects that may be eligible for funds from this program are: protection of certain spawning grounds; pier, dock, and harbor improvements for commercial fishermen; and various types of fishery enhancement programs.

Offsite Road Improvement Fees: Road improvement fees are required by the Santa Barbara County Public Works Department to mitigate cumulative direct and/or indirect traffic impacts. Fees are used to improve roads in impacted areas, to install traffic signals and turn lanes, to widen roads, etc.

In-Lieu Coastal Access Fees: Coastal access is an existing County requirement for projects within the coastal zone.

Socioeconomic Monitoring and Mitigation Program: This program addresses mitigation required as a result of oil development population impacts to the County, cities, or special districts and school districts.

2.0 CREF PROCESS

2.1 Fee Amounts

The procedure for calculating fee amounts for ~~individual~~ the Point Arguello, Santa Ynez Unit, Point Pedernales, and the Gaviota Terminal projects is described below. The assessment is based on the following three steps:

1. Identify residual impacts within various issue areas that contribute to an impact, either project-specific, cumulative or both.

2. Assign impact points a value between 0-5.

3. Multiply the number of impacts points for each oil project times the ~~$23,960~~ $20,000 value to determine the annual contribution, adjusted every five years to reflect constant dollars, pursuant to changes in the Consumer Price Index (The Bureau of Labor Statistics, U.S. Department of Labor, "Consumer Price Index for All Urban Consumers, Los Angeles - Long Beach - Anaheim Metropolitan Area.").

Administrative Costs: Administrative costs are covered by the CREF program. Under a five-year assessment approach the administrative costs for the CREF program are relatively minor.

Determining Fee Amounts:

1. Identify residual impacts of the types below. "Residual impacts" refer to impacts remaining after all mitigation measures have been incorporated into the project.

2. Evaluate the entire project, including onshore and offshore impacts that adversely affect residents of, or visitors to Santa Barbara County.

3. Evaluate impacts associated with all phases of the project, including construction, operation, facility removal, and site restoration.

4. Evaluate net residual impacts; include directly related beneficial impacts in the assessment of residual impacts.

Impact Types:

coastal recreation
tourism
aesthetics (visual)
environmental sensitive resources

Impact Values:

Assign a value from 0-5 to each impact category. A value of one is equivalent to low impact; five signifies high impact. Sum all values to derive a measure of total residual impact. See Tables 2-5 for a summary of the past ~~1988--1992 and 1993--1997~~ CREF point value determinations.

In assigning values, consider the following factors:

a. area affected by impact,
b. duration of impact,
c. frequency of impact,
d. extent to which impact exceeds impact significance criteria.
e. number of project components contributing to the impact.
f. number of people affected,
g. quality of resource prior to impact,
h. priority given to impacted resource in the Local Coastal Program and other elements of the County's Comprehensive Plan.

~~Each impact point corresponds to an annual payment of $23,960 to the CREF for 1993--1997.~~

Table 2: Santa Ynez Unit CREF Assessments

	Environ. Sensitive Resources	Aesthetics	Recreation	Tourism	TOTALS
1988	5	2	0	5	12
1989	5	2	0	5	12
1990	5	2	0	5	12
1991	5	2	0	5	12
1992	5	2	0	5	12
1993	4	2	0	4	10
1994	4	2	2	3	11
1995	3	2	2	3	10
1996	3	2	2	3	10
1997	3	2	2	3	10
1998	2.5	2	1.5	3	9
1999	2.5	2	1.5	3	9
2000	2.5	2	1.5	3	9
2001	2.5	2	1.5	3	9
2002	2.5	2	1.5	3	9

Table 3: Point Arguello CREF Assessment

	Environ. Sensitive Resources	Aesthetics	Recreation	Tourism	TOTALS
1988	4	5	5	5	19
1989	4	5	5	5	19
1990	4	5	5	5	19
1991	3	4	4	4	15
1992	3	4	4	4	15
1993	3	4	4	4	15
1994	3	4	4	4	15
1995	3	4	4	4	15
1996	3	4	4	4	15
1997	3	4	4	4	15
1998	3.5	3	3	2	11.5
1999	2.5	3	3	2	10.5
2000	2.5	3	3	1	9.5
2001	2.5	3	3	1	9.5
2002	2.5	3	3	0	8.5

Table 4: Gaviota Terminal CREF Assessments

	Environ. Sensitive Resources	Aesthetics	Recreation	Tourism	TOTALS
1987/88	2	4	3	3	12 (x 2)
1989	2	4	3	3	12
1990	2	4	3	3	12
1991	1	0	2	2	5
1992	1	0	2	2	5
1993	1	0	2	2	5
1994	1	0	2	2	5
1995	2	2	3	3	10
1996	1	0	2	2	5
1997	1	0	2	2	5
1998	2	0	2	2	6 (-2)**
1999	1	0	2	2	5 (-2)**
2000	1	0	2	2	5 (-2)**
2001	1	0	2	2	5 (-2)**
2002	1	0	2	2	5 (-2)**

** The County credited ten points spanned over five years since the first two assessments predicted three years of tanker berthing and only one year of tanker berthing occurred.

Table 5: Point Pedernales CREF Assessments

	Environ. Sensitive Resources	Aesthetics	Recreation	Tourism	TOTALS
1987/88	2	2	1	0	5
1989	2	2	1	0	5
1990	1	1	1	0	3
1991	1	1	1	0	3
1992	1	1	1	0	3
1993	2	1	1	0	4
1994	2	1	1	0	4
1995	2	1	1	0	4
1996	2	1	1	0	4
1997	2	1	1	0	4
1998	3	1	1	0	5
1999	3	1	1	0	5
2000	3	1	1	0	5
2001	3	1	1	0	5
2002	3	1	1	0	5

2.2 Timing of Payments

CREF fee requirements may be included as a condition of any discretionary plan or permit approved by the County. Relevant approvals and permits include, but are not limited to, Preliminary Development Plans, Final Developments Plans, Conditional Use Permits, Special Use Permits, and Specific Plans. In no case will different permits for the same project duplicate assessed fees.

~~Once a specific CREF amount is identified, the developer (permit holder) and County enter into a payment contract.~~ The fee is assessed as an annual payment to be paid each year ~~for the years 1993--1997~~. Annual payments ~~for 1993~~ will be due ~~sixty (60) days after the Planning & Development Department bills the CREF-assessed projects. Annual payments for the years 1994--1997 will be due~~ by January 10 ~~for~~ of each ~~of those~~ years. A reassessment of impacts and CREF contributions for the next five-year period will be done during the last year of the last assessment. ~~in 1997 to cover the next five-year period, 1998--2002~~.

For all affected oil projects the CREF applies to each oil project for the life of the project. For purposes of the CREF program "life of the project" is defined as the period:

> "beginning the first date of the initiation of site preparation or construction activities (a) in state or federal waters offshore Santa Barbara County, or (b) at an onshore site within the coastal zone as designated in the County's Local Coastal Program, whichever is earlier; and ending the date County-approved site restoration has occurred at (a) the last offshore, or (b) the last onshore site that is in or adjacent to the coastal zone and associated with the project, whichever is later."

In all cases, the beginning and ending dates are determined by the Director of the Planning & Development Department.

2.3 Impact and Fee Reassessments

As impacts may not actually occur as predicted by the environmental analysis used for the initial CREF assessments, fee amounts are to be reassessed throughout the duration of offshore oil and gas development along the County's coastline. Impacts and corresponding fee amounts are to be reassessed at five-year intervals~~, beginning in 1992~~. Reassessments are to be based on information collected as part of the County's project and permit monitoring efforts. ~~The first five-year reassessment of impacts was completed on December 8, 1992 for the years 1993--1997.~~

A reassessment for the CREF does not open other conditions of the same plan or permit to reevaluation.

A reassessment may be based on the same methodology as described for the initial assessment, or based on an improved methodology if one becomes available in the intervening years and is approved by the Planning Commission and Board of Supervisors prior to its use.

3.0 USE OF FUNDS

CREF monies are to be used for a variety of coastal resource protection or improvement projects. Enhancement projects, or programs eligible to receive CREF monies, are limited to those that are offsite from and not specific to any one development project. That is, the projects eligible for funding must be above and beyond the scope of other mitigation measures required of an individual permit holder.

As the purpose of the CREF is to mitigate coastal impacts, it is the County's intent to actively seek and provide financial assistance to appropriate enhancement projects. The County Board of Supervisors will ultimately determine how CREF monies are awarded.

3.1 Eligible Enhancement Projects

All projects awarded CREF monies or support must demonstrate that they are consistent with the goals and policies of the County's Local Coastal Program (LCP). In addition, according to the specific goals of the CREF, eligible projects must emphasize one or more of the following categories:

- coastal land acquisition for public use/preservation,
- coastal restoration or habitat protection,
- coastal tourism or recreation,
- coastal quality of life.

Examples of the type of projects that might be funded are presented below. These are not intended to be all-encompassing, or exclusionary, nor necessarily to indicate the County's priorities.

Coastal Tourism and Recreation, such as projects to:

a. Acquire new coastal recreation areas and coastal access; improve conditions or facilities at existing recreation areas. (See LCP Section 3.7.)

b. Improve access to recreation areas for non-motorized modes of transportation (bikeways, hiking and equestrian trails). (See LCP Section 3.7.5.)

Coastal Restoration/Habitat Protection, such as projects to:

a. restore or enhance degraded habitat areas such as wetlands. (See LCP Section 3.9).

b. purchase land, conservation easements, or development rights in remaining habitat areas for rare and endangered native plants and animals. (See LCP Section 3.9).

Note that eligible projects are not associated with the direct mitigation measures required of an individual development. Note too, that while CREF monies may be used to acquire, improve, and maintain coastal access, such use of CREF monies is not interchangeable with, nor a substitute for, in-lieu coastal access fee requirements of specific development projects. CREF monies may be matched, however, with In-Lieu Coastal Access Fees to better implement the County's Coastal Access Plan.

Enhancement projects may be located in the unincorporated and incorporated areas of Santa Barbara County. Projects in the incorporated areas of the County, or areas subject to a certified coastal program or management program other than the County's, must be consistent with the relevant program. Certified programs include, but are not limited to, the City of Santa Barbara's Coastal Land Use Plan for the City (certified January 22, 1981) and for the Airport (certified May 20, 1983), City of Carpinteria's Coastal Land Use Plan (certified January 27, 1982), University of California at Santa Barbara's Long-Range Development Plan (certified March 17, 1981).

Eligible Project Applicants

Project proposals may be solicited from the public, public agencies, municipalities, special districts, and non-profit organizations, as appropriate for the types of projects desired. All project applicants must demonstrate that their project is for a broad public purpose.

3.2 Enhancement Project Selection Criteria and Selection Process

CREF projects for funding will be recommended to the Board of Supervisors by the Planning & Development Department (P&D). For those CREF projects under consideration that are in the jurisdiction of other County departments, such as the County Park Department, P&D, in conjunction with the appropriate department, and the Administrative Office, will provide the Board of Supervisors with an assessment of long-term fiscal impacts associated with these projects. The diversity of projects ultimately selected for funding will be at the sole discretion of the Board. The Board may give priority to projects where combined funding resources, such as matching grants or leveraged funds, can be utilized to increase the effectiveness of CREF expenditures. The Board of Supervisors will hold a public hearing to select CREF projects on the funding schedule and cycle to be determined by the Board. The Planning & Development Department will solicit public input and provide discussion of potential CREF projects through public workshops. These workshops will be held in the North County and the South Coast area ~~during the first week of January, 1993, and in future years~~, prior to the Board's hearings on CREF project allocations.

3.3 Revised Enhancement Project Selection Criteria and Selection Process

The Board of Supervisors has expressed concerns that the selection criteria have been excessively broad. As a result, numerous proposals that have not been consistent with the major goals of the CREF program have not been screened out prior to the Board's hearing. The Board has been, in particular, concerned with projects not meeting the coastal area criterion and the acquisition criterion as was the intent of the original guidelines. Subsequently, the Board has revised the language of No. 1 Coastal Area criterion and No. 4 Acquisition Project criterion to ensure that all projects will enhance those two major goals of the CREF program.

The Board has directed Planning & Development Department Energy Division staff to advise whether or not proposed projects will be located in the coastal area or will be coastal related as described in revised No. 1 Coastal Area Criterion below. The term "coastal area" provides the Board of Supervisors with sufficient flexibility to enhance coastal resources that may extend beyond the Coastal Zone boundary, yet are still coastal related. Staff has been directed to encourage those projects, which are coastal by virtue of location or relationship. Also, staff will assign a higher priority to revised No. 4 criterion to ensure that acquisition projects will be implemented as a major goal of the CREF program.

Coastal Resource Enhancement Fund: Enhancement Project Criteria

Projects requesting funding from the Coastal Resource Enhancement Fund would be assessed according to the criteria specified below:

1. Enhancement projects must be located in the coastal area or have a coastal relationship, and must be consistent with the County's Local Coastal Program and Comprehensive Plan and with the other local jurisdictions' applicable coastal programs. Enhancement projects should be located within geographical proximity to oil and gas onshore/offshore development activities while still providing for the broadest public benefit.

2. Projects should compensate for coastal impacts due to oil and gas development, specifically for sensitive environmental resources, aesthetics, tourism, and negative effects on coastal recreation in the County.

3. Projects should provide a level of broad public benefit.

4. The intent of the CREF program is to fund coastal acquisition and capital improvement projects; therefore, projects which offer coastal acquisition and capital improvement will receive higher priority than those projects which do not.

5. Projects should utilize matching funds and/or in-kind services to the maximum extent possible.

6. Projects should be self-supporting or should require minimum on-going County operations/maintenance costs once the project is completed and implemented.

7. Projects to be funded should lack other viable funding mechanisms to complete the project.

8. The feasibility of implementing and completing the project shall be considered. Projects with a high probability of success should be given preference.

3.4 Financial Assistance Options

The Board of Supervisors may choose to award CREF monies, or support, in a variety of forms, including grants, loans, matching funds, leverage arrangements, and loan guarantees.

3.5 Enhancement Project Application Requirements

An applicant requesting CREF funds must submit the following information as part of the CREF application<u>, but is not limited to</u>:

a. Project description, including sufficient detail for staff to verify project description and seek additional information, if relevant. (For example, in the case of a proposal for an easement or for the acquisition of property, applicant should provide the name, address and telephone number of the property owner, together with the assessor's parcel numbers of the properties affected and the current status of any negotiations in progress.

b. Project budget, including detailed itemization of expenses, estimated costs of materials, etc.

c. Project construction or implementation schedule.

d. Schedule of milestones the applicant agrees would be fair progress check points for Energy Division project managers to track.

e. Descriptive slides, photographs, maps to help explain the project and its setting.

f. Detailed explanation of the public benefits of the project.

g. Applicants proposing acquisition projects must describe how ownership of real property to be acquired will be held.

h. Demonstration of non-profit status by attaching relevant evidence such as a declaration of the group's California State Tax Exemption status and a description of the group's voting membership including the number of voting members and the group's statement of purpose.

i. When a city within the county (or other organization and municipality) submits more than one proposal in a given funding cycle for consideration by the Board, that city shall rank the priority of its CREF proposals and further justify the priority of each proposal in the context of its own budgetary priorities.

Additional informational requirements may be contained in the Request-For-Proposal (RFP) packages prepared annually by the Planning & Development Department, Energy Division. Potential applicants must provide all information requested in the RFP package.

3.6 Fund Deferral Program

To provide adequate funding for acquisition projects, in April 1990 the Board directed that a program deferring 1/2 of each year's contributions to allow available funds to accrue shall be implemented. These deferred funds will be used at a point when the Board decides an appropriate project has been initiated. The Board may also wish to allocate funds to staff to develop acquisition projects acceptable to CREF criteria.

3.7 Fund Administrative Guidelines: Requirements of Grantees

a. Each grantee, except for an agency of Santa Barbara County, shall enter into a contractual agreement with Santa Barbara County. The contract shall contain provisions that require the timely and successful completion of the project as proposed. Any substantive modification to the project shall require a modification to the contractual agreement.

b. All grantees shall commence projects within one year of the decision by the Board of Supervisors to award the CREF grant. If the project has not commenced within one year, the CREF grant shall become void and all associated money shall revert back to the CREF for new allocation. The Planning & Development Department may grant a maximum extension of one year if the grantee can demonstrate good cause for the delay.

c. All grantees shall conduct their projects in accordance with their proposed schedule, and such schedule shall be included in the proposal. The County shall send written warning to any grantee that falls more than six months behind schedule, and the County shall send a second written warning to any grantee that falls more than nine months behind schedule. The County shall reclaim the unspent portions of all grants for projects which fall behind schedule by more than twelve months, without further notice.

d. All grantees shall submit annual written reports on project status, including photographs to document the work completed to date. These reports shall include verification that the CREF grant is being used in accordance with the project description contained in the contract between the County and the grantee or, in the case of County agencies, in accordance with the project description as proposed. The contractual agreement shall specify when annual reports fall due.

e. Any County agency that is a CREF grantee shall be accountable to commence and complete the CREF project as proposed. Any substantial changes in the project description must be approved by the Planning & Development Department as the administering agency, in consultation with the County Administrator's office. Changes in the project schedule of more than six months must also be approved by the Planning & Development Department in consultation with the County Administrator's office.

Attachment B

2003-2007 CREF Assessment

Coastal Resource Enhancement Fund

Five-Year Assessment (2003-2007)

Hearing Date
October 22, 2002

Prepared by:

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1.0 INTRODUCTION

This report provides the fourth five-year assessment of fees to the County's Coastal Resource Enhancement Fund (CREF) by offshore oil and gas developments.[1] The assessment determines the adjusted CREF fees required of each project for the next five years, 2003-2007.

1.1 BACKGROUND

The County first established CREF as a permit condition in 1984. Subsequently, the County approved guidelines for its implementation in 1988 and has applied it to the development of offshore oil and gas reserves. Environmental analyses of these developments considered other project-specific conditions insufficient to fully mitigate significant impacts to environmentally sensitive coastal resources, coastal aesthetics, coastal recreation, and coastal tourism. CREF fees provide additional mitigation by funding coastal resource enhancement projects.[2] The condition requires fees to CREF for the life of the project for the following developments:

- Point Arguello Project;
- Santa Ynez Unit Project;
- Gaviota Terminal Project;
- Point Pedernales Project; and
- Molino's Gas Project (while drill rig is erected).

The CREF Guidelines stipulate a process by which these fees are determined and require an assessment at five-year intervals, except for the Molino Gas Project.[3] Table 1 displays the CREF fees for the four oil and gas developments during the past fifteen years.

1.2 CREF ASSESSMENT METHODOLOGY

This assessment relies on an analysis as to whether or not impacts occurred to the extent predicted by the environmental impact reports for the offshore oil and gas projects and the previous three CREF assessments in 1988, 1993, and 1998, or if mitigation successfully reduced or eliminated those impacts. It is based upon the information that the County compiles from environmental impact reports, project monitoring, and permit compliance.

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[1] The County conducted previous five-year assessments in 1988, 1993, and 1998.

[2] CREF does not duplicate the mitigation effected through other programs, such as the Local Fishermen's Contingency Fund, the Fisheries Enhancement Fund, Offsite Road Improvement Fees, In-Lieu Coastal Access Fees, and the Socioeconomic Monitoring and Mitigation Program.

[3] The County specified the CREF fees for the Molino Gas project in the permit, rather than resorting to five-year assessments, due to state law effective for mitigation fees approved after January 1, 1989.

Table 1
CREF Fees for 1988 – 2002
(adjusted for inflation)

	Santa Ynez Unit	Point Arguello	Gaviota Terminal	Point Pedernales	Totals
1987/88	$240,000	$981,000	$480,000	$400,000	$2,101,000
1989	$240,000	$327,400	$240,000	$100,000	$ 907,400
1990	$240,000	$327,400	$240,000	$ 60,000	$ 867,400
1991	$240,000	$300,000	$100,000	$ 60,000	$ 700,000
1992	$240,000	$300,000	$100,000	$ 60,000	$ 700,000
1993	$239,600	$327,400	$119,800	$ 95,840	$ 782,640
1994	$263,560	$327,400	$119,800	$ 95,840	$ 806,600
1995	$239,600	$327,400	$239,600	$ 95,840	$ 902,440
1996	$239,600	$327,400	$119,800	$ 95,840	$ 782,640
1997	$239,600	$327,400	$119,800	$ 95,840	$ 782,640
1998	$234,450	$299,575	$104,200	$130,250	$ 768,475
1999	$234,450	$273,525	$ 78,150	$130,250	$ 716,375
2000	$234,450	$247,475	$ 78,150	$130,250	$ 690,325
2001	$234,450	$247,475	$ 78,150	$130,250	$ 690,325
2002	$234,450	$221,425	$ 78,150	$130,250	$ 664,275

In assessing the four oil and gas developments for the period 2003-2007, staff not only looked back at the previous five years, but looked at the potential activity for these next five years to address the following questions:

- Were impacts described in the 1998 assessment estimated correctly?
- Was there any development or activity that was assumed to occur within the 1998 -- 2002 period that did not occur?
- Was there any new development or activity that occurred in the previous five years that was not assessed in the 1998 assessment?
- Were the direct mitigations to environmentally sensitive coastal resources, coastal recreation, coastal tourism, and coastal aesthetics effective?
- What development has been approved, will occur within the next five years and affect the assessment of CREF fees (e.g., partial abandonment)?

In past assessments, each of the four oil and gas projects was assessed up to five points per year in each of the four impact categories. A value of one equates with a low impact; five signifies a high impact. While this assessment retains the five-point scale, it also employs half-point intervals (i.e., 0.5 to 5.0). The half-points are used occasionally to account for deviations from previous impact assessments that are less than a whole point.

In assigning values, the County considers the following factors:

- area affected by impact;
- duration of impact;
- frequency of impact;
- extent to which impact exceeds impact significance criteria;
- number of project components contributing to the impact;
- number of people affected;
- quality of resource prior to impact;
- priority given to impacted resource in the Local Coastal Program and other elements of the County's Comprehensive Plan.

The points are multiplied by a fixed-dollar amount to determine the CREF payment required of each project annually. The Board of Supervisors set this multiplier at $20,000 per point in 1988 and the Board-adopted guidelines adjust it every five years, based on the change in the consumer price index (CPI) for the preceding years (as reported in the Bureau of Labor Statistics, U.S. Department of Labor, *Consumer Price Index For All Urban Consumers, Los Angeles--Long Beach--Anaheim Metropolitan Area.* In the 1993-1997 assessment, the value per point increased by $3,960 to reflect 1988 dollars, and the 1998-2002 assessment value point increased by another $2,090. The 2003-2007 assessment increased by $3,750, with the new multiplier being $29,800 per point for this assessment.

The CREF permit condition for each project limits the maximum annual fee that a project is required to make to the fund. The conditions for Point Arguello and Santa Ynez Unit projects limit each to a maximum annual fee of $327,400, while the conditions for the Gaviota Terminal and Point Pedernales projects limit each to an annual fee of $325,000.

2.0. ASSESSMENT OF IMPACTS BY PROJECT

The CREF fee schedule for 2003-2007 appears in Table 2. As described in sections 1.2 and 1.3, staff based the fee per year by assessing the points, multiplying the revised CPI-adjusted dollar value of $29,800. The remainder of this section addresses how the CREF fees were determined.

Table 2
CREF Fees for 2003-2007*

PROJECT	2003	2004	2005	2006	2007
Point Arguello**	$253,300	$223,500	$223,500	$223,500	$223,500
Santa Ynez Unit	$208,600	$208,600	$208,600	$208,600	$208,600
Gaviota Terminal	$149,000	$149,000	$149,000	$149,000	$149,000
Point Pedernales***	$149,000	$149,000	$149,000	$134,100	$134,100
CREF Fees Per Year	**$759,900**	**$730,100**	**$730,100**	**$715,200**	**$715,200**

* Assessed at $29,800 per point, pursuant to CREF Guidelines to reflect 1988 dollars.
** Arguello, Inc. has received approval to partially dismantle its onshore processing facility, removing 12 of the facility's 13 columns. These columns range 62 and 107 feet in height. The CREF assessment credits Arguello one point, commencing the year following removal of the columns. In this table, we assume removal will occur in 2003 for illustrative purposes.
*** The half point reduction in the aesthetics category applies the year following confirmation by Energy Division that the newly planted trees are established, thriving, and of adequate growth to screen the electrical substation from direct view. (In this table, we are assuming the reduction will occur in 2006, for illustrative purposes only.)

2.1 SANTA YNEZ UNIT

2.1.1 Background

Permit Condition (X-8) defines CREF as mitigation for cumulative impacts only as follows:

> Exxon shall make payments to the industry-wide Coastal Resource Enhancement Fund established for enhancement of the region to offset the impacts of increased industrial development associated with cumulative oil development in Santa Barbara County as identified in the FEIS/R.
>
> It is recognized that given the proposed cumulative offshore oil and gas development in the Santa Barbara Channel, the impacts to recreation and tourism in the County will be adverse and significant, and that each applicant should be responsible for a pro-rata share of the cost of reducing these impacts.
>
> The County Board of Supervisors shall determine, in a noticed public hearing, the amount of Exxon's payment to the fund that is required to mitigate residual impacts. Mitigation shall not exceed $327,400 annually for the life of the project, which is based on information contained in the FEIS/R.

Looking Back Over the Past Five Years

In 1997, the Energy Division issued Exxon an emergency permit to install gabions and armor rock in Corral Creek after flooding from a big storm undercut the nearby road and pipe rack. Staff will review impacts to environmentally sensitive coastal resources during a follow up permit.

In late 1998, Exxon installed a new gas pipeline between Platforms Heritage and Harmony, connecting the pipeline to POPCO's existing gas line to shore. This activity eliminated construction of a permitted gas pipeline from Heritage to shore. The County did not assess any points for this project since it only took a few days to install, it was 7-10 miles offshore, and installation took place in an existing pipeline corridor. In addition, this pipeline represented less impact than the existing permitted project connecting Platform Heritage to shore.

In October of 1998, the Director of Planning & Development issued a Substantial Conformity Determination to approve extended reach drilling in the Sacate field from Exxon's existing Platform Heritage. Exxon originally proposed to develop this field from a fourth platform; however, advancements in drilling technologies allowed this field to be developed without the construction of Platform Heather. Heather still remains part of Exxon's approved Development Plan.[4]

In December of 1998, Exxon purchased 100% of POPCO's stock; however, POPCO is still a legal entity. Exxon initiated certain projects to integrate existing processes and equipment at the Santa Ynez Unit facility and POPCO gas plant. The projects eliminate redundant processes and increase the efficiency of certain operations at both facilities:

- In July of 1999, the Deputy Director of the Energy Division approved a Substantial Conformity Determination, allowing POPCO's wastewater to be treated at Exxon's facility. This eliminated approximately 2-3 truck trips per day, transporting wastewater to be treated in Oxnard.
- In November of 1999, Planning & Development approved a Director's Amendment, allowing Exxon's cogeneration plant to supply POPCO with electrical power.
- In July of 2001, the Planning Commission approved Exxon's Synergy project, which would merge the gas-processing portion of the Santa Ynez Unit operation with POPCO. In late-2002, Exxon, on behalf of POPCO, will submit a permit modification to address assurance of air permit limits.

In late 2002, the County will be processing a Change of Owner application from Exxon Company USA to ExxonMobil Production Company.[5]

The Santa Ynez Unit facility produced an average of 67,900 barrels of dry oil per day in 1998, 59,600 barrels in 1999, 56,200 barrels in 2000, and 51,700 in 2001. During these years, the facility produced approximately 10 mmscf of gas per day in 1998, 12 mmscfd in 1999, 10 mmscfd in 2000, and 11 mmscfd in 2001.

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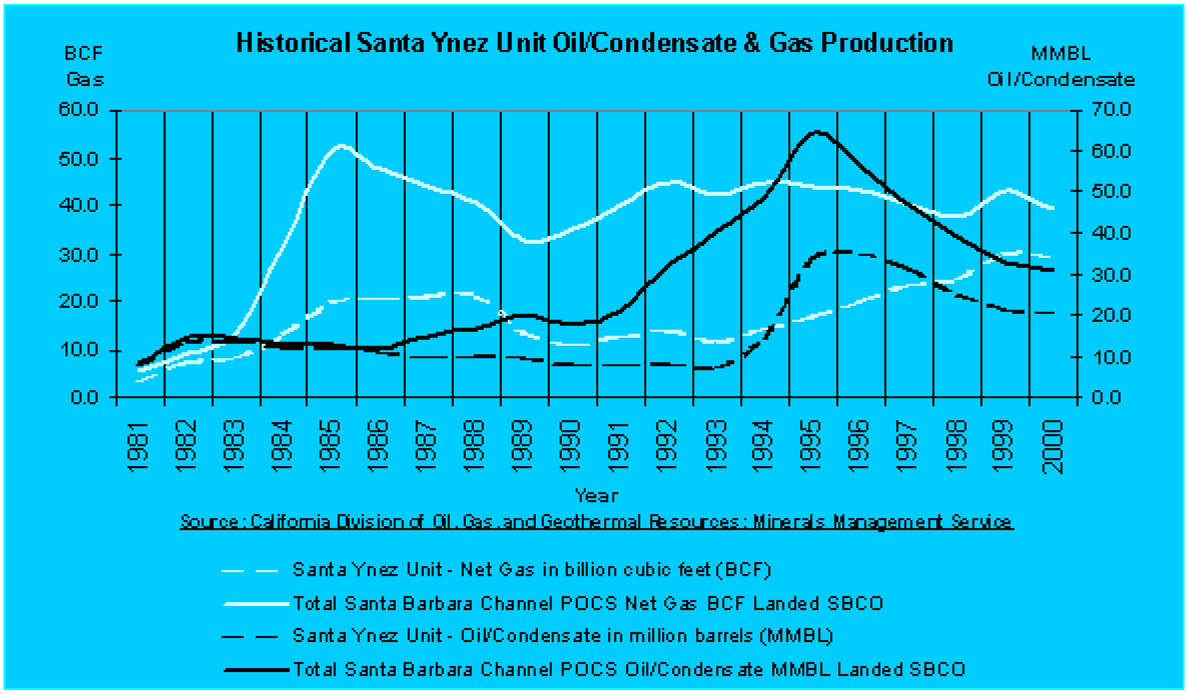
[4] A decision to formally withdraw Platform Heather from consideration will not be made until ExxonMobil determines it can fully produce Sacate reserves from existing platforms.
[5] Both Exxon and Mobil still exist as separate companies in California.



Looking Ahead at the Next Five Years

Over the course of the next five years, ExxonMobil will be seeking approval for various developments associated with the Santa Ynez Unit:

- ExxonMobil requests approval for its Offshore Power System Repair Project, which includes:
  (a) replacement of a power cable that is 17 miles long, running from the Santa Ynez Unit onshore facility to Platform Heritage;
  (b) installation a 3-mile long interconnecting cable between Platform Harmony and Hondo; and
  (c) installation of a new fiber optic cable and communication equipment between the Santa Ynez Unit onshore facility and the platforms.
- ExxonMobil may be dealing with future issues involved with the access road and the erosion along Corral Creek's banks.
- ExxonMobil will be modifying its Synergy project to merge the POPCO and Santa Ynez Unit gas processing plants in the Las Flores Canyon.

If and when these developments occur, ExxonMobil may be obligated to pay additional CREF fees if assessed by the Board of Supervisors.

2.1.2 Specific Impact Categories

Table 3 shows past CREF assessments. Staff's assessment for the next five-year cycle of this project appears in Table 4. Following the tables is a summary of each assessed category.

Table 3
Santa Ynez Unit
CREF Assessments for 1988 - 2002

	Environ. Sensitive Resources	Aesthetics	Recreation	Tourism	TOTALS	Value Per Point*	CREF Fees Per Year
1988	5	2	0	5	12	$ 20,000	$240,000
1989	5	2	0	5	12	$ 20,000	$240,000
1990	5	2	0	5	12	$ 20,000	$240,000
1991	5	2	0	5	12	$ 20,000	$240,000
1992	5	2	0	5	12	$ 20,000	$240,000
1993	4	2	0	4	10	$ 23,960	$239,600
1994	4	2	2	3	11	$ 23,960	$263,560
1995	3	2	2	3	10	$ 23,960	$239,600
1996	3	2	2	3	10	$ 23,960	$239,600
1997	3	2	2	3	10	$ 23,960	$239,600
1998	2.5	2	1.5	3	9	$ 26,050	$234,450
1999	2.5	2	1.5	3	9	$ 26,050	$234,450
2000	2.5	2	1.5	3	9	$ 26,050	$234,450
2001	2.5	2	1.5	3	9	$ 26,050	$234,450
2002	2.5	2	1.5	3	9	$ 26,050	$234,450

* In the 1993-1997 assessment, the value per point increased by $3,960, pursuant to the CREF Guidelines, to reflect 1988 dollars, and the 1998-2002 assessment value point increased by another $2,090.

Table 4
Santa Ynez Unit Project
CREF Assessments for 2003 - 2007 Cycle

	2003	2004	2005	2006	2007
Environmentally Sens. Resources	2	2	2	2	2
Aesthetics	2	2	2	2	2
Recreation	1.5	1.5	1.5	1.5	1.5
Tourism	1.5	1.5	1.5	1.5	1.5
Total Points	**7.0**	**7.0**	**7.0**	**7.0**	**7.0**
Value Per Point*	$29,800	$29,800	$29,800	$29,800	$29,800
CREF Fees Per Year**	$208,600	$208,600	$208,600	$208,600	$208,600

* Assessed at $29,800 per point, pursuant to CREF Guidelines to reflect 1988 dollars.

Environmentally Sensitive Resources

Summary of Previous Assessments

In 1988, the County assessed this category five points each year for all five years due to the:

(a) cumulatively significant and unavoidable loss and degradation of sensitive habitats, including riparian habitats, oak woodlands, coastal streams and marshes and rare species from construction of new oil and gas facilities, housing, shopping areas, and other non-oil-related developments; and

(b) cumulatively significant but mitigable impact during construction and operations to Corral Creek stream habitat, including species listed as threatened and endangered.

The County assessed this category four points in 1993 and 1994 and three points in 1995 to 1997. The point reductions credit Exxon for: (a) not blasting in the intertidal and subtidal zones during the construction period; (b) early abandonment of pipelines and other facilities off of El Capitan State Beach; and (c) anticipated successful implementation of direct mitigation (e.g., restoration of onshore and near-shore vegetation). The two impacts described above and the cumulatively significant impact from a major oil spill were assessed at three points for the remaining three years.

In 1998 to 2002, the County reduced this category by a half point, to two and a half points, representing the success with project-specific mitigation and a slightly less cumulative risk offshore.

2003 -- 2007 Assessment

As noted in the last assessment, efforts aimed at restoring native grasses and riparian habitats have been successful. Efforts to restore the surfgrass on a large-scale basis were not as successful; however, ExxonMobil has funded research of methods aimed at restoring surfgrass.

According to ExxonMobil's SYU LFC Revegetation Annual Report for 2002 and verified by County staff, a major milestone was achieved over the past year when three species -- Toyon, Elderberry, and Sycamore -- satisfied all replacement criteria. The report expects two more species -- Oaks and Cottonwoods -- will satisfy all replacement criteria by December 2002. In addition, the Annual Biological Survey Reports conclude that there are no apparent negative impacts to Corral Creek as a result of ExxonMobil operations. Therefore, we conclude that the cumulatively significant but mitigable impacts during operations to Corral Creek stream habitat has been mitigated, warranting a slight decrease in CREF points. Annual biological monitoring as well as more frequent surface water quality and groundwater monitoring will continue as ongoing requirements of the SYU permit to ensure protection of these resources in the canyon.

The cumulative impact scenario has not changed substantially from the 1998 assessment. Exxon's Condition Effectiveness Study (Final Report, dated June 1994) concluded the overall cumulative baseline continues to reflect the industrialization of the coast. The cumulative loss and degradation of sensitive habitats, including riparian habitats, oak woodlands, coastal streams and marshes and rare species have occurred from the Point Arguello facility, the Molino Gas project, Venoco's facility, and the Gaviota Terminal facility could cumulatively add to the loss and degradation of environmentally sensitive coastal resources.

ExxonMobil's production of approximately 55,000 barrels per day, the largest producer in the County, along with other oil and gas projects along Santa Barbara's coastline, adds to the cumulative scenario of a significant impact from a major oil spill (1,000 barrels or more):

(a) Platform Irene;
(b) the Gaviota Terminal oil storage tanks along the coast;
(c) the Point Arguello's offshore oil and gas platforms; and
(d) Venoco's oil and gas production and processing with the potential to recommission two idle wells.

Therefore, we note the risk of an oil spill remains. The impact of an oil spill reduces due to oil spill contingency planning, although still leaving a significant residual impact.[6]

In summary, the County reduces the environmentally sensitive resources category by half a point due to successful mitigation to Corral Creek. The County assesses two points for this category, representing both a fairly constant industrialization of the Gaviota Coast, with its degradation of

[6] In the last assessment, ExxonMobil pointed out that additional activities have occurred that reduce the impact of an oil spill. Since the time of the original environmental analysis, the Marine Spill Response Corporation and the State's Oil Spill Prevention & Response Program have been established. Both of these organizations are charged with enhancing oil spill response. However, oil spill response is dependent on various factors. For example, if a major oil spill occurred during high seas and fog, the responding activities may be ineffective. The residual impact remains significant.

environmentally sensitive coastal resources, and the potential for a cumulatively significant impact from a major oil spill.

Aesthetics

Summary of Previous Assessments

The environmental documents identified a long-term, cumulatively significant and unavoidable impact to the offshore visual environment due to the proliferation of oil platforms and tanker traffic. From 1988 to 2002, the County has assessed this category two points for all fifteen years (one point for each new platform) and indicated that this should remain for the life of the project. The County did not assess Exxon for tanker traffic.

2003 -- 2007 Assessment

As noted in the past assessment and Exxon's Condition Effectiveness Study, there are fewer platforms within the coastal viewshed than were anticipated in the cumulative development scenarios; however, Exxon's platforms are aesthetically significant because they represent a substantial westward extension of platforms into the coastal viewshed from Goleta to Point Conception. Although Exxon's platforms are not visible from urbanized areas today, they nonetheless affect one of the most pristine coastal viewsheds in the County. This viewshed is highly visible from U.S. Highway 101 for over 15 miles, from three state beaches (El Capitan, Refugio, and Gaviota), and from some residences along the Gaviota Coast. Furthermore, the platforms can be seen from constructed and proposed development that is encroaching farther westward along the Gaviota coast (Dos Pueblos golf course, Bacara Development, Monarch Point, and Santa Barbara Shores). Therefore, two points continue to represent this significant visual impact.

Coastal Recreation

Summary of Previous Assessments

From 1988 to 1993, the County assessed this category zero points for all six years. Environmental documents identified no impacts to coastal recreation during the construction phase. Between 1994 and 1997, the County assessed this impact category two points due to:

(a) the cumulatively significant and unavoidable impacts of an oil spill during the operational phase; and

(b) a cumulatively significant but mitigable impact degrading the visual environment due to increased development.

Between 1998 and 2002, the County reduced this category by a half point, to one and a half points, indicating success with mitigation and representing the slightly less cumulative risk of an oil spill.

2003 -- 2007 Assessment

In the event of a major oil spill, ExxonMobil's environmental impact report concluded that the recreational value of the beaches would decrease. ExxonMobil's platforms are directly offshore and affect the recreational experience at three popular state parks, Gaviota, Refugio, and El Capitan. In addition, the setting along the Gaviota Coast is slowly beginning to change, bringing more recreationalists to the Gaviota Coast. Recreational opportunities are being sought at Arroyo Hondo Preserve, Dos Pueblos golf course, and Santa Barbara Shores. Therefore, staff recommends that the one and a half points for cumulative impacts to coastal recreational remain for the life of the project.

Tourism

Summary of Previous Assessments

In 1988, the County assessed this impact category five points for each year through 1992. The assessment predicted a significant but mitigable tourism impact due to increase in noise, degradation of offshore visual environment and air quality, and oil spill potential. The County reduced this assessment to four points in 1993 and to three points from 1994 to 2002. The reduction reflected the commencement of operations in 1994, and the end of construction-related impacts.

The County assessed three points for potential losses to the tourist industry when a major oil spill results. The environmental document identified this impact as cumulatively significant and unavoidable due to the severity of the risk.

2003 -- 2007 Assessment

In the event of a major oil spill, Exxon's environmental impact report concluded that tourist levels would likely decline, as the attractiveness of the South Coast area is linked to the attractiveness of the area's beaches and ocean views. With the cumulative production of oil along the Gaviota Coast, a major oil spill could still occur.

The County reduces tourism's three points by one and a half points, rendering the significant but mitigable impact to an insignificant level. The one and a half points that remain represent the cumulatively significant and unavoidable impact on the tourist industry from a major oil spill and should remain constant for the life of the project.

2.2 POINT ARGUELLO PROJECT

2.2.1 Background

Permit condition (N-2) defines CREF as mitigation for both project-specific and cumulative impacts as follows:

> Plains/Arguello Inc. shall contribute to a Coastal Resource Enhancement Fund, developed by the County and designed to be used for enhancement of coastal recreation, aesthetics, tourism, and/or environmentally sensitive resources. Plains/Arguello Inc.'s contribution to the fund shall not exceed $327,400 annually for the life of the project based on previous analysis prepared by the County. The County Board of Supervisors shall determine, prior to the start-up of facilities, the actual amount of funds required to mitigate impacts attributable to the project and to its contribution to cumulative impacts and the terms under which they shall be paid. County shall develop the detailed administrative procedures for implementation of the plan prior to facility start up. County will consider other applicant contributions and mitigations in developing pro-rata contributions. Proposals for the use of this Fund will be solicited, accepted and evaluated by the County Planning & Development Department and approved by the Board of Supervisors in noticed public hearings. [Modified February 22, 2000]

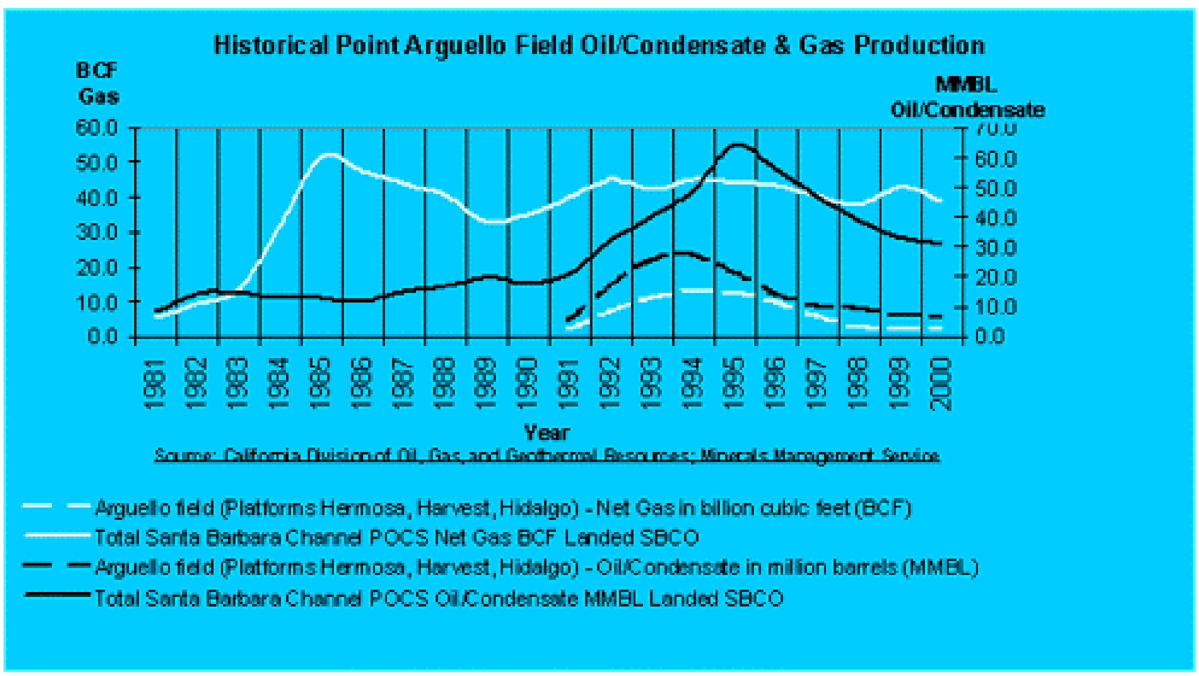
Looking Back Over the Past Five Years

In August of 1998, the Director of Planning & Development approved processing of oil on the platforms instead of at the onshore facility. This became known as Reconfiguration 1.

In October of 1998, Chevron began reinjecting produced gas on the offshore platforms to improve oil production and to cease the costly onshore sour gas processing. The gas throughput at the Point Arguello onshore facility fell below 3% of the maximum permitted level. Pursuant to Permit Condition R-1, when oil or gas throughput at the onshore facility falls below this minimum trigger level, the County must review the status of the Point Arguello facility in a public hearing. The purpose of the review is to determine if abandonment or other options are appropriate for the facility. Three years later in October of 2001, the Board of Supervisors approved the Point Arguello facility to remain operating in its current reconfigured mode, whereby all oil and gas is processed offshore, and the onshore facility serves only as an oil heating and metering station.

In February and March of 2000, the Board of Supervisors approved the change of owner and operator for the Point Arguello facility from Chevron to Arguello Inc, a subsidiary of Plains Resources, an independent producer.

In February of 2001, the Director of Planning & Development approved Arguello Inc. bringing the sweetened produced gas to shore to fuel three turbines used to generate electricity and thermal energy at its onshore facility. Electricity generated in excess of what is needed to power the onshore facility is sold to the local utility grid.



The Point Arguello facility produced an average of 25,900 barrels of dry oil per day in 1998, 18,900 barrels in 1999, 17,900 barrels in 2000, and 17,800 in 2001. During these years, the facility produced gas to fuel the turbines offshore and reinjected the remaining gas.

In July of 2001, Arguello Inc. submitted an application to drill approximately 20 wells from the existing offshore platforms into the Rocky Point Unit, which is northwest of the Point Arguello unit. Arguello Inc. would process the oil and sweeten produced gas at the platforms before sending it to the onshore facility. However, the Minerals Management Service has indefinitely delayed processing the application. The delay follows a ruling by the U.S. District Court that set aside a 1999 action by former Secretary of the Interior

Bruce Babbitt, granting suspensions for all 36 undeveloped leases in federal waters offshore California (*California v. Norton)*, and a decision by the Bush Administration to appeal that ruling.

Looking Ahead at the Next Five Years

Beginning in early 2003, Arguello Inc. plans to begin removing excess equipment from the Point Arguello onshore facility. The Board of Supervisors directed Arguello Inc. to abandon unused portions of the onshore facility to reduce visual impacts as part of the Condition R-1 review process. By mid-2003, Arguello Inc. plans to have the tallest pieces of the onshore equipment and infrastructure torn down. The large equipment would be cleaned and removed from the site within three years after being torn down.

It is unknown when the *California v. Norton* lawsuit will have a decision on the future of the Rocky Point, Bonito, and Sword units and the remaining undeveloped leases in federal waters offshore California. However, Arguello Inc. plans to submit an application in early July 2002 to develop a portion of the Rocky Point unit, Lease 0451 E2, which Arguello Inc. says contains 60% of the reservoir in the Rocky Point unit. Arguello Inc. plans to drill from the existing platforms. It is uncertain if this partial lease is outside the parameters of the *California v. Norton* lawsuit. If this project proceeds, the amount of oil produced from this lease along with the oil processed from the Point Arguello unit would not exceed the permitted amount, 35,000 barrels of oil per day.

Arguello Inc. will also undertake the permitting of the Reconfiguration project beyond 2003, which was the original limit set by Chevron back in 1998. Additional permitting for R-1 will require change to the consolidation policies and the zoning of the land where the facility sits.

2.2.2 Specific Impact Categories

Table 5 shows past assessments. Staff's assessment for the next five years appears in Table 6. Following these tables is a discussion of each assessed category.

Table 5
Point Arguello
CREF Assessments for 1998 - 2002

	Environ. Sensitive Resources	Aesthetics	Recreation	Tourism	TOTALS	Value Per Point*	CREF Fees Per Year
1988**	4	5	5	5	19	$ 20,000	$981,000
1989	4	5	5	5	19	$ 20,000	$327,400
1990	4	5	5	5	19	$ 20,000	$327,400
1991	3	4	4	4	15	$ 20,000	$300,000
1992	3	4	4	4	15	$ 20,000	$300,000
1993	3	4	4	4	15	$ 23,960	$327,400
1994	3	4	4	4	15	$ 23,960	$327,400
1995	3	4	4	4	15	$ 23,960	$327,400
1996	3	4	4	4	15	$ 23,960	$327,400
1997	3	4	4	4	15	$ 23,960	$327,400
1998	3.5	3	3	2	11.5	$ 26,050	$299,575
1999	2.5	3	3	2	10.5	$ 26,050	$273,525
2000	2.5	3	3	1	9.5	$ 26,050	$247,475
2001	2.5	3	3	1	9.5	$ 26,050	$247,475
2002	2.5	3	3	0	8.5	$ 26,050	$221,425

* In the 1993-1997 assessment, the value per point increased by $3,960, pursuant to the CREF Guidelines, to reflect 1988 dollars, and the 1998-2002 assessment value point increased by another $2,090.
** The 1988 CREF fee reflects 1986, 1987, and 1988.

Table 6
Point Arguello Project
CREF Assessments for 2003 -- 2007 Cycle

	2003	2004	2005	2006	2007
Environmentally Sens. Resources	2.5	2.5	2.5	2.5	2.5
Aesthetics*	3	2.5	2.5	2.5	2.5
Recreation*	3	2.5	2.5	2.5	2.5
Tourism	0	0	0	0	0
Total Points	**8.5**	**7.5**	**7.5**	**7.5**	**7.5**
Value Per Point**	$29,800	$29,800	$29,800	$29,800	$29,800
CREF Fees Per Year	$253,300	$223,500	$223,500	$223,500	$223,500

* Reduction of 0.5 point in each the Aesthetics and Recreation categories, beginning with the calendar year following the removal of 12 columns that range from 62 feet high to 107 feet high. In this assessment, we are assuming completion of the removal will occur in 2003.
**Assessed at $29,800 per point, pursuant to CREF Guidelines to reflect 1988 dollars.

Environmentally Sensitive Resources

Summary of Previous Assessments

The County assessed this impact category four points from 1986 to 1990 due to:

(a) project-specific and cumulatively significant, unavoidable construction impacts to hard-bottom benthos, butterfly trees, raptor roosting habitat, and rare plants and animals;
(b) project-specific, significant but mitigable impacts to vegetation in the pipeline corridor; and
(c) project-specific and cumulatively significant, unavoidable impacts from a major oil spill to subtidal ecology, estuarine lagoons or wetlands, seabirds, and marine mammals.

The County reduced this impact category to three points in 1991 and 1992, giving credit to direct mitigation (e.g., replacing butterfly trees and restoring habitats onsite or offsite) that reduced the significant residual impacts of project construction.

From 1993 to 1997, the County added a point because mitigation for certain environmentally sensitive resources during the years 1988-1992 were not as successful as they were predicted to be.[7] However, that point was cancelled out when the County credited one point each year from 1993 to 1997 for the anticipated successfulness of the Tarplant Mitigation Reserve. Therefore, from 1993 to 1997, the County continued to assess this impact category three points for the impacts described above.

In 1998 to 2002, the County reduced the three points in this category by a half point, representing the slight reduction in the cumulative amount of oil production. Mitigation to environmentally sensitive coastal resources were, by this time, considered moderately to fully successful (except for the attempt to reestablish Hoffman's nightshade). Overall, the pipeline corridor revegetated successfully except for some slope failures and bank erosion along three areas. In the year 1998, the County assessed an additional point, representing the delay in repairing slope failures and bank erosion along the pipeline corridor and representing the additional oil spill risk from the exposed pipeline in Middlewood Creek. Therefore, the County assessed three and a half points in 1998 and two and a half points in 1999 to 2002.

2003 -- 2007 Assessment

In the last assessment, we noted that the pipeline corridor revegetated successfully except for slope failures and bank erosion at Middlewood Creek, Canada del Baranca Honda, and Canada del Agua Caliente. The erosion is ongoing in these areas. For Middlewood Creek, the County, Arguello Inc., and the contract biologist all agree that stabilization of this creek would be a very disruptive project; the interested parties have opted instead to monitor the creek crossing during storms and repair when necessary. For Canada del Baranca Honda, the stabilization project was completed in November of 1997, and annual assessments indicate that the project was successful in controlling chronic bank erosion. For Canada del Agua Caliente, the east bank has eroded in the past five years; however, it appears that the erosion has reached an equilibrium.

Project-specific significant impacts from a major oil spill (over 1,000 barrels) to subtidal ecology, estuarine lagoons or wetlands, seabirds, and marine mammals remain, even with the reduced volume of oil production over the past five years of approximately 18,000 to 26,000 barrels per day. The Reconfiguration 1 permit allows Arguello Inc. to process up to 35,000 barrels per day of oil on the three platforms. In addition, on a cumulative scale, a significant impact from a major oil spill remains all along the coast of Santa Barbara County:

(e) Platform Irene with the potential of processing more oil from the Tranquilion Ridge unit;
(f) the Gaviota Terminal oil storage tanks along the coast;
(g) the Santa Ynez Unit's offshore oil platforms; and
(h) Venoco's oil processing with the potential to recommission two idle wells.

The environmentally sensitive coastal resource value continues with two and half points, representing the project-specific ongoing bank erosions at three creek crossings along the pipeline corridor and the project-specific and cumulatively significant potential of a major oil spill.

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[7] The drought in the years 1988 through 1990 and the heavy rains in 1991 and 1992 caused the unsuccessfulness of the programs.

Aesthetics

Summary of Previous Assessments

The impacts associated with aesthetics include:

(a) Project-specific and cumulative significant and unavoidable impact on ocean views due to addition of three platforms;
(b) Cumulatively significant and unavoidable impacts due to the industrial appearance of the combined Gaviota Marine Terminal (on and offshore components) and Point Arguello's onshore facility and the blocking of existing scenic view by facilities and screen plantings;
(c) Project-specific, significant but mitigable impact due to industrial appearance in a rural setting and high exposure to viewing public. This impact was considered insignificant within 5-20 years after the screen plantings took effect.

The County assessed this impact category five points for construction-related impacts during the first five years, 1986 to 1990. Once construction was completed and the operational phase commenced, the County assessed four points between 1991 and 1997. In 1993, the County noted an additional visual impact from the eroded slopes along the onshore pipeline corridor. In addition, the screen plantings for the onshore facility have not been nearly as successful as originally thought and much of the onshore facility remains highly visible from U.S. Highway 101. However, the County did not adjust the points up for these impacts.

For the years 1998 to 2002, the County reduced the assessment by one point, crediting the project's landscaping being a little more effective for travelers heading north than it was in 1993. The remaining three points for each of those five years represented the three visual impacts described above.

2003 -- 2007 Assessment

As noted above, Arguello Inc. plans to have the tallest pieces of the onshore equipment and infrastructure removed by mid-2003, except for the emergency flare. The plan includes removal of 12 functioning columns that range in height from 62 feet to 107 feet. The existing landscaping would better screen the remaining onshore facility's equipment; however, the existing landscaping would not completely screen the facility. With the removal of the taller pieces of equipment, the nighttime lighting on these equipment pieces would be removed also, reducing the impact visually during the nighttime.

Regarding the three offshore platforms, project-specific visual impacts is limited to visitors at Jalama Beach and passengers on the Amtrak train.

For the 2003 to 2007 assessment, the County reduces the assessed points by a half point beginning with the calendar year following the removal of 12 pieces of equipment, ranging in height from 62 – 107 feet. This half point reduction represents the slightly less project-specific and cumulatively significant impacts to the industrial appearance along the coast. We predict that the equipment removal will be completed sometime in the year 2003; therefore, the half point reduction would occur in the year 2004.

The assessed two and a half points that will remain represent continued impacts to visual resources caused by the onshore facility and the three offshore platforms. Development of the Rocky Point project will undergo a separate environmental review and, therefore, is not considered herein.

Coastal Recreation

Summary of Previous Assessments

The impacts associated with coastal recreation include: long-term, project-specific and cumulatively significant and unavoidable impacts due to:

(a) long-term, project-specific and cumulatively significant and unavoidable impacts due to a decline of shoreline recreational experience due to increased industrial development;
(b) long-term, project-specific and cumulatively significant and unavoidable impacts due to degradation of offshore visual environment from Jalama Beach due to presence of offshore platforms; and
(c) project-specific and cumulatively significant but mitigable impact to public beaches from an oil spill.

The County assessed five points for each year from 1986 to 1990, four points from 1991 to 1997, and three points from 1998 to 2002. The decreased points throughout the years represent the reduced impact for the third impact listed. The three points in 1998 to 2002 represent the remaining two significant and unavoidable impacts listed above.

2003 -- 2007 Assessment

The impact to the recreational experience due to the industrialized coast will decrease some from Arguello Inc. removing the taller pieces of equipment from the onshore facility. However, the Gaviota Terminal's tanks still remain and the Molino Gas Project could still potentially produce gas (and possibly oil). The impact to recreationists at Jalama Beach from the offshore platforms still remains and is no longer considered to be mitigable since oil spill response/containment methods available are only 20% effective under the best conditions.

For the 2003 to 2007 assessment, the County reduces the assessed points by a half point beginning with the calendar year following the removal of 12 pieces of equipment, ranging in height from 62 – 107 feet. This half point reduction represents the slightly less project-specific and cumulatively significant impacts to the recreational experience along the coast. The remaining two and a half points continue to represent these residual impacts from an industrialized coast and the presence of offshore platforms.

Tourism

Summary of Previous Assessments

The impacts associated with coastal tourism include cumulatively significant but mitigable losses to the tourist industry from increased noise and air quality, degraded offshore visual environment, and the risk of an oil spill. Because the impacts are mitigable, the County has decreased the impacts over the past years. The County assessed five points from 1986 to 1990, four points from 1991 to 1997, two points in 1998 and 1999, one point in 2000 and 2001, and zero points in 2002. Zero points represent reduction of the impact to an insignificant level.

2003 -- 2007 Assessment

The activities associated with the Point Arguello project that will occur within this assessment time frame (2003 to 2007) will not increase impacts to coastal tourism; the tourism impacts have been mitigated to an insignificant level. The Rocky Point project is subject to a separate environmental review process and, therefore, is not considered in this assessment.

2.3 GAVIOTA TERMINAL

2.3.1 Background

Permit condition (N-2) addresses mitigation for both project-specific and cumulative impacts as follows:

> GTC shall contribute to a Coastal Resource Enhancement Fund (CREF), developed by the County and designed to be used for enhancement of coastal recreation, aesthetics, tourism and/or environmentally sensitive resources. Guidelines for determining applicant fees are now being established as part of the County Oil and Gas Policy Analysis and should be in place prior to facility startup. Once a specific contribution, based on project-specific impacts is determined, GTC will be required to make annual contributions of said amount. GTC's contribution to the fund shall not exceed $325,000 annually for the life of the project. County will consider other applicant contributions and mitigations in developing pro-rata contributions. Proposals for the use of this Fund will be solicited, accepted and evaluated by the County Resource Management Department and approved by the Board of Supervisors in noticed public hearings.

Looking Back Over the Past Five Years

By late 1998, Texaco abandoned the pipeline connection, nearshore and onshore flowlines, and hydraulic lines at the Gaviota Terminal site, thereby completing the abandonment all offshore marine terminal. The onshore component of the Gaviota Terminal continues to operate as a storage and pipeline terminal.

In early 2000, the Planning Commission approved the change of owner for the Gaviota Terminal facility from Texaco Trading & Transportation to Equilon Pipeline Company LLC.

The Gaviota Terminal facility contains six tanks that store oil with a maximum capacity of approximately 750,000 barrels. In March of 1997, the tanks stored over 500,000 barrels. In the early years of 1998 to April of 2002, the tanks have stored anywhere from 24,000 to 180,000 barrels. Currently there are only two 80,000 barrel tanks in operation; the other four have been emptied, purged, and open to the atmosphere.

In the summer of 2002, Equilon will be requesting a change of owner/operator for the Gaviota Terminal facility. In reality, the change is a name change to Shell Pipeline Co LP instead of a company change. This will require a Director's Approval.

Looking Ahead at the Next Five Years

Looking ahead, Equilon plans on retaining the six tanks that can store oil; therefore, the risk of a major oil spill (1,000 barrels or more) remains.

2.3.2 Specific Impact Categories

Table 7 represents past assessments for this project. Staff's assessment for the next five years of this project appears in Table 8. Following the table, staff provides an assessment of each impact category.

Table 7
Gaviota Terminal
CREF Assessments for 1988 - 2002

	Environ. Sensitive Resources	Aesthetics	Recreation	Tourism	TOTALS	Value Per Point*	CREF Fees Per Year
1987/88	2	4	3	3	12 (x 2)	$ 20,000	$480,000
1989	2	4	3	3	12	$ 20,000	$240,000
1990	2	4	3	3	12	$ 20,000	$240,000
1991	1	0	2	2	5	$ 20,000	$100,000
1992	1	0	2	2	5	$ 20,000	$100,000
1993	1	0	2	2	5	$ 23,960	$119,800
1994	1	0	2	2	5	$ 23,960	$119,800
1995	2	2	3	3	10	$ 23,960	$239,600
1996	1	0	2	2	5	$ 23,960	$119,800
1997	1	0	2	2	5	$ 23,960	$119,800
1998	2	0	2	2	6 (-2)**	$ 26,050	$104,200
1999	1	0	2	2	5 (-2)**	$ 26,050	$ 78,150
2000	1	0	2	2	5 (-2)**	$ 26,050	$ 78,150
2001	1	0	2	2	5 (-2)**	$ 26,050	$ 78,150
2002	1	0	2	2	5 (-2)**	$ 26,050	$ 78,150

* In the 1993-1997 assessment, the value per point increased by $3,960, pursuant to the CREF Guidelines, to reflect 1988 dollars, and the 1998-2002 assessment value point increased by 2,090.

** The County credited ten points spanned over five years since the first two assessments predicted three years of tanker berthing and only one year of tanker berthing occurred.

Table 8
Gaviota Terminal, CREF Assessment

	2003	2004	2005	2006	2007
Environmentally Sens. Resources	1	1	1	1	1
Aesthetics	0	0	0	0	0
Recreation	2	2	2	2	2
Tourism	2	2	2	2	2
Total Points	**5**	**5**	**5**	**5**	**5**
Value Per Point*	$29,800	$29,800	$29,800	$29,800	$29,800
CREF Fees Per Year	$149,000	$149,000	$149,000	$149,000	$149,000

* Assessed at $29,800 per point, pursuant to CREF Guidelines to reflect 1988 dollars.

Environmentally Sensitive Resources

Summary of Previous Assessments

The County assessed this category one point per year during the construction years, from 1987 to 1990, representing the cumulatively significant unavoidable disturbance of near-shore habitats (e.g., kelp beds). In 1989 and 1990, the County assessed an additional point for the significant unavoidable risk of an oil spill from tanker activities, both on a project-specific and cumulative scale. The County assessed an additional point in 1993, representing the third year for the significant risk of an oil spill from tanker activities. In the past assessment, the County credited two points for the reduced impacts on environmentally sensitive coastal resources from two fewer years of shipping oil than predicted.

During the operational phase, the County assessed one point per year from 1991-2002, due to the significant unavoidable risk of an oil spill from storage tanks in the coastal zone. The County assessed an additional point in 1998 for the cumulatively significant avoidable impacts to kelp beds when removing the pipelines in late 1997 and early 1998.

2003 -- 2007 Assessment

One point for each year in 2003 - 2007 represents the project-specific and cumulative impacts of oil spills' effect on environmentally sensitive coastal resources. The Gaviota Terminal sits on property adjacent to the coast, which is normally not optimal for large storage of oil, considering the risk of an oil spill and its significant impact on environmentally sensitive coastal resources. This location was approved because the specific design of the marine terminal's vapor recovery system qualified it as a coastal dependent use, pursuant to the California Coastal Act (Section 30101); that is, a use that requires a site on, or adjacent to, the sea to be able to function at all. In its current function, the Gaviota Oil Terminal no longer qualifies as a coastal-dependent use and would not have been permitted at this location. Environmental documents and the Oil Spill Contingency Plan for this project identifies scenarios of non-contained spills, draining into Alcatraz Creek and the Pacific Ocean (up to a half mile off the coast).

Aesthetics

Summary of Previous Assessments

The County assessed two points per year for 1987 to 1990, representing significant unavoidable, project-specific visual impacts due to construction onshore and in nearshore waters. The County also assessed additional two points per year in 1989 and 1990 for the unavoidable project-specific visual impacts due to the berthing of marine tankers. The County assessed two points in 1995, representing a third year of visual impacts from berthing of marine tankers. However, marine tankers berthed at the marine terminal for less than a year. In the past assessment, the County credited four points for two years in which it did not host marine tankers.

In the years that the Gaviota Terminal was not receiving marine tankers, the County assessed this category zero points. Past environmental documents (84-EIR-15, 92-EIR-04, and 96-ND-22) classified visual impacts from operation of the onshore facilities as adverse but insignificant.

2003 -- 2007 Assessment

Zero points for all five years represent no significant impacts to aesthetics. The onsite storage tanks are visible to motorists on Highway 101; matured landscaping screens the storage tanks fairly well for motorists heading north on Highway 101. However, for motorist heading south on Highway 101, the tanks can be viewed for several seconds. Although the project site is located in a scenic, travel corridor of the coastal zone, the past environmental analyses concluded visual impacts of the operation of onshore facilities as insignificant for the following reasons: (1) it is located next to a large industrial project (Point Arguello); (2) the project site does not have significant visual resources onsite given the existing tanks and non-native vegetation; (3) existing and proposed vegetation partially screen the tanks; and (4) potential viewers would be traveling at high speeds, allowing for only a brief and transitory viewing period.

Coastal Recreation

Summary of Previous Assessments

The County assessed two points each year from 1987 to 2002 because of the following two cumulatively significant unavoidable impacts: (a) a potential oil spill and oil spill operations would result in degradation of the value of coastal recreation; and (b) the area is a recreation resource of local and statewide importance, containing three state parks and numerous other recreational areas. The County also assessed one point in 1989, 1990, and 1995, representing the two significant unavoidable recreational impacts associated with three years of tanker berthing. However, the County credited two points in the 1998 - 2002 assessment since there was only one year of tanker activities instead of the predicted three years.

2003 -- 2007 Assessment

The previous assessment of two points due to the presence of storage tanks in the coastal zone carries forward in this five-year assessment. The environmental document (GTC Gaviota Marine Terminal Project, Final Supplemental EIS/EIR, dated August 3, 1992) identified the cumulative recreational impact as significant and unavoidable because of the area's value as a rural, scenic, and recreational resource. It further stated the impact would be acute in the immediate vicinity of the project site due to the combined presence of the Chevron and Las Flores Canyon processing facilities and shipping oil close to shore at the Gaviota Marine Terminal.[8] Among other developments and activities, the environmental analysis indicated that a significant impact occurred due to the change in rural character of the Gaviota Coast and the negative effects of a major oil spill on recreational opportunities.

Tourism

Summary of Previous Assessments

The County assessed two points each year from 1987 to 2002 because of the cumulatively significant unavoidable impact on tourism from a major oil spill. The County also assessed one point in 1989, 1990, and 1995, representing the risk of an oil spill from tankers for three years. However, the County credited two points in the 1998 - 2002 assessment since there was only one year of tanker activities instead of the predicted three years.

2003 -- 2007 Assessment

The remaining assessment of two points annually represents the project-specific and cumulative impacts of oil spills (and the extensive clean-up operations) effect on coastal tourism.

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[8] The environmental analysis indicated that the removal of Shell Molino and Phillips Tajiguas Gas Plants are not considered major contributions to the industrial character of the area due to their screened locations and small size.

POINT PEDERNALES PROJECT

2.4.1 Background

Permit condition (N-1) defines CREF as mitigation for project-specific impacts only, and not for cumulative impacts, as follows:

> Torch shall contribute to the Coastal Resource Enhancement Fund (CREF), developed by the County and designed to be used for enhancement of coastal recreation, aesthetics, tourism and/or environmentally sensitive resources. Guidelines for determining applicant fees are now being established as part of the County Oil and Gas Policy Analysis and should be in place prior to facility startup. Once a specific fee is determined, based on project-specific impacts, Torch will be required to make annual fee payments of said amount. Torch's contribution to the fund shall not exceed $325,000 annually for the life of the project. County will consider other applicant contributions and mitigations in developing appropriate pro-rata contributions. Proposals for the use of this Fund will be solicited, accepted and evaluated by the County Planning & Development Department and approved by the County Board of Supervisors in noticed public hearings.

Looking Back Over the Past Five Years

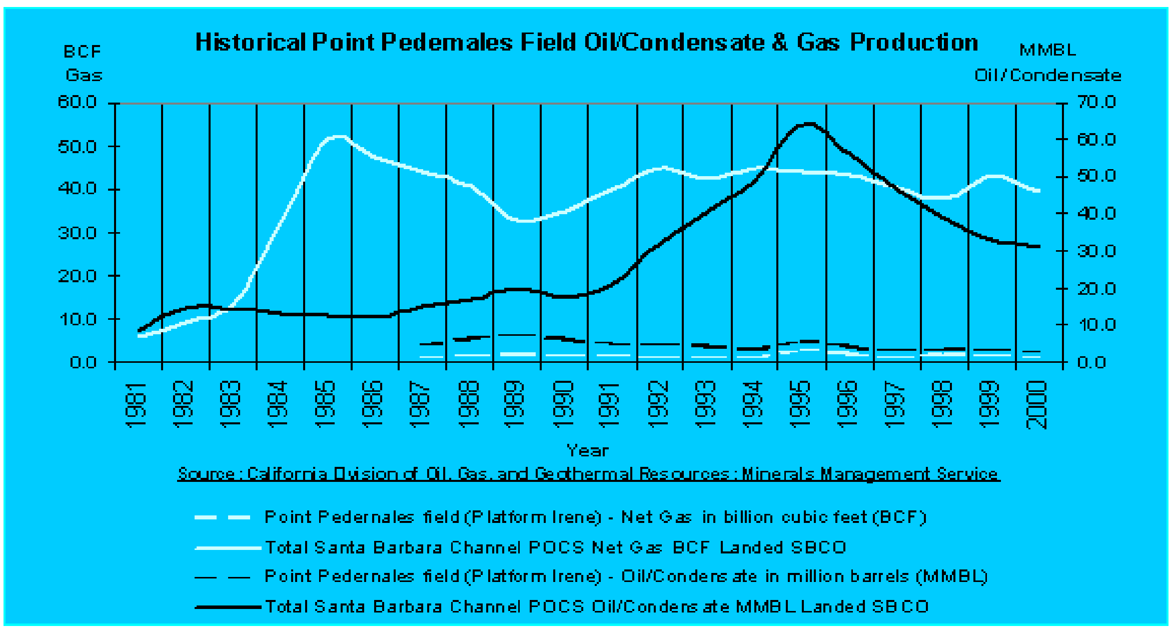
In September of 1997, Torch Operating Company spilled oil into the ocean from the 20-inch pipeline that extends from Platform Irene to Torch's onshore facilities. This spill occurred offshore, approximately two and a half miles from the shore. Estimates of the volume of oil spilled range from 163 to over 1,240 barrels.

In the past five years, Torch repaired or replaced sections of the 20-inch pipeline between Platform Irene and landfall, such as the J-Tube, the pipeline section where the spill occurred, and flanges. Between September 2001 and January 2002, Torch shut down Platform Irene to replace several subsea pipeline flanges.

In June of 2002, the Planning Commission approved Nuevo Energy Company's request for a Change of Operator for the Point Pedernales project from Torch Operating Company to Nuevo Energy Company.

Nuevo submitted a request for a revision to its Point Pedernales permit to produce the proposed Tranquillon Ridge field using extended reach drilling from Platform Irene. In June of 2002, the Planning Commission denied[9] this project. Nuevo appealed the Planning Commission's action to the Board of Supervisors; the Board is scheduled to hear the appeal on September 10, 2002.

The Point Pedernales facility produced an average of 9,400 barrels of dry oil per day in 1998, 8,700 barrels in 1999, 7,300 barrels in 2000, and 7,100 in 2001. During these years, the facility produced approximately 6 mmscf of gas per day in 1998, 4 mmscfd in 1999, 3 mmscfd in 2000, and 2.5 mmscfd in 2001.



Looking Ahead at the Next Five Years

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9 At the hearing, the Planning Commission deadlocked (2-2 with one commissioner absent) on a number of motions including both denial and conceptual approval of the project. The deadlock represented a denial of the project for purposes of a potential appeal to the Board of Supervisors for final decision. Nuevo has filed the appeal.

In 2003, Nuevo plans to install Monterey Cypress trees around its electrical substation that is located near Surf Beach. The additional landscaping is being installed to better screen its substation. The County identified the need for improved screening in the 1998-2000 Condition Effectiveness Review (B-2 Analysis).

Nuevo may propose to replace or repair sections of its 20-inch pipeline between Platform Irene and the Lompoc Oil and Gas Plant in the next five years due to internal corrosion. The extent and rate of the corrosion is being monitored, and measures are being taken that attempt to reduce the rate of corrosion.

2.4.2 Specific Impact Categories

Table 9 represents past assessments. Staff's assessment for the next five years of this project appears in Table 10. Following the tables, staff provides an assessment of each category.

Table 9
Point Pedernales
CREF Assessments for 1988 - 2002

	Environ. Sensitive Resources	Aesthetics	Recreation	Tourism	TOTALS	Value Per Point*	CREF Fees Per Year
1987/88	2	2	1	0	5	$ 20,000	$400,000
1989	2	2	1	0	5	$ 20,000	$100,000
1990	1	1	1	0	3	$ 20,000	$ 60,000
1991	1	1	1	0	3	$ 20,000	$ 60,000
1992	1	1	1	0	3	$ 20,000	$ 60,000
1993	2	1	1	0	4	$ 23,960	$ 95,840
1994	2	1	1	0	4	$ 23,960	$ 95,840
1995	2	1	1	0	4	$ 23,960	$ 95,840
1996	2	1	1	0	4	$ 23,960	$ 95,840
1997	2	1	1	0	4	$ 23,960	$ 95,840
1998	3	1	1	0	5	$ 26,050	$130,250
1999	3	1	1	0	5	$ 26,050	$130,250
2000	3	1	1	0	5	$ 26,050	$130,250
2001	3	1	1	0	5	$ 26,050	$130,250
2002	3	1	1	0	5	$ 26,050	$130,250

* In the 1993-1997 assessment, the value per point increased by $3,960, pursuant to the CREF Guidelines, to reflect 1988 dollars, and the 1998-2002 assessment value point increased by another $2,090.

Table 10
Point Pedernales Project
CREF Assessments for 2003 - 2007 Cycle

IMPACT	2003	2004	2005	2006	2007
Environmentally Sens. Resources	3	3	3	3	3
Aesthetics	1	1	1	0.5*	0.5*
Recreation	1	1	1	1	1
Tourism	0	0	0	0	0
Total Points	**5**	**5**	**5**	**4.5***	**4.5***
Value Per Point**	$29,800	$29,800	$29,800	$29,800	$29,800
CREF Fees Per Year**	$149,000	$1149,000	$149,000	$134,100	$134,100

* The half point reduction in the aesthetics category applies the year following confirmation by Energy Division that the newly planted trees are established, thriving, and of adequate growth to screen the electrical substation from direct view. (In this table, we are assuming the reduction will occur in 2006, for illustrative purposes only.)
** Assessed at $29,800 per point, pursuant to CREF Guidelines to reflect 1988 dollars.

Environmentally Sensitive Resources

Summary of Previous Assessments

From 1988 to 1989, the County assessed two points for each year, addressing project-specific significant and unavoidable impacts to:

(a) environmentally sensitive habitat during pipeline construction at landfall; and
(b) seabirds, marine mammals, and subtidal ecology from an oil spill.

This assessment decreased to one point in 1990 through 1992, since the County predicted mitigation for construction to be successful; however, potential impacts from an oil spill still remained.

From 1993 to 1997, the County assessed two points for each year. Along with the one point for the risk of an oil spill, the County assigned an additional point due to the potentially significant impact of an oil spill to a small colony of sea otters that established themselves off Purisima Point. The sea otter population grew from one in 1988 to approximately nine in 1992.

From 1998 to 2002, the County assessed three points for each year. Two points represented the continual risk of an oil spill along the pipeline corridor from Platform Irene to landfall, potentially impacting seabirds and marine mammals. An additional point represented the increased risk of an oil spill due to internal pipeline corrosion and the potential for a greater significant impact to marine mammals due to the growing population of sea otters, reaching to 17 individuals.

The County did not assess CREF points for the 1997 oil spill. That spill impacted approximately 40 miles of coastline, from just south of Point Sal to south of Point Arguello. Some stretches of Surf Beach were more than 50% covered by oil. The spill impacted important habitats at rocky intertidal zones, sandy beaches, and estuaries. In turn, the oil impacted black abalone and other rocky intertidal organisms, hundreds of birds, including sensitive species such as the western snowy plovers and brown pelicans, and a sea lion. Other pinnipeds and marine mammals may have been injured and suffered sub-lethal effects as a result of exposure to oil.

The clean-up actions, themselves, impacted coastal resources by bringing in heavy equipment and removing marine plants, which are habitat and food sources for many invertebrates and bird species.

As a result of the 1997 oil spill, the County filed a civil case against Torch/Nuevo for violating key safety-related conditions of its County permit. In a settlement between the County and Torch/Nuevo, the County was awarded $1 million. The courts also issued an injunction against Torch/Nuevo. In addition, as a part of the Natural Resource Damage Assessment (NRDA) settlement, Torch/Nuevo is required to pay $3 million to cover natural resource damages ($2,397,000) and penalties ($299,000 for state penalties and $304,000 for federal penalties).

Even though the County did not assess CREF points for the 1997 spill, Torch contends that CREF is redundant to the NRDA settlement. The Oil Pollution Act of 1990, Section 2718 states “Nothing in this Act or the Act of March 3, 1851 shall (1) affect, or be construed or interpreted as preempting, the authority of any State or political subdivision thereof from imposing any additional liability or requirements with respect to (A) the discharge of oil or other pollution by oil within such State ……” The NRDA settlement is specific to damages and penalties associated with the 1997 spill; the 2003-2007 CREF assessment is for future annual risks. It took approximately five years before a NRDA payment amount was settled and it’ll take another few years before the money actually is used to compensate for the damaged natural resources.

2003 -- 2007 Assessment

There are no substantial changes from the last assessment; therefore, three points continue to represent the risk of an oil spill to subtidal ecology, sea birds, and marine mammals.

The risk of an oil spill remains for the Point Pedernales project. In addition, test results from a pipeline survey in April of 2002 indicate a continued presence of significant internal corrosion. There were 1,385 anomalies in the pipeline that were equal to or greater than 30% metal loss. There were 1,212 anomalies in the range of 30-39% metal loss and 173 anomalies in the range of 40-49% metal loss.[10] The most severe anomaly had 49% metal loss; it was 6.69 inches long by 34.56 inches wide.

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[10] In October of 2000, the Smart Pig survey reported 362 anomalies in the 40-49% range. Nuevo states that the reason for the reduction of 189 anomalies in this critical 40-49% metal loss range is due to the use of a different methodology in calculating the anomalies.

If offshore spills reach the coastline, there could be impacts to vegetation, wildlife and aquatic habitats and biota. Particularly noted is the potentially significant impact to the sea otter colony approximately one-mile southeast of Purisima Point, approximately 22 miles from Platform Irene and 17 miles from the oil pipeline. Overall, the sea otter population off the coast from Monterey to Santa Barbara has been more or less stable during the first three years of the last assessment (1998 to 2000). The sea otter population counts in both 2001 and 2002 have reduced slightly overall; however, the otter population between Pismo Beach and Point Conception has experienced a slight increase. This colony of sea otters remains significant because it represents the southernmost permanent establishment of sea otters off the California coast, and it is the most vulnerable to oil spills of all marine mammals off this coast.

Aesthetics

Summary of Previous Assessments

From 1987 to 1989, the County assessed two points for the four following project-specific impacts:

(a) onshore pipeline construction impacts considered significant and unavoidable for one to five years;
(b) potential offshore oil spills impacting scenic quality, particularly of beach areas, considered significant and unavoidable for one to five years;
(c) offshore platform visual impacts considered significant and unavoidable;
(d) electrical substation visual impacts considered significant and unavoidable.

From 1990 to 2002, the County assessed one point for each year, representing the visual impacts of the platform and the substation.

2003 -- 2007 Assessment

Platform Irene is approximately 4 miles off the coast, directly impacting ocean views at Ocean Beach, Surf, Point Sal Beach, Highway 246 near Surf, 35th Street, Terra Road, and the Southern Pacific Railroad. Passengers on the train could view the platform for 13 miles of travel, rendering this significant and unavoidable. Fog obscures the platform much of the time, however, the environmental document assessed the platform's visual impact relative to a clear day, noting that on clear days the scenic aspects of the coast are most apparent and appreciated.

The 1985 environmental document identified the visual impact of the electrical substation at Surf Beach as significant and unavoidable. A condition of the Point Pedernales permit requires installation of landscaping to reduce the visual impact to the substation; however, the residual impact would remain significant. The 1998-2000 B-2 Analysis noted that the existing landscaping is not meeting the original intent of the landscaping condition, which was to screen the facility from view.

In May of 2002, Nuevo submitted a revised landscape plan to better screen the substation.[11] The plan calls for a number of 5-gallon and 24-inch box Monterey Cypresses to supplement the existing cypresses previously planted. The Monterey Cypress is considered fast-growing to 40 feet and can handle windy

[11] As of writing this assessment, the revised landscape plan has not received County approval.

coastal conditions. Nuevo estimates that right when the trees are planted, the substation will be approximately 20% screened. After the first year, Nuevo estimates that the substation will be 50% screened and completely screened after the third year.

The conditions at the substation are harsh, as the area receives an abundance of wind and salty ocean spray. In addition, the soils are extremely sandy. The establishment period for the plants is expected to be approximately three to five years, given the harsh conditions of the area.

The County retains the one point for the years 2003 to 2005 with the idea of reducing the point down by a half point in the year 2006. This half point reduction will apply the year following confirmation by Energy Division that the newly planted trees are established, thriving, and of adequate growth to screen the electrical substation from direct view. If this does not occur in this assessment period, the half point reduction will be reviewed in the 2008-2012 assessment.

Coastal Recreation

Summary of Previous Assessments

From 1987 to 2002, the County assessed one point each year, representing significant and unavoidable impacts of an oil spill on recreational fishing.

2003 -- 2007 Assessment

As noted earlier, the risk of an oil spill remains; one point represents the significant and unavoidable effects of an oil spill on recreational fishing.

Fishers account for approximately 25-64% of the visitors to Surf Beach each day. Fishers are from the local area and also come from the Los Angeles area. *The Ocean Park – Surf Beach Docent Handbook* explains that the ocean waters at Surf Beach are extremely rich in nutrients and allow for a prolific sports fishery.

Although CREF did not assess any points, the oil spill in 1997 impacted surf fishing at Surf and Ocean Beach for 32 days. The beaches were closed to the public for six days. After the beaches were reopened, however, some people continued to avoid using the beach for a period of time, due to perceived closure or perceived degradation in the quality of the recreational experience. Along with surf fishing, general beach use and surfing were impacted. Because of this, Nuevo was required to pay approximately $73,000 for the spill's impact to the beach-goers.

Tourism

Summary of Previous Assessments

From 1987 to 2002, the County assigned zero points for this category since the environmental analysis identified no impacts to tourism.

2003 -- 2007 Assessment

No impacts and thus no points.

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