

STATE OF CALIFORNIA  
STATE LANDS COMMISSION

STATE CAPITOL  
ROOM 112  
SACRAMENTO, CALIFORNIA

TUESDAY, SEPTEMBER 19, 2000

11:08 A.M.

SUZANNE MIKOLAJCIK, CSR  
CERTIFIED SHORTHAND REPORTER  
LICENSE NUMBER 11928

APPEARANCES

COMMISSIONERS

Kathleen Connell, Chairperson

Cruz M. Bustamante, Member, Represented by Lorena Gonzales

B. Timothy Gage, Member, Represented by Annette Porini

STAFF

Paul D. Thayer, Executive Director

Jack Rump, Chief Counsel

Kim L. Korhonen, Executive Assistant

Lynda Smallwood

ALSO PRESENT

Dennis Eagan, Representing the Attorney General

Dave Plummer, Regional Manager,  
Bay, Delta and Central Coast Region

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PROCEEDINGS

1  
2 CHAIRPERSON CONNELL: All right. I am going to  
3 call the meeting to order.

4 I apologize for our delay. We had some very  
5 significant litigation that we had to deal with -- a  
6 Commission -- for all you lawyers in the audience, we were  
7 funding your children's trust fund yet again. (Laughter)

8 I am Kathleen Connell, I am the Controller of the  
9 State of California. And I am joined by Lorena Gonzales from  
10 the Governor's Office -- thank you for being here today --  
11 and Annette Porini from the Governor's Office, Department of  
12 Finance.

13 And for the benefit of those in the audience, the  
14 State Lands Commission, as you know, has responsibility for  
15 real property that is owned by the state and its mineral  
16 interests.

17 Today we are going to try to move through the  
18 agenda in a rather expeditious fashion. If anyone wishes to  
19 speak, we have a policy here of you turning in a form; and I  
20 would urge you to do that now rather than later so that if we  
21 get to an item, we can be expeditious in discussing that  
22 item.

23 The first item of business is the adoption of  
24 Minutes from the last Commission Meeting.

25 ACTING COMMISSIONER PORINI: Move approval.

1           ACTING COMMISSIONER GONZALES:   Second.

2           CHAIRPERSON CONNELL:   Okay.  Minutes have been  
3 moved and seconded.  Those Minutes are unanimously adopted.

4           Next item of business is the Executive Officer's  
5 Report.  Mr. Thayer, can we have your report.

6           EXECUTIVE OFFICER THAYER:  Madam Chair, Members of  
7 the Commission, I have seven brief items to mention.

8           First, I want to report on the success of our  
9 Prevention First Conference in Long Beach last month.  This  
10 conference is the fourth of our semi-annual Prevention First  
11 Conferences which deal with oil-spill prevention.

12           The event was kicked off by speeches by the Chair,  
13 Controller Connell, and Lieutenant Governor Cruz Bustamante,  
14 which seemed to be well-received.  In attendance, we had a  
15 capacity crowd.  We could only take 400 registered, and we  
16 had 401 registered participants.  We had 144 Governors;  
17 patrons and exhibitors; and 53 speakers.

18           The customer surveys are still being tallied, but  
19 we had many compliments and requests for the opportunity to  
20 speak and participate in our next conference, which will be  
21 in another two years.  There will be some pleadings published  
22 from that.  Of course, that's information that may be  
23 important for educational value -- a matter that I know the  
24 Chair has been interested in in the past.  And as she  
25 suggested we do with Rigs-to-Reefs Conference Proceedings, we

1 will put that on the web; so that will be available to a  
2 larger audience as well.

3           Turning next to the Long Beach Queensway Bay  
4 Project. Since our last meeting, Staff conducted a workshop  
5 down in Long Beach to hear of any concerns from citizens,  
6 the city, local business, over a proposal to do some  
7 development on about 20 acres of field tidelands in  
8 Long Beach called Queensway Bay.

9           That workshop was held July 20. Forty-five  
10 speakers were heard, both in support and opposition to that  
11 project. Staff is analyzing all the issues that were raised.  
12 Some speakers focused on nontrust issues, water quality  
13 redevelopment issues. Those comments will be forwarded to  
14 the appropriate agency for their attention.

15           The matters that were brought to our attention will  
16 be reviewed in a written report which will come to the  
17 Commissioners in mid-November, is our best guess right now.  
18 We are going to include the Attorney General's Office in the  
19 analysis of those issues. We will also include a copy of the  
20 Minutes with our report as well as all of the written  
21 submittals so that the Commissioners, of course, will have an  
22 opportunity to review, directly, any of the concerns that  
23 have been brought by the concerned citizens.

24           Next point I would like to touch on is  
25 Brother Jonathan. The Commission will recall that this is a

1 steamship that sank in the mid-1800s off Crescent City. We  
2 were in litigation for a long period over ownership.  
3 Eventually, a settlement was reached that enabled us to have  
4 ownership of all the important historical artifacts as well  
5 as a portion of the gold coins that were recovered by the  
6 salvage.

7 Pursuant to that court settlement and the  
8 Commission's lease, Team Salvo is back out there now; it has  
9 been out there for two or three weeks and probably is going  
10 to be out there for another two or three weeks attempting to  
11 recover more gold coins.

12 There isn't much, yet, to report in terms of  
13 results. They haven't completed their work. We do have a  
14 Commission staffperson on board to monitor it to make sure  
15 that everything is going in accordance with our own lease,  
16 and will report that in the future.

17 Turning to another item, one of the items on the  
18 calendar today is the final portion of a quitclaim on  
19 offshore oil lease. The Commission accepted quitclaims from  
20 two out of the three owners at the last meeting. At this  
21 meeting, we have the final owner quitclaiming that owner's  
22 interest. That land will pass into the coastal sanctuary  
23 where it will be immune from future oil and gas development.

24 Three other items. First, touching on energy  
25 conservation. As the Commissioners are probably aware that

1 yesterday the state probably came as close to a brownout or  
2 blackout as it has this year. We have been checking with our  
3 lessees to see if there are ways that our lessees can reduce  
4 electrical consumption. Much of the oil development relies  
5 on large consumption of electricity. And we have discovered  
6 that many of those lessees are willing to suspend use of the  
7 electricity to contribute to the conservation efforts in the  
8 state.

9 I have also sent a memo out to Staff asking that it  
10 do whatever we can in our offices to reduce energy  
11 consumption. We are deferring unneeded faxes and xeroxes in  
12 the afternoon until the following morning --

13 CHAIRPERSON CONNELL: What a novel idea. I think  
14 we are onto something here. Maybe we should just eliminate  
15 all faxes -- (Laughter) -- all public meetings until we can  
16 deal with the energy crisis. I think that there would be a  
17 vote of support for the government and the challenge that we  
18 have ahead as a state, and it would be right in line with my  
19 view of a more limited government.

20 EXECUTIVE OFFICER THAYER: It would make my life  
21 easier too.

22 CHAIRPERSON CONNELL: Then we could see what  
23 government really could do on a more limited basis -- how we  
24 could really cut costs.

25 EXECUTIVE OFFICER THAYER: The last two items, I

1 just wanted to report that we will be attempting to schedule  
2 the next Commission meeting in mid- to late November; that  
3 would be about two months after this meeting. And of course,  
4 that is dependent on the availability of Commissioners --

5 CHAIRPERSON CONNELL: And the availability of  
6 energy. (Laughter)

7 EXECUTIVE OFFICER THAYER: And the availability of  
8 energy. Hopefully, by then we won't have --

9 CHAIRPERSON CONNELL: Maybe we could meet outside,  
10 so we don't have this lighting problem.

11 EXECUTIVE OFFICER THAYER: We could have a  
12 dressed-down Commission.

13 CHAIRPERSON CONNELL: Out in the trees with nature.

14 EXECUTIVE OFFICER THAYER: It's one of the public  
15 trust values.

16 So we will be seeking, here, to have Staff meet  
17 either the week of November 13th through 17th, or the week  
18 after Thanksgiving; and we will be in contact with the Staff  
19 about that.

20 Finally, the last item is that you recall that at  
21 our last meeting, unfortunately I had to report that one of  
22 our staff was involved in an automobile accident on the way  
23 to the airport to come to the meeting. He is doing -- and a  
24 number of the Commission offices have contacted him, and we  
25 appreciate that.

1           And you asked me to have him present at the meeting  
2 today. And I am happy to report that he is doing very  
3 well -- still needs physical therapy -- but I would like to  
4 introduce Dave Plummer.

5           MR. PLUMMER: I'm also happy to be doing very well.  
6 (Laughter)

7           EXECUTIVE OFFICER THAYER: Dave is in charge of two  
8 teams in our Land Management Division. He works a lot in the  
9 San Francisco area, a lot on base closures.

10          CHAIRPERSON CONNELL: Dave, let me say I certainly  
11 hope you have a speedy recovery. And I hope your Executive  
12 Officers, here, are giving you every due consideration so  
13 that you can take the time you need for physical therapy.

14          I'm glad you are here today. I'm glad you are  
15 feeling better, and I'm sure the Commission joins me on that.

16          EXECUTIVE OFFICER THAYER: That concludes the  
17 Executive Officer's Report.

18          CHAIRPERSON CONNELL: Are there any questions?  
19 Then, thank you, Mr. Thayer.

20          I would like to move on, if I may, to the Consent  
21 Calendar and the adoption of the Consent Calendar.

22          Mr. Thayer, which items have been removed from the  
23 Consent Calendar, if any?

24          EXECUTIVE OFFICER THAYER: The following items are  
25 removed: 17, 14, 27, 58, 71, and 76. All but one of those

1 will be heard at a later meeting. The one that we will hear  
2 today is Item Number 14, the Questar Pipeline Conversion  
3 Project.

4 CHAIRPERSON CONNELL: Right.

5 EXECUTIVE OFFICER THAYER: And I recommend that we  
6 hear that after we have done the other two Regular Calendar  
7 items.

8 CHAIRPERSON CONNELL: All right. May I ask for a  
9 motion on the remaining group of Consent Items; can we take  
10 that up as a singular vote?

11 ACTING COMMISSIONER PORINI: Yes.

12 ACTING COMMISSIONER GONZALES: Second.

13 CHAIRPERSON CONNELL: You moved -- Annette moved,  
14 and Lorena Gonzales has seconded; now, a unanimous vote.

15 I believe we should move, then, Mr. Thayer, to  
16 Item 74; is that correct?

17 EXECUTIVE OFFICER THAYER: Thank you, Madam Chair.  
18 Yes, Madam Chair. Item 74 is a status report on the Ballast  
19 Water Program. This is a program that was initiated through  
20 legislation passed last year and begun -- the program itself  
21 -- begun January 1st of this year.

22 The Commission may recall that there was some  
23 question over the appropriateness of the fee level that was  
24 set by the Commission as well as the low compliance rates  
25 that we were getting in payment of that fee and reporting

1 what the vessel companies needed to do about their compliance  
2 efforts.

3 This changed, and I felt it was important that the  
4 Commission be updated on the status of that program. And  
5 Gary Gregory will make this presentation.

6 MS. FALKNER: My name is Maurya Falkner,  
7 M-a-u-r-y-a F-a-l-k-n-e-r.

8 I have been asked to give you an update on the  
9 program. As you know, it went into effect on January 1st.  
10 We have been up and running since that time. Our  
11 responsibilities are fairly broad. We have --

12 CHAIRPERSON CONNELL: Can Annette see?

13 MS. FALKNER: I'm sorry. This room is a little  
14 awkward.

15 So we have implemented an inspection and monitoring  
16 program. We are in the process of looking at alternative  
17 treatment technology and exchange zones. We are coordinating  
18 with various agencies and academia, and establishing the fee  
19 scenario and preparing a report.

20 Since the first of the year, January 1st through  
21 August 31st, we have had over 4000 qualifying voyages come  
22 into the state; that's 1650 different vessels. So we are  
23 seeing quite a large array of vessels. Compliance is up  
24 significantly now. It wasn't that way earlier in the year;  
25 the first quarter was rather grim. The majority of the

1 vessels are container vessels. Most of the vessels are  
2 coming from Asia, and primarily Japan and China. We also  
3 have a large number of vessels that are coming from other  
4 west coast ports, Alaska, British Columbia, et cetera.

5 Discharges: This is the kind of information that  
6 we have compiled in the first two years. This is the kind of  
7 information that the legislative report will have in it for  
8 the entire two years -- the number of discharges that have  
9 occurred in the state, broken up by port.

10 Ballast Water Report Form: Compliance was a big  
11 issue. The first quarter we were looking at perhaps a  
12 60 percent -- as low as 50 percent -- compliance across the  
13 state. It's currently up at 87 percent.

14 This is directly a result of nine enforcement  
15 letters that were sent out to the larger agents in the state  
16 in May and June. We met with these agents. They were quite  
17 concerned about the potential implications of this  
18 enforcement action. We came up with a good procedure. They  
19 are -- they have dramatically changed their ways. We have  
20 also initiated some programs on an e-mail basis. We contact  
21 them by e-mail and let them know if they have vessels that  
22 have not filed their forms. And they appreciate this  
23 process. Things are going quite nicely. I have  
24 communication with the agents on a weekly basis. So it is  
25 getting much better.

1           As you know, we have dealt with the regulations  
2 with regards to setting the fee. The permanent regulation  
3 went into effect on August 29th. It sets the fee at \$400.  
4 We base that fee amount on recommendations from a Tech  
5 Advisory Group, cost of the program, voyage numbers, and a 75  
6 percent recovery.

7           Current Condition of the Fund: This is from the  
8 Board of Equalization, as of August 31st, that we have had  
9 almost 3,900 qualifying voyages that have invoices sent out.  
10 This is the recovery amounts. We are looking at about an  
11 85 percent recovery. Things are looking much better.

12           We are looking at a lower number of annual  
13 qualifying voyages, so we will have to reevaluate the fee  
14 amount in the next six to eight months, and see how we're  
15 doing, and perhaps drop the fee based on the recommendations  
16 from the TAG down the road.

17           CHAIRPERSON CONNELL: Do you ever audit to see if  
18 they are filling in the correct information? I mean, how do  
19 you know that the forms they fill out are correct?

20           MS. FALKNER: We have an inspection program.  
21 Inspectors are going out into the field. And 25 percent of  
22 the vessels that are coming in, they are double checking that  
23 information with what the Ballast Water Report Form says. It  
24 comes to my desk with what the inspectors did out in the  
25 field. They double check computer readouts; they sample the

1 ballast water to see if it appears an exchange has occurred;  
2 they have a review with the vessel. Granted, it's only  
3 25 percent; but that's actually a pretty nice high number.

4 CHAIRPERSON CONNELL: That's more than enough for  
5 any kind of random-sample test.

6 MS. FALKNER: Right. Right. And we are actually  
7 probably going to be able to drop that amount down in the  
8 near future. We wanted to get a large number to start with.

9 So our inspectors have been out on 25 to 27 percent  
10 of the vessels coming in; and that's by port, by class. So  
11 we are not hitting -- you know, we are not picking up  
12 50 percent in L.A. and Long Beach and nothing else in the  
13 outlying ports. They have been on almost 800 different  
14 vessels so far.

15 Our presence out there is -- the vessels recognize  
16 us and most of the agents. So the reputation is improving.  
17 Things are going very well.

18 Most of these gains that we have had over the last  
19 eight and a half, nine months wouldn't have been possible  
20 without the partnerships that we have established within the  
21 industry through the advisory groups, through other  
22 ballast-water-type groups, but also with the Coast Guard.

23 We are in the process of finalizing a cooperative  
24 agreement with the Coast Guard where we will share data. We  
25 are working with Washington state on ballast water projects.

1 We were just recently funded by the U.S. Fish and Wildlife  
2 Service to evaluate alternative treatment technology -- and  
3 the various other organizations that we are involved with.  
4 That is what has made the success of this program, I believe,  
5 is the fact of the coordination we have put together between  
6 the other agencies in the industry.

7 This is just an example of the type of business  
8 flyers -- this is one of our little jewels. We have been  
9 working with the V. Grant Organization in Oakland to put  
10 together a brochure and a poster that our inspectors will  
11 distribute to every single vessel that comes into the state  
12 of California. It's a very colorful, flashy poster that will  
13 be laminated -- they can put up on their engineering display  
14 or whatever. And I think the Coast Guard and State Lands  
15 Commission have both contributed to help get more of those  
16 brochures out.

17 That is it briefly, very briefly. Do you have any  
18 questions?

19 ACTING COMMISSIONER PORINI: I just want to  
20 congratulate your staff and the partners who have  
21 participated with us.

22 I know when we had our initial discussions, we were  
23 concerned about the fee and participation. And I think, even  
24 though it started low, all of the folks involved did a lot of  
25 work to get communication lines up. So I think it is a real

1 success story. Thank you.

2 CHAIRPERSON CONNELL: I would like to join Annette  
3 in my congratulations for you. All of this is terrific. And  
4 by the way, I think this is another program that should be on  
5 our website.

6 I think it would be helpful for us to update it,  
7 periodically, as we find additional scientific information  
8 about what kind of infections and viruses are contained in  
9 this ballast water.

10 I found it very fascinating, in preparing for that  
11 conference, to read the material you sent me in that regard.

12 EXECUTIVE OFFICER THAYER: Madam Chair, we will  
13 make sure -- there is already some information on the  
14 website.

15 CHAIRPERSON CONNELL: Of course, it made me never  
16 choose to wind sail again in the port. (Laughter)

17 Can we move on, now, to Item 75.

18 EXECUTIVE OFFICER THAYER: Yes. Thank you, Madam  
19 Chair. Item 75 is also an informational item; no action  
20 required by the Commission.

21 The Commission will recall that about a year and a  
22 half ago we had some problems with Platform Holly off of  
23 Santa Barbara County. There were several different gas leaks  
24 which caused concern in the community and concern amongst the  
25 Commissioners.

1           As a result of Commission input, we took a variety  
2 of steps in terms of some auditing and working with  
3 Santa Barbara County, requiring it to adhere to the platform.  
4 And we thought it appropriate to come back and report to the  
5 Commission, so that the Commission would know what steps have  
6 been taken to address these concerns.

7           Paul Mount from our Mineral Resources Management  
8 Commission is here to make this presentation.

9           CHAIRPERSON CONNELL: To remind members of the  
10 audience who were not present during this discussion, I had,  
11 I believe, with the other Commission Members, raised a number  
12 of very strong concerns about the operation of Platform Holly  
13 following my visit to Platform Holly, in the face of which  
14 was concern about an ongoing management contract with the  
15 seasoned executives that were no longer part of the current  
16 management structure of Platform Holly. It would seem to me  
17 that it was a very valuable experience with officials of the  
18 former company.

19           I, secondarily, was concerned about the life  
20 expectancy of this facility, seeing as how nine, I think, at  
21 the time, of these facilities were granted a right to be  
22 placed in the ocean and had no clear sense of how long they  
23 would be allowed to remain out there.

24           And I was concerned about whether the current  
25 financial resources of the new management were sufficient to

1 support an aggressive maintenance program.

2 Third, I believe I raised the issue of the  
3 disparity between federal and state regulations. And it  
4 seemed that federal regulations were a bit tighter in regard  
5 to the operation of this facility.

6 And finally, I was concerned about the ability of  
7 this facility to continue to have the quality of production  
8 that would make it reasonable to be in existence as an oil  
9 facility, as the quality grade of the oil continues to  
10 decline in some of these oil reserves out there on the  
11 Santa Barbara coast.

12 Those are basically my points. Mr. Mount.

13 MR. MOUNT: Well, I will try to answer all of your  
14 questions this morning and try to be brief. My name is  
15 Paul Mount, M-o-u-n-t.

16 As you stated, from July 1998 to May of 1999, they  
17 had a number of H2S, Hydrogen Sulfide, releases offshore --  
18 and onshore facilities. That was symptomatic of the many  
19 other problems they may have.

20 There was concern about the new management out  
21 there, which I think are pretty well-seasoned by now. And  
22 there was concern about whether they had the resources in  
23 order to adequately address any problems that we may both  
24 determine were problems offshore and onshore.

25 We worked together with Santa Barbara County staff,

1 and we initiated our audit in May of 1999. We audited  
2 Platform Holly, the onshore facilities, and the Marine  
3 Terminal. The audit was completed for offshore Platform  
4 Holly in November of 1999.

5 Since that time, Venoco has spent 20 man-years  
6 correcting some of these problems, as well as spent 6 million  
7 dollars on correcting some of the deficiencies that we  
8 determined were there.

9 The other teams consisted of the State Lands  
10 Commission, the Air Pollution Control District from Santa  
11 Barbara County, the Fire Department of Santa Barbara, Office  
12 of Emergency Services and Building and Safety from Santa  
13 Barbara, and the Energy Division from Santa Barbara County.

14 Like I said earlier, the onshore, offshore, and  
15 Marine Terminal were all audited. Some of the audits are  
16 still on-going, particularly the onshore facility at Elwood.

17 The deficiencies we found were categorized as  
18 Priorities One, Two, Three, or Four. And Priority One, being  
19 -- or having a high potential for either a spill or a safety  
20 incident. But Category Two, or Priority Two, having a medium  
21 potential. Priority Three, having somewhat low potential.  
22 And Priority Four, having minimal potential for a problem.

23 There were seven Priority One deficiencies. They  
24 have all been corrected. There were twenty-eight Priority  
25 Two's. They have all been corrected. There were twenty-six

1 Priority Three's. Seventeen of them have been corrected;  
2 there are nine remaining. And the Priority Four's -- there  
3 were one hundred sixty-seven Priority Four's. Eighty-one  
4 have been corrected, and eighty-six are remaining to be  
5 corrected.

6 Let me explain that Priority Four would be  
7 something like the drawings are incorrect; the  
8 instrumentation and pipeline drawings were incorrect -- it's  
9 something in that category. So it has very low risk, very  
10 low potential for any impact; but yet, it's a deficiency.

11 The Priority Three items that were remaining,  
12 three are going to be completed by October of this year. Two  
13 more will be completed by December of this year. And four  
14 will remain until June of 2001.

15 On the Number Four Priority, there is one to be  
16 completed by October of this year. Eighty-two will be  
17 completed by December, and three are remaining to be  
18 completed by June of 2001.

19 The reason for the long time is the fact that not  
20 only did Venoco look to correct the deficiencies, we -- they  
21 did a lot of redesign on the platforms and facilities. So  
22 that -- not -- they didn't just correct deficiencies, but we  
23 redesigned the whole facility, working with Venoco. Because  
24 of that, some parts of the project had to be completed first,  
25 and then others were delayed until later.

1           Of course, this had no impact on the spill  
2 potential or any safety. It's just that these things need to  
3 be complete in order to have a good, functioning facility.

4           So we have -- a hundred percent completion will be  
5 done by June of 2001.

6           CHAIRPERSON CONNELL: Are you completed?

7           MR. MOUNT: Just a second. I think -- let me reach  
8 my conclusion here. The safety audit was very comprehensive.  
9 Venoco was very cooperative in the process. Venoco has  
10 completed all critical corrective actions. Future audits and  
11 re-engineering inspection programs will ensure proper  
12 inspection, maintenance, and training in the future.

13           Venoco has developed the infrastructure that is  
14 necessary to maintain facilities in safe and compliant  
15 condition. And preliminary Human Factors Audit Findings show  
16 that Venoco has significantly improved in all safety  
17 categories.

18           And that is my report.

19           CHAIRPERSON CONNELL: Thank you. I am comforted by  
20 the fact that we seem to have improved the maintenance of the  
21 operation because it is so critical that, as these facilities  
22 age -- not Platform Holly -- I'm not targeting a specific  
23 platform -- I would like to have this kind of correspondence  
24 and this kind of effort.

25           I want to congratulate Venoco today for their

1 cooperative support during this activity of almost a year, I  
2 guess. And I would urge that we put together a scale of how  
3 we might conduct similar kinds of evaluations and remediation  
4 activities, where appropriate, at other facilities up and  
5 down the coast where we, the State Lands Commission, have a  
6 lease responsibility.

7 I think it behooves us, as we get into the twilight  
8 years of the facilities, that we do everything we can to  
9 extend the safety requirements that we all think are so  
10 paramount.

11 So I want to thank you; but I certainly want to  
12 thank the company for their open cooperation. And I would  
13 urge that we put other facilities on the agenda, now that we  
14 have a standard that hopefully will be the basis by which we  
15 can help evaluate other facilities, and by which we can help  
16 other companies recognize the activities that they might wish  
17 to engage in to make sure that they are rising to the  
18 threshold of security and maintenance that is necessary.

19 Annette, did you have something you wanted to add?

20 MR. MOUNT: At the request of the Commissioners, we  
21 have established an audit program. As you know, we put forth  
22 a VCP; we got funded for that. We now have established audit  
23 programs. We have, since then, done a preliminary audit on  
24 Long Beach Unit as well as completed an audit on Rincon  
25 Island, which we are now processing.

1           So we are moving forward with auditing all offshore  
2 facilities and eventually will get to the onshore facilities  
3 as well.

4           EXECUTIVE OFFICER THAYER: That concludes that  
5 presentation.

6           The next item on the agenda, then, would be to take  
7 up Item C-14, which has been taken off the Consent Calendar.  
8 This is a proposal to convert a pipeline across Southern  
9 California, eventually reaching New Mexico, for use for oil  
10 transportation to gas transportation.

11           We have received a letter of about nine or ten  
12 pages long from the Morongo Native American tribe asking  
13 questions about the Environmental Impact Report.

14           We have attempted to contact a representative of  
15 that tribe to ascertain whether they wanted to come today,  
16 and we haven't heard anything. But because we have received  
17 that letter, we believed it important to take it off the  
18 agenda and respond to the issues raised.

19           Barbara Dugal from the Land Management Division  
20 will start the Staff presentation on this project.

21           CHAIRPERSON CONNELL: Thank you. Barbara.

22           MS. DUGAL: Good Morning, Madam Chair;  
23 Commissioners.

24           Can everybody hear me? My name is Barbara Dugal.  
25 I am from the Land Management Division, and I will be

1 presenting to you a brief overview of the project for today.

2 I should let you know that the project Applicant is  
3 Questar Southern Trails Pipeline Company, and they are a  
4 wholly-owned subsidiary of Questar Pipeline. The project  
5 that is before you today involves an existing 16-inch  
6 pipeline which has been used to transport crude oil between  
7 northwestern New Mexico and Long Beach since its construction  
8 in the mid-1950s.

9 In 1957 the Commission approved the issuance of  
10 seven right-of-way leases to Four Corners Pipeline Company,  
11 which subsequently changed its name to ARCO. The leases were  
12 issued for the construction and maintenance of a 16-inch  
13 crude oil pipeline. The existing pipeline begins at the ARCO  
14 West Hines facility in Long Beach and then crosses portions  
15 of Los Angeles, Orange, Riverside, and San Bernardino  
16 Counties. The pipeline then continues across northern  
17 Arizona, a short section into the state of Utah, and then  
18 ultimately terminates in New Mexico.

19 The length of the pipeline from Long Beach to  
20 New Mexico is approximately 675 miles; however, the pipeline  
21 in California is approximately 250 miles in length. And the  
22 pipeline which crosses land under the jurisdiction of the  
23 Commission is approximately 5.5 miles.

24 The leases issued by the Commission for the  
25 pipeline involve 1 parcel of sovereign land at the city of

1 Needles, and then six parcels of state school land; all those  
2 properties are in the County of San Bernardino. And there is  
3 a map up here, and also the map that I have tried to depict  
4 the locations of those parcels.

5 CHAIRPERSON CONNELL: I appreciate it.

6 MS. DUGAL: Additionally, there are also two  
7 existing aquatic protection systems that are located on two  
8 parcels of state school land.

9 On April the 13th of 1999, the Commission approved  
10 the assignment of ARCO's interests to Questar Southern Trails  
11 Pipeline Company. The project that is before the Commission  
12 today, however, involves the conversion of that existing  
13 pipeline and associated facilities for the delivery of crude  
14 oil -- excuse me -- from the delivery of crude oil to natural  
15 gas service.

16 In order to complete the conservation project, the  
17 Applicant must construct pipeline extensions to interconnect  
18 with natural gas sources, other interstate natural gas  
19 pipelines, and end-use customers. Additionally, the existing  
20 pipeline must be -- portions of the existing pipeline must be  
21 replaced, realigned, and/or rerouted to meet federal safety  
22 standards for natural gas pipelines.

23 However, the construction activities that are going  
24 to take place under the jurisdiction of the State Lands  
25 Commission involve replacement of three short sections of

1 buried pipeline and removal of four valves, which are all  
2 located above ground.

3           Because the leases were originally issued by the  
4 Commission for the transportation of crude oil and do not  
5 authorize the transportation of natural gas and the lease  
6 terms and conditions related to the transportation of natural  
7 gas, it will be necessary to terminate the seven original  
8 leases and issue two new right-of-way leases for the  
9 transportation of natural gas. One new lease will be for the  
10 Colorado River, and one new lease for the six remaining  
11 parcels of state school land.

12           Even though both parties have negotiated in good  
13 faith -- Staff has been able to reach agreement with Questar  
14 regarding some of the proposed lease terms -- the most  
15 important issue left to resolve deals with the pipeline  
16 inspection information. Staff believes that we will be able  
17 to come to terms with Questar regarding this issue, but we  
18 are asking for additional time to negotiate with Questar.

19           We are therefore recommending that the Commission  
20 postpone the consideration of the termination of the seven  
21 leases and the issuance of the two new leases at this time.

22           Even though we are not asking the Commission to  
23 consider the issuance of the leases at this time, Questar has  
24 asked the Commission that they consider the certifications of  
25 EIR which have been prepared for this project as a joint

1 EIS/EIR for the proposed conversion projects.

2 And Dan Gorfain will now present information  
3 concerning the Environmental Department.

4 MR. GORFAIN: Good morning. My name is  
5 Dan Gorfain. Last name is G-o-r-f-a-i-n.

6 I would like to briefly summarize for you the  
7 specific construction elements, within California, proposed  
8 for this pipeline and review the environmental process that  
9 we have gone through.

10 Specifically, the construction in California will  
11 included a 6.6 mile new 16-inch pipeline extending from West  
12 Hines Refinery through Carson to the ARCO Watson Refinery in  
13 Long Beach -- gas distribution to Southern California  
14 markets. It will have 120 million cubic feet per day  
15 capacity. Also, there will be two reroutes: A 1.1-mile  
16 segment in the public right-of-way in the City of Orange, and  
17 an eight-and-a-half-mile segment near Cabazon.

18 There will be two realignments, approximately 150  
19 feet each, in the City of Corona. There will be fifteen  
20 replacements of less than one-half mile each in  
21 San Bernardino County.

22 There will be 152 excavations in the existing  
23 pipeline right-of-way, approximately 50 by 100 feet each, to  
24 include removal of block valves and taps; installation of  
25 27 new block valves, including five automatic line break

1 shutoff valves -- three of these will be located immediately  
2 upstream of known fault zones; construction of compressor  
3 stations -- pump stations; minor repairs of defects;  
4 installation of temporary facilities for the hydrotesting of  
5 the pipeline prior to start of operations.

6 As to the environmental review process, this  
7 project was the subject of a joint EIS/EIR with the Federal  
8 Energy Regulatory Commission, or FERC, as NEQA Lead Agency,  
9 and the State Lands Commission as the CEQA Lead agency.

10 The NOI/NOP was sent to over two thousand  
11 landowners; Native American tribes; federal, state and local  
12 agencies; elected officials; known governmental and  
13 environmental organizations; as well as local libraries and  
14 newspapers. Scoping meetings were held in May of 1999 in  
15 Norco, Banning, Anaheim, Orange, and Long Beach as well as in  
16 Arizona and New Mexico.

17 The draft EIS/EIR was circulated for the 45-day  
18 public review period in March of 2000. Public meetings -- or  
19 Public Hearings -- on the draft were held in April of this  
20 year in Fullerton, Long Beach, and Banning as well as in  
21 Arizona and New Mexico.

22 In addition, 39 written comments were also received  
23 on the draft documents, in addition to testimony at these  
24 Hearings. All comments were responded to; these responses  
25 are contained in the final EIS/EIR.

1           The final document was issued on July 31st, 2000.  
2     And FERC approved the project in reliance on this document  
3     and issued its certificate of Public Convenience and  
4     Necessity on July 28th, 2000.

5           I would just like to acknowledge that with us  
6     today we have Scott Ellis from the consulting firm who  
7     prepared the environmental document for FERC and the  
8     Commission. That concludes my presentation.

9           CHAIRPERSON CONNELL: We do have some people who  
10    wish to speak from the public, and I would believe it would  
11    be appropriate to take that testimony at this time.

12           The first person is Gerald Mouser. Is Mr. Mouser  
13    here? And the next one would be Ned Greenwood. Gerald,  
14    would you come up, identify yourself -- come right up here to  
15    the table. Identify yourself for the record, and spell your  
16    name.

17           MR. GREENWOOD: Good morning to the Commission.

18           My name is Ned Greenwood. The spelling of the last  
19    name, G-r-e-e-n-w-o-o-d. I'm project Coordinator for Questar  
20    Southern Trails Pipeline. And I wanted just to take a few  
21    minutes this morning to introduce you to the project.

22           We purchased a pipeline from ARCO in 1998. And at  
23    that time the pipeline was being used for oil transportation.  
24    The reason we purchased the line was to convert the line to  
25    transport natural gas. The line is some 700 miles in length.

1 It extends from New Mexico around the Four Corners area to  
2 Long Beach, California.

3 The reason for our appearance today is to discuss  
4 the project, and also to ask your -- to request you to  
5 approve the EIR.

6 As I said, the pipeline is some 700 miles in  
7 length, and it is regulated by the Federal Energy Regulatory  
8 Commission, or FERC.

9 Our plans are to convert this line and to sell the  
10 gas to electric-power-generation producers in Southern  
11 California; for that reason we believe that this pipeline  
12 does bring economic benefit to the state of California.

13 And the pipeline is now empty of oil. It was  
14 purged of oil before we purchased it. And right now there's  
15 just an inert gas that is inside the pipeline to prevent  
16 corrosion. Before we would ever put the line into service,  
17 there will be several remediation activities that will be  
18 taking place. Mr. Gorfain has gone through a list of those.

19 The intent would be to test the line; to replace  
20 pieces of the line; to hydrostatically test the line to make  
21 sure that the line will operate safely before the line would  
22 ever be put into service. Also, the line would be operating  
23 at a pressure less than what it was operating at as an oil  
24 pipeline.

25 I just wanted to also introduce Questar

1 Corporation, which is the parent company of Questar Southern  
2 Trails. We have been in the natural gas business for over  
3 70 years, and we have a very good record as far as safety in  
4 the operation of our pipeline.

5 This pipeline was purchased -- or built -- excuse  
6 me -- in 1957. And while this pipeline is over 40 years of  
7 age, before we purchased the line we got what we call "smart  
8 pig" or internal data that showed the condition of the line  
9 which was that it was in very good shape.

10 Obviously, we are going to be doing some  
11 remediation work with the pipeline. But I did want to point  
12 out that pipelines can safely operate even though they may be  
13 considered old pipelines.

14 An example of that is one of the original pipelines  
15 that we installed in 1930, we just recently took out of  
16 service; and we did so because the line had grown too small  
17 for our needs. But once the line was removed, it was  
18 inspected, and we found that the line could be reused again  
19 -- or the pipe could be reused again. So we feel that this  
20 pipeline is in good shape. We will be doing several  
21 remediation activities to make sure that it will operate  
22 safely. And --

23 CHAIRPERSON CONNELL: Can you outline those today?

24 MR. GREENWOOD: Yes.

25 CHAIRPERSON CONNELL: Do you feel comfortable,

1 today, doing that?

2 MR. GREENWOOD: I'm glad you asked that.

3 CHAIRPERSON CONNELL: I think the Commissioners and  
4 I -- I think we are all very concerned.

5 MR. GREENWOOD: I appreciate that, and we have the  
6 same concern as you do for safety. I guess I would just ask,  
7 for my portion, if there are any general questions about the  
8 pipeline or about Questar. If not, then I would ask a fellow  
9 colleague to get into the engineering and safety aspects of  
10 the pipeline.

11 CHAIRPERSON CONNELL: My concerns are safety.

12 MR. GREENWOOD: Okay. Then why don't we get right  
13 to that then.

14 CHAIRPERSON CONNELL: All right. Mention your  
15 name, and spell it on the record, please.

16 MR. MOUSER: Yes, Madam Chair.

17 My name is Gerald Mouser, G-e-r-a-l-d, M-o-u-s-e-r.  
18 I am an engineer with Questar Southern Trails in Salt Lake  
19 City. I would just like to take a very brief amount of time  
20 to outline the safety precautions that would be taken on this  
21 pipeline.

22 First of all, the pipeline has been in service for  
23 a number of years -- gas service. It is operated under DOT  
24 regulations and has had very hard federal scrutiny. It will  
25 be certified for gas service in accordance with DOT

1 guidelines. It will be retested hydrostatically -- that is,  
2 with water -- completely, for one and a half times minimum  
3 the pressure that it would operate at throughout the  
4 populated area in California.

5 As Mr. Greenwood mentioned, Questar does have the  
6 results of a very sophisticated internal inspection survey of  
7 the pipeline which was conducted in 1996. This is an  
8 ultrasonic inspection that basically allowed an internal  
9 device to be run through the then-active oil pipeline, and  
10 any defects, metal losses -- items that need to be repaired  
11 were monitored and gathered on disk for future work. We have  
12 that information, and that is the guideline for repair work  
13 that we would be doing for conversion to gas service.

14 In conjunction, as a DOT -- Department of  
15 Transportation, Office of Pipeline Safety -- regulated  
16 company, we are working with communities and cities along the  
17 pipeline to develop emergency plans, liaison plans; and are  
18 aggressively maintaining the pipeline on a daily basis to  
19 assure it is kept safe while we await the approval for  
20 conversion to gas service.

21 In conjunction with the environmental assessment  
22 that was performed for the project and at the request of the  
23 California State Lands Commission, Questar is committed to  
24 the installation of emergency line break valves along the  
25 pipeline at five locations, primarily in the populated areas:

1 San Bernardino, Riverside, Orange counties. And these are  
2 detailed in the environmental document and mitigating  
3 measures that were handed down by the Federal Energy  
4 Regulatory Commission.

5 Last, and probably one of the most important  
6 aspects, Questar has committed to the agencies, the FERC and  
7 the California State Lands Commission, to run another  
8 internal inspection device in the pipeline within three years  
9 of gas service. And that is a commitment that is in the  
10 mitigated measures from the FERC. And it is above and beyond  
11 the current DOT regulations, but is something that we feel  
12 very important to do.

13 With that overview, I would conclude and await  
14 questions, if there were any.

15 CHAIRPERSON CONNELL: Yes, I have a question. The  
16 safeguards you have just now outlined seem to be appropriate  
17 and adequate to give some potential protection.

18 How are you going to legally bind your company to  
19 do that? I don't know if I should speak to you or  
20 Mr. Greenwood. How will this protection be written up in the  
21 agreement?

22 MR. GREENWOOD: Well, in the --

23 CHAIRPERSON CONNELL: And who is bonding against it  
24 if there should be a problem?

25 MR. GREENWOOD: Are you asking for the specific

1 name of the company that is bonding against this?

2 CHAIRPERSON CONNELL: Well, I just want to know how  
3 we are going to be protected? We want to make sure there is  
4 some kind of safeguard embodied in the legal agreement and  
5 that there is some kind of insurance policy that would  
6 protect us should there be a disruption and a need to clear  
7 up the problem --

8 MR. GREENWOOD: Well, we have shared with --

9 CHAIRPERSON CONNELL: -- or other circumstances.  
10 And we want to make sure that we are not left with no  
11 resources.

12 MR. GREENWOOD: I understand that. We have shared  
13 with the State Lands Commission our liability insurance, as  
14 we have met the thresholds that they have required of us. We  
15 have supplied them with our insurance policies.

16 Perhaps I should also give you some idea of  
17 Questar, the parent company. We have assets of about 2.5  
18 billion dollars. We are listed on the New York Stock  
19 Exchange. And we have revenues of about 750 million dollars  
20 a year.

21 We also have a representative here from the company  
22 that can actually give you more details on our insurance and  
23 liability policies if that would be of help to you.

24 CHAIRPERSON CONNELL: Well, I think the concern --  
25 is this something, Commissioners, that you wish to take

1 action on today? What is the feeling?

2 LORENA GONZALES: I would like to defer.

3 CHAIRPERSON CONNELL: What would you like the  
4 Commission Staff to do in the interim?

5 LORENA GONZALES: Well, I actually just got this  
6 letter that was done by the Morongo tribe attorneys, I  
7 believe. And they bring up questions about mitigation and  
8 some feelings that they have.

9 I didn't get any response -- I just got it today --  
10 I didn't ask for a response to their accusations in this  
11 letter. So I would like to go over with Staff what the  
12 response would be.

13 CHAIRPERSON CONNELL: Annette?

14 ACTING COMMISSIONER PORINI: That's fine.

15 CHAIRPERSON CONNELL: Well, yes, we seem to have a  
16 majority desire to defer here.

17 MR. BAKER: Steve Baker, B-a-k-e-r. I'm with the  
18 firm of Aaron Read & Associates, A-a-r-o-n R-e-a-d.

19 Madam Chair, I think that there is a way of  
20 accomplishing the Commission's objectives of deferring this  
21 measure at the same time allowing Questar to begin proceeding  
22 with the project, and that is by certifying the environmental  
23 document and then deferring the lease terms, at which time  
24 the Staff can work out the safety issues, bonding issues --  
25 all of those issues that are contained in the lease with the

1 State Lands Commission.

2 And that way, that lease will be brought back to  
3 the Commission for your consideration and approval. In the  
4 meantime, Questar can get going on the project.

5 CHAIRPERSON CONNELL: Well, let me just tell you  
6 what my feelings are. The other two Commissioners have known  
7 where I am on this.

8 I'm not against deferring this matter if we  
9 accomplish something in the interim. I hate deferrals  
10 because we are not ready to take action or because a party  
11 has written a letter and expressed concerns and is not here  
12 today to join us to express concerns.

13 I would be willing to go along with the Board if  
14 three things happen.

15 If we ask that we have a Staff report that responds  
16 to any public-stated concerns, whether it be this letter or  
17 any other letters that have been received.

18 Secondly, if we move forward on a lease  
19 agreement so that we are prepared, should we choose to take  
20 action to move forward on the lease.

21 And third, that we, then, as Commissioners, make a  
22 commitment to have a chance to deal with some of the  
23 environmental concerns that, I guess, are still out there.

24 That way, I think we accomplish our objective as a  
25 Commission. We deal with our concerns which appear to be

1     existent on the part of Commission members; we give a chance  
2     to the parties to articulate and get a response back -- we  
3     may be able to address the concerns articulated in the  
4     letter. And third, we are ready to take action on the lease,  
5     so we don't lose time.

6             ACTING COMMISSIONER PORINI: Well, if I could just  
7     comment that I just received this letter today.

8             CHAIRPERSON CONNELL: As did I. It was unfortunate  
9     that we did not receive it ahead of time.

10            MR. BAKER: I understand, Madam Chair. My  
11     impression, after talking to the Staff and to Questar, was  
12     that the environmental issues have been addressed, and the  
13     outstanding issues are the terms and the conditions of the  
14     lease -- which the staff still has a few issues that need to  
15     be resolved.

16            CHAIRPERSON CONNELL: We now have a letter, and I  
17     think it behoves the Commission to be respectful to the  
18     letter from the Indian community. And I certainly want to  
19     show respect for that letter.

20            MR. BAKER: I understand. I'm listening very  
21     carefully.

22            CHAIRPERSON CONNELL: The lease agreement -- so  
23     that we can move that effort forward at the same time we  
24     respond to the concern which is unfortunately late in getting  
25     to this Commission, I would be willing to take a motion in

1 that regard.

2 LORENA GONZALES: I move.

3 ACTING COMMISSIONER PORINI: Second.

4 CHAIRPERSON CONNELL: Okay. It's been moved and  
5 seconded. We will, then, defer this matter, given the three  
6 concerns that we must address.

7 And I would ask that our Staff notify that there is  
8 a time certainty for that action; and that, should any  
9 community wish to express concerns, that they should meet in  
10 an open process with our Staff and with members of the  
11 Commission who appear ready to answer their concerns and  
12 address these environmental matters.

13 I'm sure each of the Commissioners would like to be  
14 briefed on the results of the conversations prior to our next  
15 meeting -- so that we are prepared to be better informed and  
16 can take action at our next meeting -- and secondarily, on a  
17 lease document so that we do not continue to delay this  
18 matter. All right.

19 MR. BAKER: May I ask, when would be the next time  
20 that the Commission would be meeting? Would that be --

21 CHAIRPERSON CONNELL: Mr. Thayer, would you like to  
22 inform us as to when our next meeting is?

23 EXECUTIVE OFFICER THAYER: Of course, we would need  
24 to work with the Commission and Staff to make sure that we  
25 can find a date that is mutually agreeable, but we were

1 planning on scheduling one for either the third week in  
2 November, the one immediately before the Thanksgiving week,  
3 or the week immediately after.

4 CHAIRPERSON CONNELL: All right. Well, these dates  
5 are open to discussion and debate, depending on the schedules  
6 of the Commissioners who are all sitting on multiple  
7 Commissions, I guess. But we will be in touch with you  
8 regarding that matter.

9 Any other items, Mr. Thayer?

10 EXECUTIVE OFFICER THAYER: No, the only item left  
11 on the calendar, Madam Chair, is anyone who wants to make  
12 public comment.

13 CHAIRPERSON CONNELL: Is there anyone who wishes to  
14 comment? If not, we stand adjourned. Thank you.

15 (Thereupon, the State Lands Commission  
16 Meeting was adjourned at 12:02 p.m.)  
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CERTIFICATE OF REPORTER

1  
2  
3 I, SUZANNE MIKOLAJCIK, a Certified Shorthand  
4 Reporter of the State of California, do hereby certify:

5 That I am a disinterested person herein; that the  
6 foregoing State Lands Commission Meeting was reported in  
7 shorthand by me, Suzanne Mikolajcik, a Certified Shorthand  
8 Reporter of the State of California, and thereafter  
9 transcribed into typewritten form by means of computer-aided  
10 transcription.

11 I further certify that I am not of counsel or  
12 attorney for any of the parties to said meeting nor in any  
13 way interested in the outcome of said meeting.

14 IN WITNESS WHEREOF, I have hereunto set my hand  
15 this 20th day of September, 2000.

16  
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18  
19  
20  
21 

22 SUZANNE MIKOLAJCIK, CSR  
23 Certified Shorthand Reporter  
24 License No. 11928  
25