



September 23, 2008

John McKenzie, Project Planner
Department of Planning and Building
San Luis Obispo County
County Government Center
San Luis Obispo, CA 93408

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SLO CO PLAN & BLDG DEPT

Subject: DRC 2006-00222 Mankins/Excelaron LLC Revised Referral Regarding Huasna Valley Oil Exploration and Production

Dear Mr. McKenzie:

On behalf of the City of Arroyo Grande ("City"), I would like to provide both our comments and requests for additional information regarding the proposed Excelaron oil project in Huasna Valley. The City has a number of serious concerns regarding the project's potential impacts to the City and its residents given its adjacent location within the unincorporated area of San Luis Obispo County. As you are aware, the following comments were directed by the City Council and developed after consideration of City and County staff analysis and a public hearing to receive public input from the affected and interested South County residents.

Public Safety Response

The fire hazards created by this project are significant and unmitigable and potentially disastrous without development of a fire station in closer proximity to the project site. The terrain in the project area is densely vegetated and extremely dry during most of the year and there are no available fire services within a reasonable distance to provide timely response to an incident. Our Police Department would also be the first to respond to assist the Sheriff with traffic control and evacuation should a major incident occur. City staff estimates indicate that it could likely be up to 30 minutes or greater, and only one employee proposed on-site during the production phase provides little ability to mitigate a fire emergency before it escalates to a regional incident. This would place the City at risk of the spread of wildfire and places a substantial burden on the City's Fire Department as the likely potential first responder. At the very least, the City believes some form of compensation or impact fee to the City for the impact to public safety services is necessary.

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The City requests responses to the following questions regarding fire safety and emergency response and that this information be included and addressed in the environmental review process:

- Will the County Fire Department coordinate with the City of Arroyo Grande/Grover Beach/OCSD Fire Department to clarify automatic and mutual aid and other emergency response capabilities and project fire protection requirements?
- What automatic fire suppression and protection measures will be in place prior to production operations and what private equipment will be provided on-site?
- What method of emergency notification is proposed given the single operator per shift?
- Are there monitoring systems, surveillance cameras, hardwire phones or cellular?
- With emergency response access concurrent with resident emergency evacuation, what precautions or improvements are proposed to reduce conflicts and increase safety?
- Is the project conditioned to construct a fire station to address the deficient Arroyo Grande fringe and Huasna Valley and what private facilities and equipment will be required of this project in the interim?
- Will the project be required to pay fire impact fees of the City, as well as special emergency service compensation?
- Does the project description include contingency plans for potential off-site spills or accidents on Porter Ranch private roads?
- Who is responsible for contamination clean-up and what insurance or performance bonds are required?

Traffic

The City strongly opposes increased traffic congestion and truck traffic noise, particularly impacts to E. Branch Street and the Historic Village, as well as routes carrying crude oil, fuel and other hazardous substances adjacent to schools and other sensitive uses. While the City appreciates the alternative route for trucks used in project development and operations identified in the revised project description, a number of concerns remain.

First, the level of truck traffic monitoring and how we can ensure that trucks will not utilize City roadways has not been specified. If approved, the City intends to independently monitor compliance with the conditions of approval and mitigation measures regarding truck routes through its Public Works Department and the Police Department. It is therefore requested that a specific condition be included requiring all service and production trucks accessing this project be clearly marked to facilitate monitoring and enforcement by the County, as well as the City.

Second, improvements to the proposed project access roadway have not been identified. As a result, concerns remain regarding the viability of the proposed route through the Porter Ranch and whether this will lead to use of routes through the City, particularly during wet weather conditions. County staff indicated that all project hauling would stop during wet weather conditions; this must be made a condition of approval.

Third, the amount of power potentially needed to operate the project will require a significant number of propane delivery trucks. The City opposes the increased traffic generated by these trips and requests that they and all other vehicles related to the operation of this project be required to utilize the proposed truck route through the Porter Ranch to Highway 166.

The following are specific questions and information the City requests be provided and addressed in the environmental review process:

- Size, type of vehicles, number and route of all construction/drilling and exploratory phase trucks and equipment;
- Specific information on all bridges, their specifications, and other creek crossings;
- Route and destination of hazardous material disposal;
- Number of construction/drilling phases, employees, shift hours and probable commute routes and trip reduction measures;
- Maximum duration and timing (season) of the exploratory phase;
- Assuming a maximum of four production wells using propane heated hot water injection: size, type of vehicles, number and route of all oil, water, propane and other production phase trucks and equipment;
- Frequency and times of day for service and employee access;
- Extent of improvements proposed off-site to existing road and proposed access easement;
- Estimate of seasonal variation;
- Clarification of what happens to production during adverse weather or flooding: storage, stoppage or temporary re-route;
- How monitoring of mitigation measures and enforcement to prevent access abuses is possible if service, equipment and trucks are not identified en route;
- Frequency and times of day for traffic conflicts on Huasna Valley Road and Huasna Townsite Road, particularly Lucia Mar Unified School District (LMUSD) school buses;
- How frequently the exploratory/construction phase will be monitored and how often will production phase operations be checked;
- By whom and what notice is given to which departments if noncompliance is detected;

- Whether all mitigation and monitoring costs are paid by the applicant and how is performance secured; and
- What penalties can be prescribed for condition/mitigation measures, particularly those related to health and safety violations, and what level of non-compliance will trigger permit revocation hearings;

Water and Utility Resources

The potential demand for water from this operation could be significant, particularly if steam operation is proposed or becomes necessary. Groundwater in this area is limited with regard to its ability to support existing and future residential and agricultural uses. As a result, the City believes detailed analysis is needed to determine the impacts of the project on area water resources and wells. Additional analysis is also necessary regarding the potential impact of the project on water quality.

The City requests the following specific questions be answered and addressed through the environmental review process:

- When will the applicant be required to pay for PG&E power extension versus highly volatile propane generators for electricity on-site?
- What will be the level of noise and air quality impact mitigation if no electric power is provided?
- Are existing water wells to be used for exploration of production phases and fire protection supply?
- Will increased use impact marginal private wells in the vicinity?
- Are new water wells and/or injection proposed that could adversely impact water quality or quantity?
- How was on-site water storage, piping, plumbing and hydrants for fire suppression and wildland fire projection determined? Is 20,000 gallons of on site storage sufficient in a worst case scenario? Is the system dependent on pressure pumps or gravity flow?

Air Quality

Cumulative air quality impacts created by development and operation of the project, as well as associated traffic will be significant. The City requests that these impacts be appropriately identified, addressed and fully mitigated through the environmental review process, including separate permits from the County Air Pollution Control District. The project also must analyze and mitigate impacts from greenhouse gas emissions.

Agricultural Preservation Policies

The City has strict policies and regulations designed to support and preserve agriculture and prime soils both within its boundaries and in surrounding areas. City policies do not allow an industrial use such as this within an agricultural

zone. The City requests the County consider adoption of similar restrictions and policies.

Future Planning

The City is very concerned regarding the precedent that may be established by this project as it pertains to other future potential projects in the area that could have similar or more extreme effects. Cumulative impacts would likely be even more serious. The City believes an overall area perspective should be considered and supports development of a countywide energy plan to address these issues. The planning process should be designed to balance energy and resource development with quality of life, tourism, economic and other important issues.

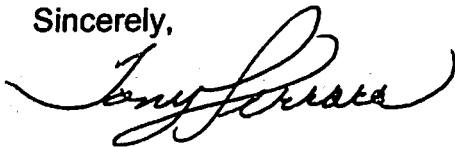
There is also concern regarding potential jurisdictional conflicts with other agencies that may impact the County's future ability to regulate and monitor the project. In particular, the City would like evidence of specific assurances that any proposed expansion or change in the operation of the project will require County review and approval of an amended or new Conditional Use Permit considering State or Federal regulation preemption potential.

Environmental Review

Based on the scope and number of issues identified, including potentially significant and unmitigable impacts to emergency services, air quality and circulation, the City recommends an Environmental Impact Report (EIR) be required. If the project is approved, alternatives or conditions such as installation of a pipeline, use of recycled water, and other measures would be appropriate to mitigate expected impacts.

Thank you for the opportunity to provide input on this project. We appreciate your consideration of the concerns of the City and our community. Please let us know if you have questions or would like additional information.

Sincerely,



Tony Ferrara
Mayor

- cc. San Luis Obispo County Board of Supervisors
San Luis Obispo County Planning Commission
City Council
Air Pollution Control District