



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

Board of Harbor Commissioners

DATE: AUGUST 1, 2012

FROM: REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE MASTER JOINT REVOCABLE PERMIT NO. 09-17 AMONG THE CITY OF LOS ANGELES HARBOR DEPARTMENT, PORT OF LONG BEACH, AND PACIFIC PIPELINE SYSTEM LLC – LAHD NO. 70018

SUMMARY:

Master Joint Revocable Permit (MJRP) No. 09-17 among the City of Los Angeles Harbor Department (Harbor Department, the Port of Long Beach (POLB), and Pacific Pipeline System LLC (Pacific Pipeline), a subsidiary of Plains All-American, is proposed for the purpose of consolidating various existing leases and licenses for subsurface petroleum pipelines and related appurtenances (i.e., cathodic protection systems, vaults, valves, meters, etc.) into a single master permit to reduce duplicative administrative burdens. The proposed MJRP will allow parcels for subsurface facilities and related appurtenances to be added or removed through amendments that will only require the approval and execution by the Executive Directors of the Harbor Department and POLB. In addition, the proposed MJRP will update terms to reflect current standard permit terms and provisions, document historically operated facilities for future reference, and adjusts compensation.

Approval of the proposed MJRP will result in substantial time and cost savings associated with management of the various Pacific Pipeline entitlements.

RECOMMENDATION:

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

1. Approve Master Joint Revocable Permit No. 09-17 with Pacific Pipeline System LLC for the operation and maintenance of existing subsurface petroleum pipelines and appurtenances;
2. Authorize the Executive Director to execute and the Board Secretary to attest to Master Joint Revocable Permit No. 09-17; and
3. Adopt Resolution No. _____.

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DISCUSSION:

Background – On December 22, 1994, the Harbor Department and POLB jointly purchased properties along the former Southern Pacific Railroad (SPRR) and Union Pacific Railroad (UPRR) right-of-way (ROW) in the County of Los Angeles as part of the Alameda Corridor construction project. The SPRR ROW was acquired to serve as the main rail line for the Alameda Corridor. The UPRR ROW was acquired to serve as a possible alternative route for the Alameda Corridor. All railroad properties purchased are held by the Harbor Department and POLB as tenants in common, each holding an undivided 50 percent interest in the property. In addition, the Harbor Department and POLB became successors-in-interest to all the railroad agreements, leases, and licenses related to the acquired railroad ROW, including numerous entitlements with Pacific Pipeline. Many of these entitlements are former railroad agreements with antiquated language, some of which date back to the 1930s.

Proposed MJRP – The proposed MJRP (Transmittal 1) consolidates the approximately eleven active Harbor Department and POLB leases and licenses with Pacific Pipeline for approximately eleven petroleum pipelines and related appurtenances into a single master permit.

The proposed MJRP will update terms to reflect current standard permit terms and provisions, document historically operated facilities for future reference, and adjusts compensation. As part of the MJRP development process, considerable effort was made to reconcile and update the status of the various individual facilities, including identification of facilities without existing permits and facilities historically operated by Pacific Pipeline. The ability to trace pipeline ownership and operations is important for future remediation or restoration of the ROW.

The proposed MJRP compensation is based on receiving a 10 percent rate of return on a negotiated land value of \$20 per square foot, with a subsurface discount of 50 percent, for a longitudinal pipeline, and is consistent with Board's Rate of Return policy. This is supplemented with a negotiated \$500 annual fee for each nominal pipeline crossing. The \$500 annual fee is considered a reasonable rate since it gives Pacific Pipeline incentive to relinquish all its various pipeline entitlements and agree to one master permit, which will result in substantial time and cost savings associated with management of those entitlements, and brings them in-line with industry standard for pipeline crossings. Compensation will be adjusted annually based upon the Consumer Price Index. The Harbor Department and POLB also reserve the right to adjust compensation to market rent with 60 days written notice.

Subsurface petroleum pipelines and related appurtenances are often modified and relocated for various purposes. Currently, such facility modifications require amendments to the impacted permits, leases, and licenses. In order to ease administration of the MJRP, language is included that allows parcels for subsurface pipelines and related appurtenances to be added or removed through amendments requiring the approval of the Executive Directors for the Harbor Department and POLB.

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The MJRP would be effective upon execution by the Harbor Department and POLB, and revocable upon 60 days written notice by any party.

Pacific Pipeline MJRP Terms and Conditions – The general terms and conditions of the proposed MJRP are as follows:

Use: The MJRP allows the operation and maintenance of subsurface petroleum pipelines and related appurtenances.

Premises: The MJRP encompasses ten subsurface petroleum pipeline crossings and one longitudinal petroleum pipeline comprising approximately 8,935 square feet of subsurface area (Transmittal 2). The premises are further described in Exhibit A of the permit.

Compensation: The annual compensation would be \$ 8,805 per year for the MJRP, of which the Harbor Department would receive 50 percent (\$4,402.50). Exhibit A of Transmittal 1 provides a summary of compensation allocated to each individual pipeline facility.

Insurance: The MJRP includes language requiring that the Harbor Department and POLB be named as additional insureds under Pacific Pipeline’s insurance coverage, which includes pollution insurance.

The POLB, through its Board of Harbor Commissioners, approved the proposed MJRP at its meeting held on March 19, 2012.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a MJRP with POLB and Pacific Pipeline for the purpose of consolidating various existing leases and licenses for subsurface petroleum pipelines into a single master permit to reduce duplicative administrative burdens. As an activity involving the issuance of a permit to use an existing facility involving no expansion of use, the Director of Environmental management has determined that the proposed action is exempt from the California Environmental Quality Act (CEQA) in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

This Board action will have no direct employment impact for the five-county region.

FINANCIAL IMPACT:

Approval of the proposed Pacific Pipeline MJRP will result in Pacific Pipeline paying the Harbor Department and POLB annual permit fees of \$8,805, of which the Harbor Department will receive fifty percent (\$4,402.50) of this total. The current annual fees received for existing Pacific Pipeline leases and licenses amounts to \$5,600, of which the Harbor Department receives fifty percent (\$2,800) of this total.

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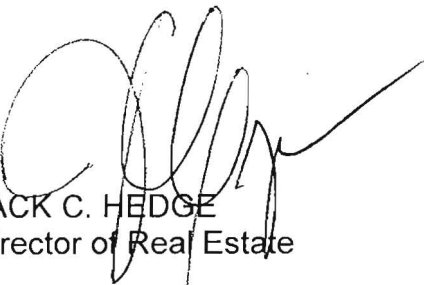
The financial impact of not approving the proposed Pacific Pipeline MJRP would be a loss of \$1,602 in extra annual revenue, in addition to the cost savings associated with permit administration efficiencies associated with the MJRP.

CITY ATTORNEY:

Proposed MJRP No. 09-17 has been approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

1. Master Joint Revocable Permit No. 09-17
2. Aerial Site Map



JACK C. HEDGE
Director of Real Estate

FIS Approval: VP (initials)
CA Approval: CPB (initials)



FOE KATHRYN McDERMOTT
Deputy Executive Director

APPROVED:



GERALDINE KNATZ, Ph.D.
Executive Director

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