



**THE PORT  
OF LOS ANGELES**  
Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: NOVEMBER 3, 2015**

**FROM: ENVIRONMENTAL MANAGEMENT**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVAL OF FUNDING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND CHEVRON ENVIRONMENTAL MANAGEMENT COMPANY TO ALLOW CHEVRON TO UTILIZE HARBOR DEPARTMENT SITE ASSESSMENT AGREEMENTS**

**SUMMARY:**

The Environmental Management Division (EMD) requests approval of the proposed subject Funding Agreement (Agreement) between Chevron Environmental Management Company (Chevron), a corporation, and the City of Los Angeles Harbor Department (Harbor Department). The proposed Agreement will allow Chevron to utilize the services of Tetra Tech, Inc., an environmental consulting firm under contract with the Harbor Department, in order to better accommodate access and scheduling issues associated with China Shipping's terminal operations. Currently, the Los Angeles Regional Water Quality Control Board (LARWQCB) requires Chevron to install ten groundwater wells and conduct quarterly monitoring of those wells as part of Chevron's continuing obligation to clean up contamination at its former Berths 97-102 Marine Oil Terminal (MOT). The groundwater wells are located on China Shipping's Berth 100 container terminal. Under the proposed Agreement, EMD's Site Assessment Agreements would be used to perform the required monitoring work for Chevron in order to streamline the administrative permitting process and prevent disruptions to China Shipping's terminal operations. After completion of each monitoring event, the invoices would be directly submitted to Chevron for payment. Since Chevron will pay the work invoices directly, there will be no actual expenditure of Harbor Department funds. However, for contractual reasons, funding for the term of the proposed Agreement in the amount of \$362,361 requires approval from the Board of Harbor Commissioners (Board). This amount includes a 30% well installation contingency of \$34,006, as requested by Chevron, should unanticipated delays occur.

**RECOMMENDATION:**

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

1. Find that the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;

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2. Approve the proposed Agreement between the City of Los Angeles Harbor Department and Chevron Environmental Management Company, a corporation, for a term of three years;
3. Approve funding in the amount of \$362,361 for the term of the proposed Agreement;
4. Authorize the Executive Director to execute and the Board Secretary to attest to, said Agreement for and on behalf of the Board; and
5. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background/Content - Chevron and the Harbor Department are both under a Spill Cleanup Program order (SCP No. 1150) from the LARWQCB to perform post closure activities at the MOT. In 2005, Chevron and the Harbor Department entered into a "Settlement Agreement and Mutual Release," (Agreement No. 2387) for Chevron to "...perform site investigation, characterization, remediation, monitoring, testing, and any other activity as may be required of Chevron, either individually or jointly with the City, by the Regional Water Quality Control Board."

Currently, the LARWQCB requires Chevron to install groundwater monitoring wells and conduct quarterly monitoring of those wells as part of their continuing obligation to clean up contamination at its former MOT and pipeline system. Ten of Chevron's monitoring wells are located on China Shipping's Berth 100 container terminal. Under the proposed Agreement, Chevron would use EMD's Site Assessment Agreements to install groundwater monitoring wells and perform the necessary monitoring work. The primary objective of the proposed Agreement is to provide the least disturbance to terminal operations. EMD's site assessment consultants are familiar with the operations at the terminal and continue to coordinate with the West Basin Container Terminals (WBCT) operators on activities involving well installations and environmental sampling and monitoring.

After completion of each monitoring event and per the proposed Agreement, the consultants' invoices would be directly submitted to Chevron for payment, as opposed to the typical reimbursement process through the Harbor Department. Since Chevron will pay the work invoices directly, there will be no actual expenditure of Harbor Department funds. However, for contractual reasons, appropriating funding for the term of the proposed Agreement in the amount of \$362,361 requires approval and authorization. The funds would then be eventually released back to the Harbor Department as the work is completed.

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During almost 70 years of operation, Chevron's storage tanks and pipelines leaked and contaminated the soil and groundwater with petroleum hydrocarbons. After the Chevron MOT ceased operations and was demolished in 1991, Chevron cleaned up most of the contamination at the site at a cost of more than \$30 million. To date, Chevron has completed two major soil remedial actions. The first action was completed in 1993 and in advance of the original China Shipping Terminal development project. The second remedial action completed in 2012 addressed pipeline leaks and subsurface oil plumes that had migrated to the adjacent Berth 95 area. Installation and monitoring of the ten groundwater monitoring wells are required by the LARWQCB to demonstrate the effectiveness of Chevron remedial actions taken to date.

Proposed Project Schedule - Due to the very busy terminal operations and in coordination with the WBCT, the groundwater monitoring wells have been located in the aisle spaces at the terminal rather than within the container-stall storage areas. In addition, installation of monitoring wells will be staged to avoid undue disruption to terminal operations. The schedule assumes that the terminal would be accessible only for one week day and on Sundays, excluding holidays. This proposed schedule was selected in order to accommodate the two new container cranes being installed as requested by WBCT. Once the monitoring wells are installed and developed, the wells would be sampled on a quarterly basis for a period of two years. The proposed Agreement is active for a three-year period from the date of execution. This time period will include groundwater well installations and subsequent monitoring activities. The following schedule is anticipated for the project:

FY 2015/16: Well installation and development (Nov. 2015 through Feb. 2016 and two quarterly events (initial and May-June 2016 events))

FY 2016/17: Four quarterly monitoring events (Aug. 2016, Oct 2016, Jan. 2017, May 2017)

FY 2017/18: Final two quarterly monitoring events (Aug. 2017 and Oct. 2017)

**FINANCIAL IMPACT:**

Approval of the proposed Agreement will require Chevron Environmental Management Company, a corporation, to pay 100% of consultant costs at no cost to the Harbor Department. The consultant costs are expected to be \$362,361, which includes a 30% well installation contingency of \$34,006. The funding will eventually be released back to the Harbor Department, in full, as the work is completed. If the proposed Agreement is approved, funding of \$240,831 would be made available in FY 2015/16, Account 54260, Division 0330 and Program 000. The Harbor Department may terminate the Agreement for any reason, such as non-payment of invoices. However, such termination shall not

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relieve Chevron's liability for any obligation previously incurred. Anticipated Fiscal Year amounts are:

| FY           | Consultant Cost   | Payments by Chevron (100%) | Work Item                     |
|--------------|-------------------|----------------------------|-------------------------------|
| 2015/16      | \$ 240,831        | \$ 240,831                 | Drilling/development/2 events |
| 2016/17      | \$ 81,020         | \$ 81,020                  | 4 events                      |
| 2017/18      | \$ 40,510         | \$ 40,510                  | 2 events                      |
| <b>TOTAL</b> | <b>\$ 362,361</b> | <b>\$ 362,361</b>          |                               |

Any tasks that may occur after the last monitoring event in FY 2017/18 will be covered under an Agreement Addendum. Future tasks may include abandonment of the wells and/or continued quarterly monitoring (estimated to cost \$81,020 per year). At this time, funding approval for work beyond FY 2017/18 is not being requested.

The total consultant cost to be paid by Chevron is \$362,361.

**ENVIRONMENTAL ASSESSMENT:**

The proposed actions are approval of an Agreement with Chevron and funding approval of \$362,361 to minimize disruptions to terminal operations and to streamline the sampling of monitoring wells by utilizing the Harbor Department's Site Assessment Agreements to provide the necessary environmental services. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

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MANAGEMENT COMPANY

**CITY ATTORNEY:**

The Office of the City Attorney has received and approved the proposed Agreement as to form and legality.

**TRANSMITTAL:**

1. Proposed Agreement between the City of Los Angeles Harbor Department and Chevron U.S.A. Inc.

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

  
CHRISTOPHER CANNON  
Director of Environmental Management

  
FOR MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:

  
EUGENE D. SEROKA  
Executive Director

AUTHOR: HELOISE FROELICLH  
BOARD MEETING: 11/10/2015

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