



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the

Board of Harbor Commissioners

DATE: AUGUST 2, 2017

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF JOINT REVOCABLE PERMIT NO. 17-17 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND PORT OF LONG BEACH AS JOINT OWNERS, AND TESORO SOCAL PIPELINE COMPANY LLC

SUMMARY:

Staff requests approval of Joint Revocable Permit (JRP) No. 17-17 between the City of Los Angeles Harbor Department (Harbor Department) and Port of Long Beach (POLB), as joint owners, and Tesoro SoCal Pipeline Company LLC (Tesoro) for 364 square feet of property. Tesoro's Los Angeles Refinery Integration and Compliance Project (LARIC) will interconnect pipelines between Tesoro's Wilmington Refinery and Carson Refinery and will cross under the Alameda Corridor property jointly-owned by both Ports. Tesoro will be responsible to install, operate, and maintain the pipelines. The LARIC Project was assessed in a Final Environmental Impact Report (EIR) and approved by the South Coast Air Quality Management District on May 12, 2017. As part of this action, the Harbor Department must make certain findings and determinations pursuant to the California Environmental Quality Act (CEQA) because it is considered a Responsible Agency in granting a permit for a portion of the Project.

Approval of the proposed JRP will result in Tesoro paying the minimum annual permit fee per pipeline, totaling \$20,000 annually plus an annual Consumer Price Index escalator. In addition to insurance requirements, Tesoro shall provide surety bond in the amount of \$5,000,000 to assure Permittee's full, prompt and faithful performance of all the terms, covenant and conditions of the permit, and will fully indemnify both Ports from any potential liability.

Furthermore, Tesoro's parent company, Tesoro Logistics LLC, changed their name to Andeavor Logistics, a Delaware limited partnership effective August 1, 2017. Therefore, Andeavor Logistics, as Tesoro's parent company has entered into a guaranty agreement guaranteeing full, prompt and faithful payment, performance and discharge of all of Tesoro's obligations under the JRP.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that since certification of the Final Environmental Impact Report by the South Coast Air Quality Management District (State Clearinghouse No. 2014091020), there have been (1) no substantial changes to the Project which would require major revisions of the Final Environmental Impact Report, (2) no substantial changes with

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respect to the circumstances under which the Project is being undertaken which would require major revisions in the Final Environmental Impact Report, and (3) no new information has become available which was not known or could have been known at the time the Final Environmental Impact Report was certified as complete;

2. Adopt the Findings of Fact and Statement of Overriding Considerations;
3. Adopt the measures contained in the Mitigation Monitoring and Reporting Plan that pertain to the "Interconnecting Pipelines" project element of the certified Final Environmental Impact Report;
4. Approve the proposed Joint Revocable Permit No. 17-17 between the City of Los Angeles Harbor Department and Port of Long Beach, as joint owners, and Tesoro SoCal Pipeline Company LLC to install, operate and maintain a bundle of 13 pipelines for the LARIC Project;
5. Direct the Real Estate Division to incorporate the measures contained in the Mitigation Monitoring and Reporting Plan that pertain to the "Interconnecting Pipelines" project element of the certified Final Environmental Impact Report into the approved Joint Revocable Permit;
6. Authorize the Environmental Management Division to file the Notice of Determination with the Los Angeles County Clerk, the Los Angeles City Clerk, and the State Secretary of Resources;
7. Authorize the Executive Director to execute and the Board Secretary to attest to Joint Revocable Permit No. 17-17; and
8. Adopt Resolution No. _____.

DISCUSSION:

Background – On December 22, 1994, the Harbor Department and POLB jointly purchased properties as part of the Alameda Corridor construction project. The property is located along the former Southern Pacific Railroad (SPRR) and Union Pacific Railroad (UPRR) right-of-ways (ROW) within the County of Los Angeles. The SPRR ROW was acquired to serve as the main rail line for the Alameda Corridor while the UPRR ROW was acquired to serve as a possible alternative route. The railroad properties purchased are held by the Harbor Department and POLB as tenants in common, with each holding an undivided 50 percent interest in the property. In addition, the Harbor Department and POLB became successors-in-interest to all railroad agreements, leases, and licenses, related to the acquired railroad ROW, some of which have outdated language dating back to the 1920's and beyond.

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JRP Terms and Conditions – The general terms and conditions of the proposed JRP (Transmittal 1) are as follows:

Use: The JRP allows Tesoro to interconnect their two refineries by installing a pipeline “bundle” 80 feet below the jointly-owned rail property. Tesoro will be responsible for the operation and maintenance of the premises.

Premises: The premises are comprised of approximately 364 square feet of land (Transmittal 2) crossing under the UPRR, as described and depicted in Exhibit A and Exhibit B of the permit.

Compensation: The Harbor Department and POLB have established a land value of \$25.00 per square foot with a discount of 50 percent for subsurface pipelines. At a 10 percent rate of return, this calculates to \$1.25 per square foot (\$455) or an annual fee per pipeline of \$2,000 whichever is higher. Due to the small area being permitted and the large number of pipelines, a minimum annual rent is proposed for the premises at \$20,000 (10+ pipelines X \$2,000), of which the Harbor Department will receive 50 percent (\$10,000) for its undivided interest. Exhibit A of Transmittal 1 provides a summary of compensation allocated to the new pipelines.

Term: The JRP will be effective upon execution by both the Harbor Department and POLB and revocable upon 60 days’ written notice by any party.

Insurance: The JRP requires that the Harbor Department and POLB be named as additional insureds under Tesoro’s insurance coverage.

In addition to the insurance requirements, Tesoro’s parent company, Andeavor Logistics, LP, a Delaware limited partnership, has entered into a guaranty agreement guaranteeing full, prompt and faithful payment, performance and discharge of all of Tesoro’s obligations.

The POLB is pursuing approval of the Tesoro JRP within their respective process through its Board of Commissioners.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a JRP with POLB and Tesoro for pipelines associated with Tesoro’s LARIC that crosses jointly-owned Harbor Department and POLB property. The underlying LARIC was assessed in a Final EIR prepared by the South Coast Air Quality Management District (State Clearinghouse No. 2014091020). The Harbor Department was notified that litigation challenging the Tesoro certified Final EIR was filed by Communities for A Better Environment and remains pending. The Harbor Department is not a party in the litigation.

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CEQA allows other agencies to process discretionary approvals such as the Harbor Department's consideration of the JRP while CEQA litigation is pending. If such other agency approvals are obtained and Tesoro proceeds with the LARIC Project before the CEQA litigation is resolved, it does so at its own risk that the certified EIR may be invalidated, affecting any project work undertaken. Tesoro has requested that the Harbor Department proceed in the ordinary course with processing the JRP. As part of this action, the Harbor Department must make certain findings and determinations pursuant to CEQA because it is considered a Responsible Agency in granting a permit for a portion of the LARIC Project described in the Final EIR as "Interconnecting Pipelines".

Based on its review of the certified Final EIR, the Harbor Department has made certain findings of fact regarding the environmental effects of the LARIC Project pursuant to Public Resources Code section 21081 and Title 14 California Code of Regulations 15091; findings regarding the Statement of Overriding Considerations pursuant to Public Resources Code section 21081 and Title 14 California Code of Regulations section 15093; and sets forth a Mitigation Monitoring and Reporting Plan (MMRP) that pertains to the "Interconnecting Pipelines" project element of the certified Final EIR pursuant to Public Resources Code section 21081 and Title 14 California Code of Regulations section 15097. The Findings of Fact, Statement of Overriding Considerations, and Mitigation Monitoring and Reporting Plan are provided as Transmittal 3.

FINANCIAL IMPACT:

Approval of the proposed Tesoro JRP will result in Tesoro paying the Ports an annual permit fee of \$20,000.00.

No. of Active Pipelines	Rental Rate per Pipeline	Minimum Annual Compensation (Each pipeline is \$2,000 X 10 pipelines)	Compensation to Harbor Department (50% Undivided Interest)
10	\$2000.00	\$20,000.00	\$10,000.00

The Harbor Department and POLB each have an undivided 50 percent interest in the property, therefore, the Harbor Department will receive total compensation of \$10,000.00.

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CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the JRP as to form and legality.

TRANSMITTALS:

1. Tesoro SoCal Pipeline Company, LLC Joint Revocable Permit No. 17-17
2. Site Map
3. Findings of Fact, Statement of Overriding Considerations, and Mitigation Monitoring and Reporting Plan

FIS Approval: *MB* (initials)
CA Approval: *MB* (initials)


JACK C. HEDGE
Director of Cargo & Industrial Real Estate


FOR MICHAEL DIBERNARDO
Deputy Executive Director

APPROVED:

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