



page 9th Circuit tosses ringed seal
3 appeal, cites bearded seal listing

Great cast: Mark Myers, Scott Ogan, Cindy & Malcolm Roberts, Ella Ede, Judy Patrick & Tom Barrett

Former Department of Natural Resources Commissioner Mark Myers and former Alaska legislator Scott Ogan have joined forces with a new company and technology that uses nanophysics to solve or minimize costly production issues the oil industry has been grappling with for decades related to asphaltene, paraffin and scale depositions and heavy oil viscosity flow, as well as larger problems associated with produced water.

The technology is called nanofluidity and the company is Houston-based Revelant Energy (see revelant.com).

Revelant says the technology often decreases oilfield production costs, thus increasing profitability for producers, as well as increases oil production. In some applications it reduces the need for chemicals, which lessens the environmental impact.

Currently, under a nondisclosure agreement with a major

see **INSIDER** page 8



BC, Alberta go to war

British Columbia and Alberta are embarking on the most serious inter-provincial trade war in Canadian history as B.C. threatens to impose a cap on any new shipments of diluted bitumen by pipeline or rail from the oil sands to tanker terminals on the Pacific Coast.

The showdown between the two left-wing New Democratic Party administrations erupted when B.C. moved its opposition to Kinder Morgan's Trans Mountain pipeline expansion up a notch when Premier John Horgan and Environment Minister George Heyman announced restrictions pending further studies by a scientific panel on the behavior of bitumen spills on land or water.

In doing so, B.C. effectively seized power over the C\$7.4 billion plan to triple capacity on Trans Mountain to 890,000 barrels per day, bypassing Canada's Constitution which gives the federal government jurisdiction over the movement of oil across provincial borders.

Prime Minister Justin Trudeau and other federal cabinet ministers quickly declared the pipeline expansion will go ahead without disclosing what actions Canada is prepared to take

see **TRADE WAR** page 9

BLM unwinding the Obama era methane gas flaring, venting rule

The Bureau of Land Management is proposing a new rule to change the regulations for venting and flaring of methane from oil and gas operations. The existing regulations were issued in 2016 as part of President Obama's efforts to cut methane emissions from the oil and gas sector by 40 to 45 percent of 2012 levels by 2025. The regulations, for example, place limits on how much methane can be flared from a development well. Methane is a particularly potent greenhouse gas.

Late last year BLM delayed implementation of part of the Obama-era rule while the agency considered the fate of the rule as a whole.

Similar to previous regs

BLM says that its proposed new rule would establish regulations similar to those that existed before the 2016 changes. The rule, coming as part of President Trump's order promoting U.S. energy independence, would eliminate duplication in regulatory requirements and re-establish long standing requirements, BLM says. The agency says that, in addition to complying with execu-

see **METHANE RULES** page 9

ALTERNATIVE ENERGY

Wind farm challenge

RCA rules Delta Junction project uneconomic; Fire Island to be resolved

By **ALAN BAILEY**

Petroleum News

On Feb. 6 the Regulatory Commission of Alaska issued an order declaring that a proposed wind farm development at Delta Junction is uneconomic and requiring Fairbanks-based Golden Valley Electric Association to withdraw its proposed tariff for the farm.

In a different development, Cook Inlet Region Inc. is proposing to expand its wind farm on Fire Island, offshore Anchorage. Anchorage-based Chugach Electric Association has filed a tariff for that proposal but, for technical reasons associated with the tariff case, the commission has ordered Chugach Electric to withdraw its tariff.

Determining what constitutes reasonable terms involves projecting both the cost of integrating the wind power into the electrical system and the benefits that the relevant electric utility would gain from the use of the wind power.

Both proposed developments appear to be located at sites that enjoy plentiful supplies of wind.

Contentious issue

The contentious issue of adding wind power to

see **WIND FARMS** page 10

GOVERNMENT

Shuffling the deck

Canada streamlines regulatory assessments for major natural resource projects

By **GARY PARK**

For Petroleum News

The Canadian government has delivered on its 2016 election campaign promise to streamline the regulatory assessments of major natural resource projects.

The objective is to speed up the processing of hundreds of proposals worth more than C\$500 billion that are planned for the next decade, said Environment Minister Catherine McKenna, in making the bold assertion that the administration of Prime Minister Justin Trudeau will show the world it can solve a growing polar-



JIM CARR



CATHERINE MCKENNA

ization among Canadian interests in the economy, environment, climate change and Indigenous rights.

Unspoken is a sense of urgency within government circles that failure to succeed will drive even more capital away from the Canadian energy sector to friendlier jurisdictions, especially in the

United States.

McKenna insisted that Canadians "understand that better rules will make us more competitive, not less."

see **PROJECT ASSESSMENTS** page 11

PIPELINES & DOWNSTREAM

Answering the questions

Barrett responds to issues raised about transition at Valdez Marine Terminal

By **ALAN BAILEY**

Petroleum News

During a presentation to the House Resources Committee on Feb. 7 Tom Barrett, president of Alyeska Pipeline Service Co., commented on some concerns that have been raised regarding the transition of marine services at the Valdez Marine Terminal from Crowley Marine Corp. to Edison Chouest Offshore.

The marine services operations provide tanker escort services in Port Valdez and across Prince William Sound, as well as oil spill response services for the tanker and terminal operations. When Edison Chouest takes over the service in July the company is



TOM BARRETT

bringing a fleet of brand new, purpose-built tugs and response barges. Concerns have been expressed over some aspects of the tug designs and over the weather limits for tanker operations.

Model testing

A tug design concern, which came from a report from a marine architect that Prince William Sound Regional Citizens' Advisory Council had commissioned to assess Edison Chouest's new fleet, questioned the lack of scale model testing of the vessels, to verify that the tugs could handle anticipated sea conditions in Prince William Sound. Barrett told House

see **VMT QUESTIONS** page 11

PIPELINES & DOWNSTREAM

Removing hydrogen sulfide from Alpine gas

North Slope Borough to install new skid to further process natural gas going to Nuiqsut; has applied for amendment to right of way

By KRISTEN NELSON
Petroleum News

Nuiqsut uses natural gas from the Alpine field and the North Slope Borough is proposing to install additional natural gas processing at Alpine to remove hydrogen sulfide, H2S, from the gas going into the Nuiqsut Natural Gas Pipeline. The borough has applied to the state for a right-of-way lease amendment for 1.5 acres at the Alpine pad for equipment installation.

A Dec. 15 letter from the borough mayor's office to the State Pipeline Coordinator's Section in the Department of Natural Resources says a natural gas processing skid would be installed on the main Alpine pad north of Nuiqsut, increasing safety of the gas delivered by Nuiqsut by removing H2S from the gas stream.

The borough said coordination between Alpine field operator ConocoPhillips, Kuukpik Corp. and the borough Planning Department will continue.

The right-of-way amendment request, prepared by Coffman Engineers, says the equipment to be installed would be an H2S gas scrubber.

In the amendment request Coffman says the original Nuiqsut gas conditioning module assumed 0 parts per million H2S in the natural gas, but subsequent data obtained by the Nuiqsut Gas Utility indicates H2S levels in the gas supplied to the utility ranged from 0 to 4 ppm from 2003-2006 with a sporadic range from 0 ppm to 10 ppm from 2007-2008.

In 2010 H2S levels ranged from 0-15 ppm.

Coffman says an increase in H2S levels in waterflooded oil fields "can occur under certain circumstances and is expected to continue to increase in the Alpine Field."

Detrimental effects from H2S in natural gas can include "hazards to the human respiratory system which in sufficient quantities may be fatal"; accelerating corrosion of piping system and associated components; and hydrogen stress cracking in piping system and associated system. Coffman does not provide parts per million at which such detrimental effects can occur, but says, "As a precautionary measure, it is beneficial to limit the content of H2S in utility gas systems."

The North Slope Borough is responsible for equipment and operating costs to condition gas for pipeline transport

and residential consumption in Nuiqsut and, Coffman says, "current equipment is not capable of supplying the existing gas in an efficient or reliable manner."

A new skid will be installed with increased H2S removal capacity and the original equipment will be returned to use for dehydration of gas only.

The new conditioning skid is an improvement to Nuiqsut and not to the Alpine facility, so "the permit required for the work will require an extension of the existing right of way for construction and final operation of the new skid," Coffman said.

The new module will be shipped as two units which will be attached and installed on the foundation at a site which is currently used to store connexes.

Coffman said modifications to the Nuiqsut gas line will be required and those are planned for a scheduled Alpine turnover. "If the edge of pad valve on the Nuiqsut line does not hold pressure, the entire Nuiqsut line will need to be de-inventoried for the piping modification." ●

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● ENVIRONMENT & SAFETY

US 9th Circuit tosses ringed seal appeal

Panel of judges cites precedent of rejected appeal against bearded seal listing, agrees that evidence supports ringed seal listing

By **ALAN BAILEY**
Petroleum News

The U.S. Court of Appeals for the 9th Circuit has rejected three related appeals against the National Marine Fisheries Service's 2012 listing of the Arctic ringed seal as threatened under the terms of the Endangered Species Act. In taking this action the court has overturned a 2016 order by the federal District Court in Alaska.

The ringed seal is one of several Arctic animal species that depend on an Arctic sea ice habitat, with the listing based on a view that the decline in the sea ice extent as the climate warms threatens the animals' future wellbeing.

The District Court had upheld the appeals, saying that in listing the seals the National Marine Fisheries Service had speculated on what circumstances may or may not exist 80 to 100 years from now. The panel of three 9th Circuit judges that reviewed the case disagreed, saying the Fisheries Service's view, that the ringed seal is likely to become endangered in the foreseeable future, is reasonable and sup-



COURTESY NOAA

The ringed seal is one of several Arctic animal species that depend on an Arctic sea ice habitat.

ported by the record presented to the courts. Climate change models show the habitat of the Arctic ringed seals to be diminishing as sea ice recedes, the 9th Circuit Court order says.

Essentially, the judges said that a

closely related case in which the 9th Circuit rejected an appeal against the listing of the bearded seal set a precedent for the case involving the ringed seal, and that the court is now bound by that precedent. Moreover, the District Court, in its

ruling, mistakenly required the Fisheries Service to have more quantitative data to support its prediction of the seal population tipping point — the data that were presented indicate that the seals are more likely than not to become endangered in the foreseeable future, the 9th Circuit order says.

The organizations which appealed the listing, the Alaska Oil and Gas Association, the American Petroleum Institute, the North Slope Borough and the state of Alaska, are concerned about the potential impact of the listing on commercial and subsistence activities in the Arctic and claimed that the listing was not warranted, given the current healthy state of the seal population and a lack of adequate data supporting the listing decision.

Following the 9th Circuit ruling in the bearded seal appeal, the appellees tried to elevate that case to the U.S. Supreme Court. However, the Supreme Court declined to take the case. ●

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● NATURAL GAS

AIDEA bond extension moves in Senate

By **KRISTEN NELSON**
Petroleum News

Senate Bill 125, extending the time the Alaska Industrial Development and Export Authority has to issue bonds for the Interior Energy Project by 5 years, has been heard in two Senate committees. The bill, introduced in the committees by sponsor Senate President Pete Kelly, R-Fairbanks, would extend the time AIDEA has to issue bonds to June 30, 2023.

The House version, House Bill 261, had not been scheduled for a hearing when this issue of Petroleum News went to press.

The project liquefies Cook Inlet natural gas and ships it to Fairbanks as LNG. It is then distributed as natural gas.

Why not a pipe?

In testimony to the Senate Community and Regional Affairs Committee, and later to Senate Finance, Gene Therriault, the Interior Energy Project team leader for AIDEA, said in response to a question that while the project is now focused on meeting the Interior's energy needs by providing liquefied natural gas, the pipe option has been evaluated. The difficulty, he said, is the seasonal swing in Fairbanks, with the requirement to triple delivery into the community in the depth of winter. There were proposals for plastic pipe to Fairbanks, he said, but a single plastic pipe couldn't meet the seasonal needs: Two plastic pipes would have been required. The requirement for two pipes ate up funding, Therriault said, and there wouldn't have been enough money for the distribution system within the Interior communities.

The expectation is that ultimately there will be a large pipe bringing natural gas down from the North Slope, and Interior's needs will be met from that pipe, Therriault said. But, he said, if the pipe appeared right now, Fairbanks and

North Pole don't have the distribution system in place to move natural gas to end users.

You need the distribution system first, Therriault said, and that is being built now.

But the limited distribution system isn't the only factor holding up system growth.

Therriault said LNG storage in Fairbanks is the limiting factor for expanding the system, and work is now underway to increase that storage. Unless the project can pledge to be able to serve



PETE KELLY

a firm delivery contract customer in the dead of winter, it cannot sign up additional customers, he said, and storage is required to meet that pledge.

Additional storage will be completed by mid-summer 2019, Therriault said, allowing more production from the Cook Inlet LNG plant in the summer to fill expanded storage in Fairbanks for winter delivery.

Financing

Financing for the Interior Energy Project, established in Senate Bill 23, included a \$57.5 million capital grant, a \$125 million SETS loan (Sustainable Energy Transmission and Supply Development Fund) and the \$150 million

in AIDEA bonding authority, Kelly told the committees.

He said the AIDEA team overseeing the Interior Energy Project has diligently deployed the original financing packages to advance development of the consolidated investment-grade local gas utility, but unfortunately the AIDEA bonding authority is set to expire June 30 this year just as they are finally able to deploy it.

The bonding authority is needed for increasing the production capacity of the LNG plant at Point MacKenzie and further expansion of the gas distribution lines in Fairbanks, Kelly said. ●

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● PIPELINES & DOWNSTREAM

State proposes ROW lease for Tyonek line

Hilcorp plans a new gas pipeline under Cook Inlet from the offshore Tyonek platform to Ladd Landing on west side of inlet

By **ALAN BAILEY**
Petroleum News

The Alaska State Pipeline Coordinator's Section has issued a notice proposing to approve the establishment of a right of way for a new Cook Inlet subsea natural gas pipeline that Harvest Alaska, a subsidiary of Hilcorp Alaska, plans to construct. The pipeline will run from the Tyonek platform, offshore in the inlet, to Ladd Landing on the inlet's west side. Public comments on the proposed right of way are due by March 14. An open house and public hearing are scheduled March 12 in the Nikiski Community Recreation Center on the Kenai Peninsula.

Eliminate Drift River terminal

The proposed pipeline construction, scheduled to begin when ice goes out in the

According to the design document, the concept for construction of the new subsea gas line involves assembling the line in half-mile segments onshore at Ladd Landing while using a barge to pull the pipeline out to the platform.

inlet this spring, comes as part of a plan by Hilcorp to ship oil from the west side of the inlet to Nikiski on the east side by subsea pipeline, thus eliminating the continued use of the Drift River oil terminal on the inlet's west side. The terminal is currently used to load oil onto tankers for shipment to Nikiski, but there are safety concerns because of the terminal's proximity to the Redoubt Volcano.

Hilcorp's plan involves using one of the

twin subsea gas pipelines that form what is called the Cook Inlet Gas Gathering System to carry oil rather than gas west to east under the inlet. A short new onshore oil line will connect the CIGGS line to the existing oil pipeline system on the west side of the inlet.

The idea behind the planned new Tyonek subsea gas line is to maintain Hilcorp's capability to transport gas across the inlet, after one of the CIGGS lines is switched to the carriage of oil. An existing gas pipeline connects the Tyonek platform to Nikiski, although Hilcorp also plans to replace an onshore segment of that line.

The carriage of adequate volumes of gas across the inlet forms a vital component of the gas supply arrangements for gas and electricity utilities in Southcentral Alaska, especially during the winter when gas demand is high.

In addition to its application for the Tyonek pipeline right of way, Harvest has applied for authorization of a change to the CIGGS right of way lease, to allow the carriage of oil on one of the CIGGS lines. SPCS says that it is still assessing that application.

Pipeline design

The design documentation for the planned Tyonek gas pipeline, referred to as the Tyonek W 10 pipeline, says that the subsea section of the 10-inch diameter line will be 5.5 miles in length. A 1.4-mile onshore section of the line will run from Ladd land-

ing to a junction with the existing Beluga gas pipeline. The Beluga line connects south to the gas pipeline infrastructure on the west side of the Cook Inlet, and north through Enstar Natural Gas Co.'s gas transmission line to the Wasilla and Palmer area.

The new pipeline is being designed to operate at a pressure of around 800 pounds per square inch, a similar pressure to the other gas lines in the region.

According to the design document, the concept for construction of the new subsea gas line involves assembling the line in half-mile segments onshore at Ladd Landing while using a barge to pull the pipeline out to the platform. Piles of sandbags placed at intervals along the line will pin the line to the seafloor, the design document says. The sandbag system will be maintained through annual surveys. Hilcorp's pipeline operators will manage the pipeline use and performance through the company's existing pipeline management computer system. Pipeline pressure and gas volume discrepancy monitoring would alert operators to any potential pipeline leaks. Annual patrols along the pipeline's length would discover any disturbance to the line, as well as looking for any evidence of gas leaks.

Corrosion prevention would involve the use of cathodic protection and appropriate pipeline coatings. ●

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NATURAL GAS

AGDC opens Nikiski satellite office

The Alaska Gasline Development Corp. said Feb. 8 that it would open a satellite office in Nikiski on Feb. 12 staffed by longtime Kenai Peninsula resident Debra Holle Brown. Nikiski is the site of the planned LNG liquefaction plant and export terminal.

The office is in the Nikiski Recreation Center at 50097 Kenai Spur Highway and will be open Monday through Friday.

"As Alaska LNG advances toward construction, it's critical that AGDC be accessible to Alaskans," said Keith Meyer, AGDC president.

AGDC said Brown has served as special assistant to the commissioner of the Alaska Department of Transportation and Public Facilities, as a former Kenai Peninsula Borough Assembly member, former president of the KPB Economic Development District, former KPB Planning commissioner and former KPB school board member.

"Alaska LNG is going to be a long-term economic boom for Nikiski and the entire Kenai Peninsula," said Brown, community affairs representative for AGDC. "I am sincerely honored to work with AGDC to represent my friends and neighbors throughout the construction of this exciting project."

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Hats off Nutrien!

Celebrating Agrium and Potash Corp.'s merger into Nutrien



The new organization formed by the recent merger of Canadian firms Potash Corp. and Agrium Inc. will be the global leader in reliable, low-cost crop nutrient production, combined with the largest agricultural retail-distribution network in the world. Nutrien's Alaska asset —the fertilizer facility on the Kenia Peninsula — is headed by long-time Alaskan Fred Werth. Congratulations Nutrien and Mr. Werth.



Fred Werth, long-time Alaskan

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ENVIRONMENT & SAFETY

Questions raised over oil spill bill

Trucking industry official tells House Resources that proposed contingency plan requirement would duplicate federal plan law

By **ALAN BAILEY**
Petroleum News

A proposed state statute requiring trucking operations for the carriage of crude oil in Alaska to maintain approved oil spill contingency plans is unnecessary, because the U.S. Department of Transportation already requires spill contingency plans for trucks carrying various forms of oil, including crude oil, Aves Thompson, executive director of the Alaska Trucking Association, told the House Resources Committee on Feb. 9.

The committee was hearing industry testimony on House Bill 322, a bill designed to increase fines for oil spills in Alaska. Although primarily targeting the levels of fines, the bill also includes a section mandating oil tanker truck contingency plans.

The code of federal regulation “already prescribes contingency plans for the transport of oil,” Thompson said. The Trucking Association wants the mandate for state contingency plans to be removed from the bill.

Oil spill penalties were set in the 1970s and 1980s but have not been altered since. House Resources has introduced HB 322, using recommendations from the Alaska Department of Environmental Conservation. DEC is concerned that the fines have not kept pace with inflation and may no longer be sufficiently high to act as an effective deterrent against spilling oil.

The section that would require contingency plans for trucking operations reflects

Alyeska Pipeline Service Co., the operator of the trans-Alaska pipeline and the Valdez Marine Terminal, spends more than \$800 million annually on oil spill prevention and response readiness, in addition to the company's spending on drills and exercises along the pipeline, Moriarty said.

DEC's concerns about the possibility of a highway oil spill, given that there are now two companies trucking crude oil on the Kenai Peninsula. A tanker truck accident could impact salmon bearing creeks and rivers on the peninsula.

Avoiding duplication

Much discussion during the Feb. 9 committee meeting revolved around the question of whether the federally mandated contingency plans would adequately address DEC's concerns and thus avoid duplication of effort. It appears that the content of the federally required plans are similar to what DEC wants. However, there are some procedural differences between what DEC envisages and what the federal government mandates.

DEC is looking to adopt the same procedure that it uses for other oil spill contingency plans: The trucking company would need to file its plans with DEC for approval and would not be allowed to transport oil without an approved plan. There would also

be requirements for drills and exercises to test the plans.

The federal government, on the other hand, does not require the contingency plans to be pre-approved. The federal regulations require a trucking company to prepare plans and post the plans in its principle place of business and at truck dispatch points. Plans must specify actions such as training and the conducting of unannounced drills. The plans are then subject to random audits, with the potential for fines if the plans do not meet the regulatory requirements.

State review requirements?

Thompson pointed out that the U.S. DOT's Federal Motor Carrier Safety Administration has an office in Alaska, with enforcement personnel who perform compliance reviews, including the checking of trucking company contingency plans.

Kristin Ryan, director of DEC's Division of Spill Prevention and Response, said that DEC is excited to know that there is a contingency plan regulatory requirement similar to what the state is seeking. She said that the department would be happy to help with the conducting of spill response drills and exercises, and that DEC could add value in the review of the plans.

Thompson responded that his organization's membership had not authorized him to comment on the possibility of state involvement in review of the federal contingency plans. He did not see any particular problem with sending copies of the plans to DEC. But his concern would be with any resulting state review and approval process adding another layer of complexity to the procedures.

Thompson also emphasized the careful screening of truck drivers and the level of training that the drivers must go through before being allowed to drive oil-carrying trucks. In addition, one of the two carriers trucking oil on the Kenai Peninsula has been doing this for 30 or 40 years.

“They have done it safely. They have done it conscientiously. And to my knowledge there haven't been any significant spills,” Thompson said.

Industry perspective

Kara Moriarty, president and CEO of the Alaska Oil and Gas Association, provided an oil industry perspective on the proposed increases to oil spill penalties.

“We actually welcome this opportunity

to share with you and the public ... the industry's commitment to safety, and our diligence to prevent and prepare for the unfortunate incident of a spill,” Moriarty said.

Moriarty argued that, given the declining incidence of oil spills in the state and the large investment that the industry already makes in mandated oil spill prevention and contingency measures, increases in the oil spill penalties are unnecessary. For example, oil companies pay fees for membership in oil spill cooperatives that maintain equipment and expertise for responding to oil spills. Alyeska Pipeline Service Co., the operator of the trans-Alaska pipeline and the Valdez Marine Terminal, spends more than \$800 million annually on oil spill prevention and response readiness, in addition to the company's spending on drills and exercises along the pipeline, Moriarty said.

And crude oil spills have only constituted just under 2 percent of total spills over the last couple of years, she said.

Moriarty also questioned a proposal to include produced water when calculating oil spill volumes for assessing spill penalties. The spillage of produced water has also been trending downwards, she said.

Given the downward trend in spills, given the money that the industry already spends on spill prevention and contingency, given that the industry normally refunds DEC for the full cost of a spill response, and given that the industry already funds most of the Division of Spill Prevention and Response's operating budget, what is the purpose of this bill, Moriarty asked.

“We do not need fines and penalties to encourage us to be diligent,” she said. The high cost of a response and cleanup is already a strong deterrent from incurring a spill, she added.

Bill modified

Subsequent to the Feb. 9 meeting and before passing the bill out of committee, House Resources modified the bill, replacing the section of the bill requiring contingency plans for truck operations involving the carriage of crude oil with a revised section requiring any commercial motor vehicle transporting crude oil on a highway or road maintained by the state to submit to DEC the oil spill response plan required under federal law. ●

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EXPLORATION & PRODUCTION

More seismic datasets available from state

More sets of seismic data have become publicly available through the Geologic Material Center website under the terms of state tax credits, Alaska's Division of Geological and Geophysical Services has announced. The data come in four sets corresponding to different surveys: the North Shore 3-D survey; the Cross Island ocean bottom geotechnical study; the North Slope geological field program; and the reprocessing of the Pike bottom hole planning 2-D survey.

The North Shore survey was conducted in 2007 and covers about 124 square miles straddling the Beaufort Sea coast to the west of Prudhoe Bay. The Cross Island survey was conducted offshore Prudhoe Bay and inshore of Cross Island. The North Slope geological field program was conducted at various locations in the southern National Petroleum Reserve-Alaska and Brooks Range foothills. The Pike Bottom survey was conducted in 2006 and covers nearly 154 square miles of the Beaufort Sea, northeast of Prudhoe Bay.

Companies who have obtained state tax credits in conjunction with the conducting of seismic surveys have, under the terms of the credits, had to file the seismic data with the Alaska Department of Natural Resources. DNR collates and organizes the data. The agency can make the data available to the public 10 years after receiving it.

—ALAN BAILEY

GOVERNMENT

Alaska Oil and Gas Conservation Commission report: January 2018

•On Jan. 9, the Alaska Oil and Gas Conservation Commission granted (Conservation Order No. 341F.007) a request from BP Exploration (Alaska) Inc. to modify four rules from Conservation Order No. 341F at the Prudhoe Bay unit. The rules cover bottom-hole pressure surveys, gas-oil contact monitoring, production logging and gas-oil ratio limits. The changes largely reduce the number of surveys BP is required to run at the unit. The extent of prior development has provided significant information about data points in those areas, according to BP, and the required number of surveys is no longer necessary.

•On Jan. 22, the AOGCC approved (Docket Number: CO-17-016) a request from Hilcorp Alaska LLC to redefine the vertical boundaries of the Ninilchik Beluga/Tyonek Gas Pool to accommodate new information gleaned from the Kalotsa No. 4 well. The change deepens the lower boundary of the Ninilchik Beluga/Tyonek Gas Pool by approximately 250 vertical feet, "allowing more efficient development of all Tyonek gas resources, improving resource recovery, and reducing administrative burden while preventing waste and protecting correlative rights," according to the AOGCC. A hearing on the matter included comments from Don Shaw, a neighboring landowner who claimed an infringement on his correlative rights from the Frances No. 1 well. In the recent ruling, the AOGCC presented its counterargument, challenging Shaw's claim.

•On Jan. 31, the AOGCC approved (Docket Number: CO-16-019) a request from Hilcorp to form the new Kuparuk Oil Pool at the Northstar unit. The pool is defined as "the accumulation of hydrocarbons common to, and correlating with, the interval between the measured depths of 12,156 and 12,446 feet on the resistivity well log recorded in development well Northstar (NS) NS-15," according to the AOGCC ruling. The pool includes Kuparuk A and Kuparuk C sands. Although the two sands are not in communication, the AOGCC felt that comingling the two sands would lead to greater recovery, given the small size of the Kuparuk A sand and its proximity to Kuparuk C.

—ERIC LIDJI

EXPLORATION & PRODUCTION

88 Energy seismic program underway

Australian-based 88 Energy Ltd. said Feb. 14 that its Icewine 3-D seismic program on the North Slope got underway Feb. 7. The land-based seismic survey is on state land some 12 miles west of the Dalton Highway and covers some 200 square miles.

The company said the focus of the program is principally across the western play fairway, "where the opportunity exists to mature and test multiple stacked conventional objectives with one well" and said others have had drilling success on the North Slope over the last four years using 3-D seismic data "to delineate and map similar stratigraphic/structural conventional targets."

The seismic shoot is estimated to take some 45 days, the company said.

The objective of this year's acquisition and interpretation effort "is to mature the conventional portfolio with a view to select one or more drilling candidates for the 2019 season," the company said, with results expected this fall, "which will facilitate a planned farm-out prior to year-end on the drilling program."

88 Energy also noted it has largely completed permitting for two potential drilling locations "allowing for prompt execution of the proposed 2019 drilling program."

Accumulate Energy Alaska, 88 Energy's local operating company, received Alaska Department of Natural Resources' Division of Oil and Gas approval for a lease plan of operations for the Bravo No. 1 and Charlie No. 1 exploration wells on Feb. 5.

—KRISTEN NELSON

ENVIRONMENT & SAFETY

Cleanup of structure spray at Berth 5

Cleanup of oiled structures at Berth 5 at the Valdez Marine Terminal continues, the Alaska Department of Environmental Conservation's Division of Spill Prevention and Response said Feb. 8 in a final situation report on the Feb. 3 spill.

Alyeska Pipeline Service Co. operations personnel discovered the spill Feb. 3 during rounds.

The estimated spill amount is fewer than 200 gallons to containment, with some spray to berth structures, equipment and pilings, and Alyeska continues to monitor the area around the clock, the division said.

While no sheen has been observed on the water, "a small unknown quantity of spray entered the water," the division said.

The cause is under investigation with early indicators that crude was leaking from the end caps of two (of four) loading arms.

Alyeska President Tom Barrett told the House Resources Committee at a Feb. 7 hearing that the spill was probably 150-200 gallons.

DEC said Alyeska has begun an investigation as to the cause. Barrett said the weather was bad, it may have been an ice plug. The spray was basically into a concrete deck which goes to a sump, he said, noting high winds and cold temperatures.

He said Alyeska thinks there may be valve issues and because the system is 40 years old no one makes valves like that anymore. He said Alyeska is looking at a company which can manufacture the needed valves, but it will probably be next year before replacement valves will be available, so the company is looking at what they can do before then.

DEC said additional boom was deployed as a safeguard and cleanup of oiled structure continues, with a plan in place to clean structures using hot water, with runoff of hot water to be collected and routed to the terminal ballast water treatment system.

Barrett said Alyeska's goal is not to spill a drop, and noted that an earlier spill at Berth 5, which took place in September, cost Alyeska \$2.5 million to clean up.

The motivation for us, Barret said, is not to have a spill.

He said Alyeska pays an enormous amount of attention to not having things to clean up.

—KRISTEN NELSON

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INSIDER

Alaska crude producer, the technology is being tested on the North Slope. (Oil is Alaska's largest source of income for both the state and private sector.)

Revelant is also working with a Colorado State University team of physical chemists, condensed matter physicists, theoretical chemists and material chemists under the supervision of Amber Krummel, a professor of chemistry and the director of the CSU-based Krummel Research Group and laboratory

CSU is leading academic research efforts in the nanofluidity frontier.

In regard to the results of testing on the North Slope, Revelant President Tracy Fotiades told PN Feb. 14, "It's too early to have that conversation. We're in the proving phase."

In Alaska, Myers is executive vice president of applied science and research strategy, putting him in charge of ongoing field applications, while coordinating the information exchange with CSU academics. Ogan is district manager of Alaska for Houston-based Revelant.

Ede new exec director of Alaska Resource Education

Alaska Resource Education's board of directors said Feb. 13 that Ella Ede is ARE's new executive director. A long-time ARE volunteer and board member, Ede brings more than 25 years' experience in Alaska resource industries, including oil, gas and mining to the nonprofit, which was established in 1982.

Most recently Ede served as stakeholder engagement manager for Statoil Alaska.

"Ella's experience, industry knowledge and demonstrated commitment to ARE's mission make her an outstanding choice to lead the organization," said ARE's outgoing president, Kate Blair.

A lifelong Alaskan, Ede lives in Anchorage with her husband and four children.



ELLA EDE

"After volunteering in the classroom and at various events over the past 15 years, I am excited and honored to have this opportunity to work directly for ARE," Ede said. ARE's mission "has long been a passion of mine. I'm looking forward to the challenge and opportunity to lead the organization and grow this program which is so critical to helping Alaska's youth better understand the critical role of natural resources in our state."

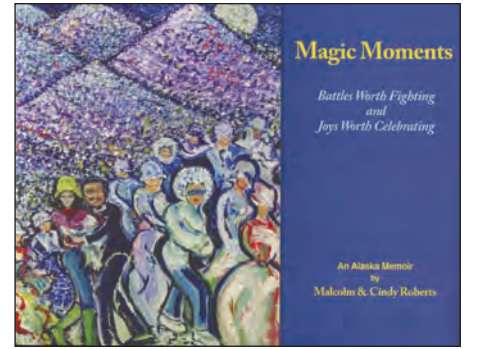
Beki Kelly will continue to serve as the education program manager for ARE.

Judy Patrick, PN's favorite industry photographer, is the new president of the organization.

Fewer than 100 copies left

There are fewer than 100 copies still available of Cindy and Malcolm Roberts' full-color, coffee table memoir at 2 Friends Gallery in midtown Anchorage.

"Magic Moments, Battles Worth Fighting and Joys Worth Celebrating," was released in September and is definitely worth the investment (\$29.95).and



the time to read it (lengthy and lots of photos). Make sure you check out the very long index to see if you are mentioned!

In the book the Roberts share 45 years of their Alaska history, years that include their family and that span Wally Hickel's service as secretary of the Interior, including his oversight of the basic permitting process for the 800-mile trans-Alaska oil pipeline and his efforts to gain the congressional votes necessary to get pipeline construction approved.

The book also covers Hickel's role in the settlement of Alaska Native land claims and the resultant Alaska Native Claims Settlement Act which was signed into law by President Richard Nixon in 1971 and was at the time the largest land claims settlement in United States history.

The Roberts also feature Hickel's involvement in reducing the harvest of the world's great whales and his accomplishments as Alaska's governor (1966-1969 and 1990-1994), as well as his role in the international Community of Friends of Anchorage that grew out of the bid to host the Winter Olympics and was the beginning of Bridge Builders of Anchorage.

The Roberts also discuss AFL-CIO's contribution to gaining federal approval to build the trans-Alaska oil pipeline, and Hickel and David Gottstein's formation of Backbone in 1999, a citizen's group that tracked government policies for Alaska's oil and gas industry.

Cindy includes stories about being Mrs. America 1978, as well as her 2012 publication of "Cracking the Code" — a glossary of the numerous acronyms and terms used in connection with the proposed trans-Alaska gas pipeline.

They both tell stories about their chance meeting and making Alaska home for their family.

Hickel's passing in 2010 hit both Cindy and Malcolm hard.

One of the best quotes in Magic Moments was inadvertently cut from the massive coffee table tome during final editing, Cindy recently told PN. It was a quote by Frank Gerjevic, at the time editorial page editor of the Anchorage Daily News. What Gerjevic said about the great man's passing was particularly meaningful to the Roberts: "It was as if Mount Susitna ("Sleeping Lady") has disappeared from the horizon."

Also of interest to PN readers might be their coverage of Commonwealth North. Malcolm helped found the organization and served as its first executive director.

Alyeska Pipeline recognized — again

Alyeska Pipeline Service Co. is one of the World's Most Ethical Companies for the seventh year in a row, per the Ethisphere Institute, which announced its selection Feb. 12.

"Alyeska Pipeline Service Company is honored to receive this distinction again," said Alyeska President Tom Barrett. "It is a tribute to the professionalism and integrity of the people who

see INSIDER page 9

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continued from page 1

TRADE WAR

beyond opening discussions with the two provinces.

“It’s important to get our oil resources to markets other than the United States for the Alberta and Canadian economies to continue to grow,” he said.

Alberta Premier Rachel Notley, whose

province stands to collect C\$1.5 billion a year from the pipeline expansion, refused to wait for Trudeau, imposing a ban on C\$70 million a year of wine sales in her province.

She also suspended talks on buying C\$500 million a year of electricity from B.C. and warned she was “prepared to do whatever it takes to get this pipeline built.”

Notley appointed a special task force to map out a strategy that could include seek-

ing court rulings to enforce the Constitution. Some have urged her to shut down pipelines delivering conventional crude and natural gas to B.C.

Horgan said he was “surprised at the response from Alberta ... saber-rattling doesn’t get you very far.”

—GARY PARK

Contact Gary Park through publisher@petroleumnews.com

continued from page 1

METHANE RULES

tive orders issued by the president, the proposed rule responds to an order by Interior Secretary Ryan Zinke, requiring, among other things, a review of the 2016 rule.

Following publication of the proposed rule in the Federal Register, there will be a 60-day public comment period.

Strike a balance

“In order to achieve energy dominance through responsible energy production, we need smart regulations not punitive regulations,” said Joe Balash, assistant secretary for land and minerals management. “We

believe this proposed rule strikes that balance and will allow job growth in rural America.”

Several Republican lawmakers from oil and gas producing states have expressed their support for the BLM action.

“The impacts of BLM’s Obama-era venting and flaring rule would be devastating to the economy of New Mexico, which relies on the production of energy resources for thousands of jobs along with roughly 30-40 percent of the state’s operating funds,” said Congressman Steve Pearce, R-New Mexico. “The full implementation of this rule would directly threaten funding for schools, teachers, hospitals, law enforcement, and other essential services our communities rely on.”

Already regulated in Alaska

The venting and flaring regulations apply to oil and gas operations on federal land in Alaska, in particular in the National Petroleum Reserve-Alaska, where ConocoPhillips is pursuing a program of oil development. However, oil and gas wells in Alaska, including those on federal lands, are already subject to strict rules enforced by the Alaska Oil and Gas Conservation Commission and the Alaska Department of Environmental Conservation, to prevent the wastage of hydrocarbon resources and avoid air pollution. Those rules include a prohibition of methane flaring or venting, other than in small volumes for specific allowed purposes.

—ALAN BAILEY

continued from page 8

INSIDER

operate the Trans Alaska Pipeline System.”

In 2018, 135 honorees were recognized, spanning 23 countries and 57 industries.

“Global corporations operating with a common rule of law are now society’s strongest force to improve the human condition. ... The World’s Most Ethical Companies in particular continued to show exemplary leadership,” said Ethisphere’s CEO, Timothy Erblich, congratulating “everyone at Alyeska.”

The institute is considered the global leader in defining and advancing the standards of ethical business practices that fuel corporate character, marketplace trust and business success.

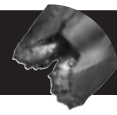
Ethisphere will honor recipients at the 2018 WME Honoree dinner on March 13 in New York.

—KAY CASHMAN

Contact Kay Cashman at publisher@petroleumnews.com



Oil Patch Bits



Lynden introduces new online tools for customers

Lynden said Feb. 1 that it is starting off the New Year by offering customers improved online shipping tools. Beginning in February Lynden will introduce shipment updates, a new feature that makes it easier for customers to keep track of shipments throughout the shipping process — from receipt by Lynden to delivery.

Customers may choose to receive email updates for all their shipments or only for the individual shipments they specifically request. The real-time shipment updates are the latest in a suite of online enhancements under development to make it quicker and easier for customers to interact with Lynden. The new feature is available to Lynden customers and can

be accessed through either standard tracking or EZ commerce. Customers will be able to include any email party, such as suppliers or their own customers, on the update messages so everyone can see when a shipment is received, enroute and when it is delivered.

Delivery receipts are also getting a refresh to better fit customer needs and create a standard look across Lynden companies. The format will be more efficient and easier to read and understand. The new receipts will be rolled out gradually to customers and will include options such as the ability to have multiple shipments on one delivery document, or deliver partial shipments.

For more information on how to start using shipment updates go to www.lynden.com/updates.

Companies involved in Alaska and northern Canada’s oil and gas industry

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REAP responds to wind power disputes

In a Feb. 9 open letter to the Regulatory Commission of Alaska, Chris Rose, executive director of the Renewable Energy Alaska Project, presented REAP's perspectives on disputes over the use of wind power in the Alaska Railbelt electrical system.

Rose commented that REAP sees the full integration of the Railbelt generation and transmission grid, as had been recommended by the commission in 2015, as a key to the successful integration of power from independent suppliers of renewable energy, including wind farms. Currently various components of the electrical system are owned and operated by six independent utilities and the state of Alaska.

Regional load balancing

A single Railbelt-wide load balancing area would encourage the inclusion of small-scale power producers, as intended by the federal Public Utilities Regulatory Policies Act, or PURPA, the federal statute designed to encourage use of small-scale renewable energy systems, Rose said. Under the current balkanized arrangements, utilities claim that they are forced to run expensive and inefficient power generation units, to regulate varying wind power, he said.

Since the commission's 2015 policy statement, the utilities have made moves towards the pooling of their most efficient power generation units, with three of the utilities, Chugach Electric Association, Municipal Light & Power and Matanuska Electric Association, moving ahead with the formation of a pooling arrangement for their generation and transmission assets; the utilities have been discussing the formation of a transmission company to operate the transmission grid; and Alaska Railbelt Cooperative Transmission and Electric Co., or ARCTEC, is in the process of investigating the formation of what it refers to as a Railbelt Reliability Council for the transmission system.

Looking for clarity

But REAP is still unclear what actions the commission intends to take to implement its 2015 recommendations, Rose wrote. The commission has not requested legal authority over the siting of power generation; has not imposed a deadline for the utilities to form a transmission company; has not developed its own proposals for a transmission company; and has signaled that it sees its priorities over the next two years to be the establishment of grid reliability standards, he said.

Whereas the focus of ARCTEC's RRC proposal also appears to be reliability standards, the region-wide economic dispatch of the most efficient power across the grid would resolve arguments over wind power being excessively expensive, Rose wrote.

Meanwhile, the utilities continue to argue that variable power sources such as wind power will be difficult to integrate, despite the implementation by the utilities of new power generation that should be more capable of integrating wind, Rose said. Chugach Electric, which buys power from Cook Inlet Region Inc.'s Fire Island wind

see REAP RESPONSE page 11

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WIND FARMS

the Alaska Railbelt power transmission grid revolves around the cost of integrating the wind power into the system, the economic impact of displacing other power sources, and the environmental and cost stability benefits of adding wind power to the system.

Wind power presents a challenge to an electricity utility, because the generated power fluctuates with the vagaries of the varying wind strength. That fluctuating power must be counterbalanced by equal and opposite fluctuations in some other power source, such as a gas or oil-fired power station. This regulation of the wind power costs money. And the larger the amount of wind power in relation to a utility's total power generation capacity, the greater the impact of the wind power regulation on the economics of the overall power system. On the other hand, the cost of wind power is typically stable over long periods of time because the power generation does not require the purchase of fuel.

PURPA regulations

Under RCA regulations, driven by the federal Public Utilities Regulatory Policies Act, or PURPA, electricity utilities are required to purchase power under reasonable terms from qualifying, independent renewable power producers. Determining what constitutes reasonable terms involves projecting both the cost of integrating the wind power into the electrical system and the benefits that the relevant electric utility would gain from the use of the wind power. Benefits can come, for example, from the displacement of some of the utility's other power sources.

In the case of Delta Junction, Alaska Environmental Power LLC, owner of Delta Wind Farm, wants to expand its existing small 2-megawatt wind system by building a larger farm with a capacity of 13.5 megawatts. Saying that it is a qualifying facility under the terms of the state's PURPA regulations, the company requested a tariff from GVEA. GVEA duly responded with a tariff, which has since been modified as a consequence of commission comments.

CIRI Wind, the owner of the planned Fire Island wind farm expansion, has gone through a similar process, formally requesting a tariff from Anchorage-based Chugach Electric Association which filed a tariff in response to CIRI Wind's request.

Under the terms of the commissions' PURPA regulations, a utility must take into account the savings in the cost of energy acquisition and power generation capacity resulting from the obtaining of power from the qualifying facility. But the consumer electricity rates that result from the use of the facility's power must be "just and reasonable and in the public interest," while not discriminating against or adversely impacting the consumers.

Delta Wind Farm tariff

According to the commission's Feb. 6 order, GVEA's tariff for the Delta Junction wind farm indicated that the utility would charge the wind farm \$3.2 million for establishing the connection between the farm and GVEA's system. There would then be a \$500 annual fee for maintaining that connection. For 2018 the cost of integrating the wind power would be 92 cents per kilowatt hour, while the avoided cost of using the wind power would be 28 cents. The resulting purchase price for the wind power would be negative if electricity rates are not to increase, thus suggesting that the wind farm would have to pay GVEA to take its power. GVEA projected that negative price to increase over a 20-year period.

Among other issues relating to the tariff, GVEA has argued that, because it is already fully using its lowest cost power generation facility at North Pole to regulate the output from the utility's existing wind farm at Eva Creek, the utility would have to use its higher cost generation facilities to regulate the Delta Junction power. Delta Wind Farm, on the other hand, has objected to and questioned the method that GVEA used to project its future costs associated with the use of the wind power.

In its Feb. 6 order the commission said that it is satisfied with the method that GVEA has used to model the system economics.

"Further process (for the docket) will only add to the costs already borne by DWF and GVEA's ratepayers in furtherance of a project that appears not be workable under current or expected conditions," the commission wrote.

A dispute over study costs

Meanwhile the future of CIRI Wind's Fire Island proposal has yet to be resolved. A complication has arisen, in that Chugach Electric requested that CIRI Wind foot the bill for Chugach Electric's investigation into the practicalities and cost of connecting the expanded wind farm to the utility's system. The utility has argued that CIRI characterized its application as an integration request rather than as a request for a tariff as a qualifying facility. And, in conjunction with that integration request, CIRI Wind must reimburse Chugach Electric for the cost of the integration study, Chugach Electric claimed.

Chugach Electric asked the commission to adjudicate the reimbursement dispute and meanwhile filed a tariff in accordance with PURPA requirements. That tariff documented estimated avoided costs and integration costs over a 15-year period, were the utility to accept power from the expanded wind farm. The utility commented that it sees no benefit from the integration of the wind power and warned that accepting the wind power may compromise the utility's ability to use its more efficient power generation units. There are also issues relating to the potential impact of the wind power on a power pooling arrangement agreed between Chugach Electric, Municipal Light & Power and Matanuska Electric Association, Chugach Electric said.


CIRI Wind has responded to Chugach Electric's tariff, saying that the tariff is illegal because it uses an inadmissible method for pricing the purchasing of wind power. Moreover, Chugach Electric has made unwarranted assertions about the uncertainties associated with rate projections, the CIRI Wind response claims. The response also raises several other issues, including questions over the validity of Chugach Electric's estimates of the wind farm interconnection costs.

RCA closes docket

On Feb. 8 the commission issued an order opting not to rule in the dispute over who pays for the wind farm interconnection study and saying that adjudicating this type of dispute is not within its jurisdiction. Moreover, on Nov. 28 CIRI Wind had withdrawn its interconnection request, although still maintaining its request for a Chugach Electric tariff, the order said. And, because of that withdrawal of the original request, the commission said that there does not appear to be a current interconnection request: The commission said that as a consequence it is closing the tariff docket and ordering Chugach Electric to withdraw its proposed Fire Island tariff.


It is not clear what will happen next. ●

Contact Alan Bailey
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PROJECT ASSESSMENTS

Agencies scrapped

The first step is to scrap two regulatory agencies — the National Energy Board, which has gained international acclaim over 59 years for its expertise in evaluating projects based on their technical and economic merits, and the Canadian Environmental Assessment Agency, which has become increasingly scorned for its handling of environmental issues.

The role of the NEB will be drastically scaled back as it is transformed into the Canadian Energy Regulator, which will have a governance structure similar to that of the Alberta Energy Regulator, while shedding its role as judge and jury.

It will assess smaller developments and have responsibility for ongoing industry oversight.

McKenna insisted that Canadians “understand that better rules will make us more competitive, not less.”

The CEAA will be recreated as the Impact Assessment Agency of Canada, with an enlarged mandate to weigh economic, environmental, social and Indigenous issues and give proponents of larger ventures an early indication of how to obtain approval.

It will refer the largest, most controversial applications to panels named by the government.

Natural Resources Minister Jim Carr said the new framework will provide more certainty and be “far more transparent at a stage when heavy investment is required.”

He said the government will establish a list of “designated and non-designated” projects, with the major undertakings, such as interprovincial pipelines, falling into the designated category, making them subject to federal review within a 600-day time limit.

“When they are undesignated then the CER will determine (within a 300- to 450-day time frame) whether there will be an approval,” Carr said.

Reaction mixed

The initial reaction is far from the acclaim the government might have hoped for, with industry officials saying the legislation appears to erect new hurdles, while environmentalists say it fails to clearly rule out projects that would have significant adverse impacts on the environment.

Ed Fast, a member of Parliament from the opposition Conservative Party, said

Natural Resources Minister Jim Carr said the new framework will provide more certainty and be “far more transparent at a stage when heavy investment is required.”

the new rules will bog down the review process and be the “death knell of major resource development in Canada.”

Chris Bloomer, chief executive officer of the Canadian Energy Pipelines Association, said the legislation will “introduce a whole bunch of broad public policy issues into the evaluation process and we need to understand how these are going to mesh and how they will impact the timing of the processes.”

Perry Bellegarde, national chief of the Assembly of First Nations, welcomed the “recognition of Indigenous peoples’ rights at every stage of the (approval) process,” but said there is “room for improvement.”

Industry concerns

Steve Williams, CEO of Suncor Energy, which produces 460,000 barrels per day from the oil sands, gave a tepid reception to the changes, arguing that “other jurisdictions are doing much more to attract business, so Canada needs to up its game.”

“We’re having to look at Canada quite hard. The cumulative impact of regulation and higher taxation is making Canada a more difficult jurisdiction to allocate capital in,” he said.

For now, Williams said, Suncor, even with a record C\$3 billion from operations in 2017, will “look at Canada quite hard” before spending any of that money in its home territory.

Only four days later, on Feb. 15, Suncor did a quick about-face by acquiring Mocal Energy’s 5 percent stake in the Syncrude Canada oil sands operation for C\$920 million. That raises to 58.74 percent Suncor’s stake in Syncrude which has a nameplate capacity of 350,000 bpd.

Tim MacMillan, CEO of the Canadian Association of Petroleum Producers, said “we are hearing from many sources that Canada is off the investment radar” since the cancellation of such mega-projects as Enbridge’s Northern Gateway pipeline, TransCanada’s Energy East pipeline and Petronas’s Pacific NorthWest LNG project.

He suggested the new regulatory framework “is an opportunity to make a step change on clarity and give confidence to investors.” ●

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REAP RESPONSE

farm, has been curtailing about 10 percent of the wind farm output, despite having to pay for the power it does not use. Neither Chugach Electric nor the commission has developed any incentives to decrease this curtailment, Rose wrote.

Tariff inconsistencies

Reflecting on recent proposed wind farm tariffs — Golden Valley Electric Association’s tariff for a proposed wind farm at Delta Junction, and Chugach Electric Association’s tariff for an expansion to the Fire Island wind farm — Rose commented that there are differences between the tariffs that raise issues regarding the use of consistent tariff methodologies and hence encouraging power production by small producers that qualify under PURPA regulations.

For example, the tariffs span different lengths of time, take different approaches to the recovery of wind farm interconnection costs, and have not involved any analysis by the commission of interconnection benefits, Rose wrote.

While the commission made excellent recommendations in 2015 for grid reform and there has been incremental movement towards some of that reform, none of the reform has yet been completed. The continuing absence of a single load balancing region across the grid makes it easier for utilities to argue that wind power is too expensive; the penetration of non-hydro renewable power into the grid is extremely low; delays in grid reform will hurt the region’s economy; and the risks of climate change continue to rise, Rose argued.

Rose suggested that the commission should take steps to accelerate the implementation of its recommendations.

—ALAN BAILEY

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VMT QUESTIONS

Resources that the tugs’ designers had used a computer-based design methodology, a methodology that is becoming standard practice and that is more accurate than model testing. However, in response to the concerns raised, Alyeska ordered model testing of the designs, Barrett said. He said that he had not yet seen a report from this testing but that he had not heard anything to suggest that the designs were flawed.

Bow thrusters

Another issue arising from the marine architect’s report concerned the lack of bow thrusters in the tug designs. Bow thrusters can improve a vessel’s maneuverability. Barrett said that Alyeska had talked to a number of marine architects about this and that the decision not to install thrusters related to the anticipated operational speed of the tugs. While the lowest escort speed in Prince William Sound is six knots, the thrusters are useful up to around two knots. And at the higher speeds the presence of the bow thrusters could reduce the effective power of the vessels’ drive systems, thus reducing the tugs’ abilities to respond to an emergency, Barrett said.

Weather limits

With respect to weather limits, on Jan. 18 the board of PWSRCAC passed a resolution stating that the limits for tankers crossing Prince William Sound should be no more severe than weather and sea conditions used for escort tug drills and training. In other words, if conditions are too danger-

ous for tug drills and training, conditions are too dangerous for tanker operations, the board said.

Tankers are not allowed to transit the sound when wind and wave conditions exceed certain criteria. However, in the interests of tug crew safety, Alyeska does not conduct training exercises in these limiting conditions.

Barrett told the committee that, while he respects the experience and knowledge of PWSRCAC board members, he disagrees with them with regard to this issue. The purpose of training and drills is to perfect techniques and build capabilities, without putting people into unacceptably dangerous situations, he said. Barrett, who is a retired U.S. Coast Guard admiral, said that the Coast Guard, one of the premier lifesaving services in the world, does not train its personnel in the extreme conditions encountered in some of the agency’s rescue missions. Fire fighters do not train in burning buildings and are not allowed to train in uncontrolled conditions, he added.

Barrett likened the training of tug crews in marginal weather conditions to teaching someone to change a tire on a freeway, rather than at home on the driveway. The fact that the person has not changed a tire on a freeway does not make freeway driving dangerous, he said.

The tankers using the Valdez Marine Terminal can safely transit Prince William Sound within the prescribed weather limits, Barrett said. But conducting exercises in heavy weather — perhaps tethering a massive tanker following a simulated engine failure — would significantly up the risk ante. ●

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