

Excerpt from Minutes of the Kenai Peninsula Borough Planning Commission January 27, 2003 meeting

AGENDA ITEM K. COASTAL MANAGEMENT PROGRAM CONSIDERATIONS

1. AK 0212-01OG; Cook Inlet Planning Area; Oil and Gas Lease Sales 191 and 199; Draft Environmental Impact Statement (MMS 2002-065); U.S. Department of the Interior, Mineral Management Service; Lower Cook Inlet

STAFF REPORT

PC Meeting Date: 1-27-03

Applicant: U.S. Department of the Interior
Minerals Management Service
Alaska OCS Region
949 East 36th Avenue
Anchorage, Alaska 99508

Location: Lower Cook Inlet

Description: The environmental impact statement (EIS) assesses two lease sales in the 2002-2007 Five-Year Oil and Gas Leasing Program for the Cook Inlet Outer Continental Shelf (OCS) Planning Area. Lease Sale 191 is scheduled for 2004 and Lease Sale 199 for 2006. Federal regulations (40 Code of Federal Regulations [CFR] 1502.4) suggest analyzing similar sales in a single EIS. However, a separate decision will be made on whether to proceed with each sale.

The proposal for each sale is to offer for leasing 517 whole or partial lease blocks in the Cook Inlet OCS Planning Area, an area encompassing approximately 2.5 million acres (1.01 million hectares). The proposed sale area is seaward of the State of Alaska submerged lands boundary in Cook Inlet and extends from 3 to 30 miles offshore from Kalgin Island south to near Shuyak Island. The proposed sale area excludes Shelikof Strait. Although the water depths may exceed 650 feet, the Minerals Management Service (MMS) expect most, if not all, exploration and development activities will take place in shallower water. For purposes of analysis, staff assumes that 140 million barrels of oil and 190 billion cubic feet of natural gas could be discovered and produced from a single development that could result from either or both sales. Only a small percentage of the blocks available for lease under the Proposed Action for Lease Sales 191 and 199 likely would be leased. Of the blocks that would be leased, only a portion would be drilled. Of these, only a very small portion, if any, likely would result in production.

Permits Required: N/A

Support Information: In an attempt to provide the Commissioners with adequate information contained in the EIS, staff has provided a summary as follows:

ENVIRONMENTAL EFFECTS OF THE PROPOSED ACTION (ALTERNATIVE 1)

• • **Effects from Routine Permitted Activities**

Should either or both of the lease sales and exploration and development occur, the associated routine industrial activities could generate some degree of disturbance, noise, and discharges into the environment. The EIS analysis found no potential significant effects from the anticipated routine, permitted activities. Furthermore, the EIS found that Cook Inlet resources would likely experience fewer exploration effects if only one sale were held, but the same level of effects from development.

Potential effects from any or both sales would not cause any overall measurable degradation to Cook Inlet water quality. Effects to air quality from emissions would cause only small, local, and temporary increases in the concentration of criteria pollutants but would not cause

ambient air-quality standards to be exceeded. Effects to lower trophic-level organisms from disturbance caused by drilling platform emplacement and other effects from other routine operations would not have measurable effects on local populations. No measurable effect on fisheries resources would be likely. Although a few individual fish could be affected during construction and drilling activities, most fish in the immediate area would avoid these activities and would be otherwise unaffected. Effects to essential fish habitat that could be caused by seismic surveys, turbidity, and pipeline construction (both offshore and onshore) are considered low and are not expected to result in measurable effects at the ecosystem level.

Local effects could result to endangered species proximate to noise and other disturbance caused by exploration, development, and production activities and disturbance from aircraft and vessels. For example, in specific areas, particularly near the Barren Islands, these disturbances could affect behavior of Steller sea lions and haulouts; cause local and short-term effects on the feeding of humpback whales in the Kennedy and Stevens Entrances; and locally affect some Cook Inlet beluga whales. Behavior of and some displacement of sea otters could occur near areas of focused activity. Although small numbers of individuals could be affected, regional population or migrant populations of non-endangered marine mammals, terrestrial mammals (brown bears, river otters, Sitka black-tailed deer, and others), and marine and coastal birds would experience no measurable effect from disturbance and habitat alteration.

Measurable effects to commercial fishing or sport fishing are not expected to result from the seismic surveys that will be planned and coordinated with the fishing industry, limited drilling discharges, small oil spills, and space-use conflicts from construction activity that are few in number and minor in scope. Short-term, local disturbance could affect subsistence-harvest resources, but no resource or harvest area would likely become unavailable, and no resource population would experience an overall decrease. Construction disturbance could temporarily displace a few subsistence species individuals.

Sociocultural systems would not be altered since the lease sales and possible follow-on activities will result in few new residents. Furthermore, the activities represent the continuation of an important and long-time aspect of many of the area's communities. Effects to recreation and tourism from space-use conflicts would be rare and short-lived. No Visual resources effects from the presence of offshore platforms are expected. No "disproportionately high adverse effects" as defined by the Environmental Justice Executive Order are expected to occur from planned and permitted activities associated with either of the OCS lease sales evaluated in this EIS. Disturbance of historic and prehistoric archaeological resources is possible, but not likely, during exploration and development activities both onshore and offshore. In addition, terrestrial and marine archaeological surveys would identify any potential resources prior to activities taking place, and the sites avoided or the effects mitigated.

Based on the assumed discovery and development of 140 million barrels of oil and 190 billion cubic feet of natural gas, some economic benefits could occur to the State of Alaska and the Kenai Peninsula Borough. No conflicts are anticipated with the Statewide standards of the Alaska Coastal Management Plan or the enforceable policies of the Kenai Peninsula Borough or the Lake and Peninsula Borough.

- **Effects in the Unlikely Event of a Large Oil Spill or Natural Gas Release**
Water quality would be temporarily degraded with the concentration of hydrocarbon in water less than the acute pollution criterion within three days of the spill while concentration above the chronic criterion would last less than 30 days. Concentration of criterion pollutants for air quality would remain well within Federal air quality limits with minimal effects to air quality. In the affected area of an oil spill, approximately 17 to 39 kilometers of shoreline could be contaminated and populations of intertidal lower trophic-level organisms in these areas could

be depressed measurably for about a year.

Marine and coastal bird mortality could range from hundreds to tens of thousands depending on the size, timing, and movement of the spill in relation to seasonal patterns of bird abundance and movement with recovery for most species from these losses taking from a few years to two generations. Mortality to the birds in the area of a natural gas release would also be expected. Small numbers of resident nonendangered marine mammals could be lost, perhaps 20 to 100 harbor seals, a few fur seals and 10 to 20 cetaceans with total recovery from these losses taking place within 1 to 5 years. No measurable effects to regional or migratory populations of marine mammals within the Cook Inlet area are expected to occur. The estimated likely loss of terrestrial mammals could be 10 to 30 river otters and brown bears, and less than 100 Sitka black-tailed deer with recovery expected within 1 to 3 years. Regional populations of terrestrial mammals likely would not be affected.

A large oil spill likely could affect the local economy and create additional employment of 60-190 jobs for up to 6 months. The commercial fisheries in Cook Inlet and possibly Kodiak Island/Shelikof Strait could be affected depending on time, size, and location of the spill. For example, if a 4,600-barrel spill in the Spring causes State-closure of the fishery due to tainting concerns, the loss could be in excess of 22% of the average annual value of the commercial fishery for two years. It is possible that the spill could close the fishery for a whole season resulting in a 100% loss for that year, and this would be a significant effect. Sport fisheries could be similarly affected with a loss of 20%. An unlikely spill would have to contact the popular clam and other shellfish gathering areas within Cook Inlet and result in the decline of the population of intertidal organisms for one year with oil in shoreline sediments for up to 10 years for a significant effect to occur.

The subsistence resources including harvest areas, and harvest patterns in traditional communities could be affected for at least one harvest season or longer with tainting concerns among consumers possibly making an even larger array of resources unavailable for use. Effects from an unlikely large oil spill or natural gas release would not be of a size that would displace or alter the fundamental long-term relationship between subsistence harvest and sociocultural systems, although these systems could be adversely affected by tainting concerns. As such, sociocultural systems of Native Alaskan villages should not be affected in the unlikely event a large spill or natural gas release occurred. Under environmental justice, a disproportionate high adverse effect on Native Alaskans could result from the combination of an unlikely large spill contaminating essential subsistence harvest areas, clean-up effects further damaging those resources, tainting concerns altering consumption of those resources, and disruption of subsistence practices as a result of the contamination. The sociocultural systems of towns and cities should not be affected by an unlikely large oil spill.

Locally significant effects could occur to coastal-dependent and coastal-enhanced recreation and tourism areas if they are contacted and completely or partially closed by the spill. Oil contamination and spill cleanup activities that disturb significant archaeological resources that may be present in the area could result in potentially significant impacts. An unlikely large oil spill could also have a significant effect on the intrinsic values of national and state park units in the area of the spill. No adverse effects are anticipated to coastal management; the Statewide standards of the Alaska Coastal Management Plan; or the enforceable policies of the Kenai Peninsula, Lake and Peninsula, or Kodiak Boroughs.

MITIGATING MEASURES

Four standard lease stipulations are evaluated as part of all the alternatives for both proposed lease sales. These stipulations are:

1. Protection of Fisheries
2. Protection of Biological Resources

3. Orientation Program
4. Transportation of Hydrocarbons

Stipulations have been modified, but only slightly, from the versions adopted in previous Cook Inlet lease sales. Combined, these stipulations help lower the potential adverse effects of any proposed lease sale and, in particular, help protect subsistence-harvest activities and sociocultural systems. These measures are perceived as positive actions under Environmental Justice addressing impacts to minority populations.

For both Lease Sales 191 and 199, staff evaluated six standard Information to Lessees (ITL) clauses as part of all the alternatives. Staff has included these or similar ITL clauses in previous Cook Inlet lease sales. The ITL clauses provide useful information about other Federal and State rules and regulations that help lower environmental impacts for the proposed sales.

ALTERNATIVE 1 – PROPOSED ACTION FOR LEASE SALES 191 AND 199

This alternative encompasses 517 whole or partial blocks covering 2.5 million acres (about 1.01 million hectares) in Cook Inlet. This area, minus leased blocks, would be offered in each of the two sales. The MMS assumes that exploration will follow each of the sales, but only a single field will be developed, producing approximately 140 million barrels of crude oil and 190 billion cubic feet of natural gas. Discovery of the field may result from exploration activities of either or both lease sales. A separate decision will be made on holding each sale. The decision for Lease Sale 191 will be made in 2004 and the decision for Lease Sale 2006 will be made in 2006.

ALTERNATIVE II – NO LEASE SALE

Under Alternative II-No Lease Sale, the MMS could choose not to hold one or both of the proposed sales in the Cook Inlet Planning Area.

ALTERNATIVE III – LOWER KENAI PENINSULA DEFERRAL

Alternative III, the Lower Kenai Peninsula Deferral, was developed by the MMS based on analysis of areas offered for leasing in our previous Cook Inlet sale, Lease Sale 149 (for example, the Kennedy Entrance deferral), location of critical habitat for the endangered Steller sea lion, and in response to comments received during scoping. In part, this deferral was developed as a potential way to reduce conflicts between subsistence users and offshore oil and gas operations and was based on input from the Native Village of Port Graham and others and analysis of subsistence resource use patterns.

ALTERNATIVE IV – BARREN ISLANDS DEFERRAL

Alternative IV, the Barren Islands Deferral, was developed by the MMS based on analysis of areas offered for leasing in our previous Cook Inlet sale, Lease Sale 149 (for example, the Kennedy Entrance deferral); location of critical habitat for the endangered Steller sea lion; and in response to comments received during scoping. In part, this deferral was developed as a potential way to reduce conflicts between subsistence users and offshore oil and gas operations and was based on input from the Native Village of Port Graham, Nanwalek, and Seldovia and others and analysis of subsistence resource use patterns.

MITIGATING MEASURES

Most of the following mitigating measures (Stipulations and ITL clauses) are considered standard mitigating measures because they have been selected in past OCS lease sales.

- • **Standard Stipulations**

The following standard stipulations are considered part of the Proposed Action and Alternatives III and IV:

- ▪ No. 1 – Protection of Fisheries
- ▪ No. 2 – Protection of Biological Resources
- ▪ No. 3 – Orientation Program

- ▪ No. 4 – Transportation of Hydrocarbons
- ○ **Stipulation No. 1 – Protection of Fisheries**

Exploration and development and production operations shall be conducted in a manner that avoids unreasonable conflicts with the fishing community and their gear (including, but not limited to, subsistence and sport- and commercial-fishing activities).

INFORMATION ON COASTAL ZONE MANAGEMENT

The MMS advises lessees that under the Coastal Zone Management Act (16 U.S.C. 1451 et seq., Section 307), as amended, a State with an approved Coastal Zone Management (CZM) Plan reviews certain OCS activities to determine whether they will be conducted in a manner consistent with their approved CZM plan. This review authority is applicable to activities described in OCS exploration plans and development and production plans that affect any land or water use or natural resource within the State's coastal zone. Generally, the MMS may not issue a permit for activities described in a plan unless the State concurs or is conclusively presumed to have concurred that the plan is consistent with its CZM plan. In cases where concurrence is not given or presumed, the matter may be appealed to the Secretary of Commerce.

For additional information regarding the Environmental Impact Statement, please contact:

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Included in the back-up material are informal comments prepared by Chief Pat Norman, on Port Graham Village Council's position on Oil and Gas Lease Sale 191 and 199 in Lower Cook Inlet.

Staff will convey Planning Commission findings regarding the draft Environmental Impact Statement to the Alaska Division of Governmental Coordination by the review deadline, January 31, 2003.

Comments are due to DGC by 1/31/03.

END OF STAFF REPORT

ADDENDUM TO THE STAFF REPORT

The Coastal District Coordinator has reviewed the referenced DEIS for consistency with the KPB Coastal Management Program and its enforceable policies. The Planning Commission will be holding a public hearing on the subject at its 1/27 meeting. What follows is a summary of my staff review and recommended finding.

The proposed project is located in federal waters of lower Cook Inlet, extending from Kalgin Island south to near Shuyak Island.

Project Background:

In June 2002, the Secretary of the Interior issued a Final 5-Year Offshore Oil and Gas Leasing Program for 2002-2007. It includes two lease sales on the Cook Inlet Outer Continental Shelf. Lease Sale 191 scheduled in 2004 and Lease Sale 199 in 2006. The multiple-sale EIS assesses environmental effects of these sales, both of which consider for leasing the same geographical area in the Cook Inlet. As the MMS begins preparations for Lease Sale 199, an Environmental Assessment (EA) will be done to determine whether the EIS is still adequate or whether a

supplemental EIS is needed. That EA will be available for public review and comment.

The proposal for each sale is to offer for leasing 517 whole or partial lease blocks in the Cook Inlet OCS Planning Area, an area encompassing approximately 2.5 million acres (1.01 million hectares). The proposed sale area is seaward of the State of Alaska submerged lands boundary in Cook Inlet and extends from 3 to 30 miles offshore from Kalgin Island south to near Shuyak Island. The proposed sale area excludes Shelikof Strait. Although the water depths may exceed 650 feet, the Minerals Management Service (MMS) expect most, if not all, exploration and development activities will take place in shallower water. For purposes of analysis, the MMS assumes that 140 million barrels of oil and 190 billion cubic feet of natural gas could be discovered and produced from a single development that could result from either or both sales. Only a small percentage of the blocks available for lease under the Proposed Action for Lease Sales 191 and 199 likely would be leased. Of the blocks that would be leased, only a portion would be drilled. Of these, only a very small portion, if any, likely would result in production.

Respondents to the proposed lease sales included affected local, tribal, State, and Federal agencies; the petroleum industry; Native groups; environmental and public interest groups; and concerned individuals. The input received from these sources aided the MMS in identifying significant issues, possible alternatives, and potential mitigating measures. As part of the local scoping process, MMS held a government-to-government dialogue with Native groups, both in formal agency meetings and in open public forums. Environmental Justice and Government-to-Government coordination are addressed in this EIS.

The following major issues were identified from the scoping comments:

- Water quality from discharge of drilling fluids and cuttings,
- Subsistence-harvest patterns,
- Habitat disturbances and alterations,
- Accidental oil spills,
- Commercial and recreational fishing, and
- Socioeconomics.

The above issues are addressed throughout the EIS, as well as a variety of other issues raised.

Discussion:

On February 2, 2001 the Kenai Peninsula Borough Assembly passed Resolution 2001-013 in support of the 2002-2007 OCS Oil and Gas Lease Program. On December 11, 2001 the Kenai Peninsula Borough Assembly passed resolution 2001-127, "Approving the Tri-Borough Position Paper for Federal Outer Continental Shelf Oil and Gas Leasing Program, 2001-2007." The Tri-Borough position will apply to this and all future leases under the 2002-2007 OCS Oil and Gas Leasing Program. The Tri-Borough position also applies to the terms and conditions in any proposed Notice of Sale. The current Kenai Peninsula Borough Administration has also expressed support of the Tri-Borough Agreement, and support for the lease sales 191 and 199 with deferral of the combined areas described in Alternatives III and IV ("Lower Kenai Peninsula" and "Barren Islands"). It is projected that less than 1% of recoverable oil will be excluded as a result of supporting these alternatives.

In summary:

Alternative I: Lease entire area

Alternative II: No Lease

Alternative III: Lower Kenai Peninsula deferral

Alternative IV: Barren Islands deferral

Please consider the following summary of the Tri-Boroughs' position on each of the five points:

1. 1. No Off-shore Loading of Tankers

The lower Cook Inlet comprises some of the most dangerous navigable waters in the entire world. This makes offshore loading of tankers particularly dangerous, posing an extremely high risk of an oil spill while attempting to load a tanker in these waters.

Recoverable oil must be pumped to an onshore facility where adequate protected dockage can be provided to allow the safe loading of tankers and to minimize the possibility of a spill during the loading process from the oil generated by any sales under the program.

This requirement is necessary to ensure the program is consistent with the Kenai Peninsula Borough Enforceable Policies 2.6 Mitigation, 3.1 Design and Siting Criteria, 5.2 (a) Water Resources, 5.6 Pipelines, 5.8 (a) Oil Storage, 12.1 Priority Use, and Administrative Policy A6 Prevention and Clean Up of Oil Spills.

2. 2. Specific Plans to Minimize and Avoid Commercial Fishing Gear Conflicts with the Exploration and Development of Oil

According to State of Alaska records the preliminary 2002 Lower Cook Inlet all-species salmon harvest of 2.313 million fish was the third highest during the past decade, exceeding both the most recent 10- and 20-year averages. This fishery reportedly depends heavily on hatchery and enhanced fish production. This includes enhancement/rehabilitation projects, such as that undertaken by Chugach Regional Resources Commission (CRRC) and Port Graham Hatchery Corporation (PGHC) at English Bay Lakes in the Southern District, which provided a significant harvestable surplus of sockeye salmon for both subsistence and commercial set gillnet fishermen in Port Graham Subdistrict, while also generating considerable hatchery cost recovery revenues.

Given the great importance of the fisheries, the Tri-Boroughs require that any oil exploration or development minimize conflicts with the fishing industry. This may include critical time periods when no drilling activity would be allowed to occur due to spawning activity and crab molting in the areas in and around the drilling platforms.

These requirements are necessary to ensure the program is consistent with the Kenai Peninsula Borough Enforceable Policies 2.3 (a), (b), (c) Commercial Fishing, 2.6 Mitigation, 2.7 Cumulative Impacts, 3.1 Design and Siting Criteria, 5.5 Navigation and Commercial Fishing, and 5.9 (a), (b), (c) Geophysical Surveys.

3. 3. The Oil Exploration Company must have Adequate Spill Prevention and Response Capability

The Tri-Boroughs have determined that adequate spill prevention and response capabilities shall be specifically identified in exploration and development proposals for the 2002-2007 Program. It is recommended that input from the Cook Inlet Regional Citizens Advisory Council be used to help determine the adequacy of spill prevention and response capability.

These requirements are necessary to ensure the program is consistent with Kenai Peninsula Borough Enforceable policies 2.6 Mitigation, 2.7 Cumulative Impacts, 5.2 (a) Water Resources, 12.1 Priority Use, 13.1 Hazardous and Toxic Substances, and Administrative Policy A6 Prevention and Clean-up of Oil Spills.

4. 4. Identification of Critical Habitat Areas

Identification of critical habitat shall include a prioritization for habitat protection, given the location

of a particular spill, as well as identification of critical habitat that cannot practically be protected in the event of a spill.

Further, the identification of critical habitat areas must be a public process that allows residents of the region to have input into and an opportunity to review and critique the proposed critical habitat protection priority prior to final adoption.

These requirements are necessary to ensure the program is consistent with Kenai Peninsula Borough Enforceable policies 2.6 Mitigation, 2.7 Cumulative Impacts, 3.1 Design and Siting Criteria, 5.2 (a) Water Resources, 12.1 Priority Use, 13.1 Hazardous and Toxic Substances, and Administrative Policy A6 Prevention and Clean-up of Oil Spills.

5. 5. Provision for Local Government Revenue Sharing

The Tri-Boroughs agree on a requirement for provision of revenue sharing back to the boroughs from revenues collected by the federal government.

The DEIS suggests that revenue sharing is evident by the distribution of \$12.8 million coastal impact funds. Of this amount \$4.5 million has been distributed directly to eligible boroughs and unincorporated areas. Staff notes that the federal allocation to the program (nationwide) was \$150 million. This reveals that approximately 8% of the federal assistance under the program reached Alaska. Staff suggests that legislation be introduced and passed which allows for revenue sharing with the three boroughs in order to provide the financial resources needed to deal with the impacts of activities under the upcoming OCS lease program. These funds are necessary because the three boroughs will have impacts from an influx of population demanding additional municipal services such as police, fire, road service, parks and recreation, education, solid waste disposal, etc.

The history of municipal service provisions show that revenues always lag behind the demand for services. The only reasonable way to approach this problem without placing an undue burden on the existing tax base is to provide for revenue sharing within two hundred miles of any exploration site.

MMS has stated that revenue sharing for the state of Alaska is a legislative matter for the federal government and that further dialogue is not possible in the context of OCS Lease Sales 196 and 199.

This requirement is necessary to ensure the program is consistent with Kenai Peninsula Borough Enforceable Policies 3.1 Design and Siting Criteria (which states how development shall be managed).

Based upon the Port Graham Village Council position on OCS Oil and Gas Lease Sales 191 and 199, there are serious reservations and concerns for anticipated industrial activities in the Lower Cook Inlet. The primary concern of contaminated subsistence foods are reflected in their comments (attached). The Kenai Peninsula Borough Coastal Management Program identified the Port Graham/Nanwalek area as an Area which Merits Special Attention (AMSA) due to its importance for subsistence hunting, fishing, and food gathering by area residents and its unique cultural value and historical significance. The deferral area described in Alternative III provides additional protection of the important waters and coastline of Port Graham and Nanwalek, and suggests consistency with the AMSA plan and its policies.

I have discussed the KPB Administration's stance (Combined Alternatives III and IV) with Mr. Pat Norman of the Port Graham Village Council on 1/24/03. Mr. Norman offered no objections to the Administration's stance at this time.

Recommendation:

With the public hearing at the Kenai Peninsula Borough Planning Commission meeting in Soldotna, Alaska on January 27, 2003 staff recommends the following findings.

Assuming that the Kenai Peninsula Borough has opportunity to review specific future exploration and development proposals for consistency with its policies and provided the Tri-Borough Position Paper, staff recommends that the combined Alternatives "III" and "IV" (which exclude portions from leasing near the Port Graham/Nanwalek AMSA and the critical habitats near the Barren Islands) may be found consistent with the Kenai Coastal Management Program and its enforceable policies.

State of Alaska statutory regulations adopted on 1/21/03 require coastal districts to state this recommendation as follows, "The Kenai Peninsula Borough Coastal District objects to the Preferred Alternative as stated in the Draft Environmental Impact statement. We believe that the following alternative measure will permit consistency with the Kenai Peninsula Borough Coastal Management Program Enforceable Policies; the proposed lease sale must combine 'Alternatives III and IV' for the Cook Inlet Planning Area Oil and Gas Lease Sales 191 and 199."

This recommendation is supported by KPB Enforceable Policies 2.6 Mitigation (Which states that all land and water use activities shall be planned and conducted to mitigate potential adverse impacts on fish and wildlife populations, habitats, and harvest activities); 2.7 Cumulative Impacts (Which states that the cumulative effects of proposed new and existing development on ambient air and water quality and coastal habitats shall be considered); and 11.3 Land and Water Plans (Which states that land and water use plans for public land and waters surrounding the communities of English Bay, Port Graham, Seldovia, and Tyonek shall avoid or minimize impacts to subsistence resources and activities).

END OF STAFF REPORT ADDENDUM

Mr. Bevington introduced himself to the Commission and briefly described his responsibilities as Coastal District Coordinator. Coastal Management Program projects are reviewed using the enforceable policies in the Borough's Coastal Management Program, which the Assembly adopted in 1990.

The draft EIS is under consideration because the State of Alaska is reviewing it for consistency with the Alaska Coastal Management Program. During the State's review, the Borough is given an opportunity to review the draft EIS to determine consistency with the Borough's enforceable policies.

Mr. Bevington commented that normally he focused on the Borough's policies and how they compared with the project under review. In addition, he kept apprised of the State and federal standards.

A number of public hearings have recently been held for the draft EIS. MMS (Minerals Management Service) hosted the public hearings. Mr. Bevington pointed out the lease area on the large posted map. (*Clerk's Note: The Commission had a small copy of this map in the desk packet.*) The area MMS is proposing to offer for sale encompasses all federal water within lower Cook Inlet, excluding Shelikof Straights and State water. This is their preferred alternative.

A history of the leasing program was provided in the staff report addendum in the desk packet. Mr. Bevington noted that staff provided scoping comments outlining some of the issues raised in the resource analysis for the Coastal Management Program. He outlined some major issues in the program document and some perspective on the history of what the Borough has been interested in over the years. The proposed lease sales replace the lease sales offered in the late 1990's. Borough administration supports deferral of the areas described in Alternative III and IV (Lower Kenai Peninsula and Barren Islands) from the proposed lease sales to protect certain values. Mr. Bevington pointed to the preferred alternative and Alternatives III and IV on the

posted map.

Mr. Bevington noted that Bill Popp, KPB Oil & Gas Liaison, was present and could answer questions about Borough administration's position on the proposed lease sales.

The Tri-Borough position is contained in the staff report addendum. Mr. Bevington said the EIS documents stated there will be a standard stipulation for no offshore loading of tankers within the lease area. He noted that the United Cook Inlet Drift Association wrote a letter of support for the OCS lease sales in Cook Inlet with the expectation that they will be given an opportunity to review specific proposals. Spill prevention and response capabilities are discussed throughout the draft EIS. Mr. Bevington commented that development companies must meet stringent requirements regarding spill prevention and response capability. Specific spill response planning needs to be demonstrated on an individual basis by the company proposing to explore or develop in an area.

Mr. Bevington pointed out the \$12.8 million coastal impact funding was a one-time disbursement. This was a very small percentage of the \$150 million that was allocated nationwide. Few, if any, of the coastal impact funds address the needs of a municipality. The funding is mostly oriented toward habitat restoration. Mr. Bevington understood Borough administration and other influential policy makers would be addressing the issue of revenue sharing with the appropriate parties.

Mr. Bevington pointed out the Port Graham/Nanwalek Area That Merits Special Attention (AMSA) on the posted map. He believed supporting the deferral was essential in order to allow the Borough to be confident that the lease sale would be consistent with the Kenai Peninsula Borough Coastal Management Program. He noted representatives from Nanwalek have expressed concerns for their subsistence resources in the event of a spill. Oil pooled in the AMSA and beaches were oiled during the Exxon Valdez spill. Mr. Bevington, while noting he was not an oceanographer, showed the Commission his understanding of the approximate flow of currents in Cook Inlet on the posted map.

Mr. Bevington commented that he discussed his recommendations with Borough administration.

Chairman Bryson asked if other staff or members of administration had comments. No requests to speak were heard; Chairman Bryson opened discussion among the Commission.

MOTION: Commissioner Troeger moved, seconded by Commissioner Boscacci, the Kenai Peninsula Borough Planning Commission forward staff's recommendation.

"The Kenai Peninsula Borough Coastal District objects to the Preferred Alternative as stated in the Draft Environmental Impact statement. We believe that the following alternative measure will permit consistency with the Kenai Peninsula Borough Coastal Management Program Enforceable Policies; the proposed lease sale must combine 'Alternatives III and IV' for the Cook Inlet Planning Area Oil and Gas Lease Sales 191 and 199."

Commissioner Troeger voiced surprise that regulations were adopted last week directing the Borough how to respond to the State. He did not object to the recommendation, but he did not agree with the State telling the Borough how it must make recommendations.

Commissioner Troeger complimented Mr. Bevington on his analysis, staff report, and memorandum (staff report addendum).

Commissioner Troeger heard from the Governor's office that the Division of Governmental Coordination (DGC) and the entire Coastal Management Program might be eliminated. He asked Mr. Bevington and Mr. Popp about what they have heard about this matter.

Mr. Bevington valued the role the Kenai Peninsula Borough has taken in monitoring activities

within the Borough. He commended the Planning Commission and Assembly for their support for this important area of concern. He commented that many rumors have been circulated. He had heard about the possibility of DGC being dissolved, and DNR (Department of Natural Resources) taking on DGC's responsibilities. He assumed the State of Alaska was committed to participating in the Federal Coastal Zone Management Program. He had not heard that the State of Alaska would separate itself from the federal program.

Many programs, such as FEMA (Federal Emergency Management Agency), are interrelated to the Coastal Management Program. He thought the State of Alaska understood the value of remaining one of the coastal state's organizations, especially when projects like the oil and gas lease sales are moving forward. The State is developing its resources while seeking to do so responsibly. He believed it was essential for the State of Alaska remain active in this program. If the Alaska Coastal Management Program is repealed, the State would forfeit the ability to participate in projects, such as oil and gas lease sales. Mr. Bevington commented that Borough Administration might have a different view.

Commissioner Troeger noted the Commission had a responsibility to respond to coastal management activities, but the Assembly made policy on the Coastal Management Program. He encouraged Administration to keep the Commission informed on this issue. He believed it was important for the Kenai Peninsula Borough to stay in the Coastal Management Program. He noted this was a policy decision, and he hoped the Assembly concurred.

VOTE: The motion passed by unanimous consent.

BRYSON YES	BOSCACCI YES	CLARK YES	GROSS YES	HOHL YES	HUTCHINSON YES	ISHAM YES
JOHNSON YES	MARTIN YES	PETERSEN YES	TAURIAINEN YES	TROEGER YES	VACANT SEAT HOMER CITY	12 YES 1 VACANT SEAT