



Executive Director's

Report to the

Board of Harbor Commissioners

DATE: MARCH 12, 2025

FROM: CARGO & INDUSTRIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF MASTER JOINT REVOCABLE PERMIT NO. 24-12 BETWEEN TESORO SOCAL PIPELINE COMPANY LLC AND THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND THE PORT OF LONG BEACH, AS JOINT OWNERS; AND GUARANTY WITH MPLX LP

SUMMARY:

Staff requests approval of Master Joint Revocable Permit (MJRP) No. 24-12 between Tesoro SoCal Pipeline Company LLC (TSPC), the City of Los Angeles Harbor Department (Harbor Department), and the Port of Long Beach (POLB), (collectively Ports), as joint owners, and approval of a guaranty of that MJRP furnished by MPLX LP, TSPC's parent company. The MJRP allows TSPC to maintain and operate 89 subsurface and four surface facilities located on the Alameda Corridor Transportation Authority (ACTA) corridor and former Union Pacific Railroad San Pedro Branch from Wilmington to South Gate, California.

This MJRP includes 89 existing subsurface pipelines, conduits, casings, grout lines, cables, ignition and telecommunication system piping; and four existing surface valve boxes generally used for the transport of petroleum products to and from TSPC's local refineries. The initial annual rent to be paid by TSPC is \$403,977, which will be split equally between the Ports, and is subject to annual increases based on the Consumer Price Index (CPI). As a 50 percent joint owner, the Harbor Department will receive \$201,988.50 in rent. Of the 93 parcels, three (totaling 1,034 square feet) will not be assessed rent as they are either located in the public street right-of-way or cover structure (grout lines) incidental to the support and maintenance of other pipelines.

This MJRP requires approval from the Board of Harbor Commissioners of both Ports. The POLB's Board of Harbor Commissioners approved this MJRP at its meeting on January 13, 2025.

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 categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Classes 1(14), 1(17) and 1(18)(f) of the Los Angeles City CEQA Guidelines;
2. Approve Master Joint Revocable Permit No. 24-12 between Tesoro SoCal Pipeline

SUBJECT: APPROVAL OF MJRP NO. 24-12 WITH TESORO SOCIAL PIPELINE COMPANY LLC; GUARANTY WITH MPLX LP

Company LLC and the City of Los Angeles Harbor Department and the Port of Long Beach, as joint owners;

- 3. Approve the Guaranty provided by MPLX LP;
- 4. Authorize the Executive Director to execute and the Board Secretary to attest to Master Joint Revocable Permit No. 24-12; and
- 5. Adopt Resolution No. _____.

DISCUSSION:

Background - On December 22, 1994, the Harbor Department and POLB jointly purchased rail properties as part of the ACTA construction project. The properties include former Southern Pacific Railroad and Union Pacific Railroad rights-of-way within the County of Los Angeles and are held by the Ports as tenants-in-common, with each holding an undivided 50 percent interest in the properties. As part of the purchase agreement for the rail properties, the Ports became successors-in-interest to all railroad agreements, leases, and licenses related to the acquired railroad right-of-way.

The proposed MJRP consolidates various agreements and previously undocumented facilities that, in aggregate, covers 93 parcels consisting of the following: 89 subsurface uses (comprised of 80 petroleum, water, gas, air and foam pipelines; four conduits and/or casings; two cables; one grout line facility; one metal pipe ignition system and one telecommunications pipe); and four surface facilities comprised of four valve boxes (Transmittal 1). The Guaranty from MPLX LP ensures the full, prompt and faithful payment, performance and discharge by TSPC of each of its obligations under the MJRP. Formed in 2012 by Marathon Petroleum Corporation, MPLX LP is a diversified, large-cap master limited partnership that owns and operates midstream energy infrastructure and logistics assets and provides fuels distribution services.

Proposed MJRP - Provided below are the material terms of the MJRP (Transmittal 2):

<u>Provisions</u>	<u>Description</u>
Permitted Use	The maintenance and operation of four surface and 89 subsurface facilities.
Term Termination	Month-to-month Subject to termination by either party with 180 days' written notice.
Premises	The premises are comprised of 93 facilities totaling approximately 185,633 square feet, as depicted on Transmittal 1.

SUBJECT: APPROVAL OF MJRP NO. 24-12 WITH TESORO SOCIAL PIPELINE COMPANY LLC; GUARANTY WITH MPLX LP

Compensation ¹	1. The Harbor Department will receive 50 percent of the total rent, equal to \$201,988.50 per year. Total rent for the first year is \$403,977, split equally between the Ports.
	2. The Harbor Department will also receive a one-time fee of \$1,250, half of a \$2,500 permit processing fee paid by Tesoro SoCal Pipeline Company LLC.
	3. Three of the parcels, totaling 1,034 square feet, will not be assessed rent as they are located in public street rights-of-way or cover facilities (grout lines) incidental to the support and maintenance of other pipelines. More specifically, two facilities are in the public street rights of way (i.e., six-inch & 12" pipelines in Foote Ave.), and one of the facilities (three-inch x two-inch grout lines) provides pipeline support only.
Adjustments	1. Annual CPI adjustment 2. Adjust rents to market rates upon 60 days' written notice to the Tesoro SoCal Pipeline Company LLC.
Security Deposit	\$100,994 split equally between the Ports.
Maintenance and Restoration	Tesoro SoCal Pipeline Company LLC, at its sole cost, will keep and maintain the permit areas, improvements and facilities and restore the premises.
Insurance	All standard insurance requirements apply including a deletion of the railroad exclusion, plus additional coverage for Pollution Legal Liability Insurance.
Guaranty	MPLX LP furnished a guaranty to irrevocably guarantee the timely payment and performance of all obligations of TSPC arising under the proposed MJRP. See Transmittal 3.
Notes: ¹ Rent for a majority of the utility crossing parcels (68 of the 93 parcels) is calculated using the Ports' \$2,000 minimum rent for such facilities. Rent for other pipelines and transmission cables (22 of the 93 parcels) is calculated using market rates for comparable facilities as confirmed through a third-party appraiser. The remaining three of the 93 parcels will not be assessed rent.	

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of MJRP No. 24-12 with TSPC and the Ports for maintenance and operation of 89 subsurface and four surface facilities, and approval of a guaranty of MJRP No. 24-12 furnished by MPLX LP, which is an activity that includes the issuance of a permit to use an existing structure or facility involving negligible or no expansion of use, operation and maintenance of surface pipelines serving industrial or

DATE: MARCH 12, 2025

PAGE 4 OF 4

SUBJECT: APPROVAL OF MJRP NO. 24-12 WITH TESORO SOCIAL PIPELINE COMPANY LLC; GUARANTY WITH MPLX LP

commercial facilities and all subsurface pipelines, and the issuance of permits for surface or subsurface pipelines serving industrial or commercial facilities in the Harbor District with negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of CEQA in accordance with Article III Classes 1(14), 1(17) and 1(18)(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed action will allow the Harbor Department to enter into MJRP 24-12 with TSPC and the POLB. Under the proposed MJRP, TSPC will initially pay the Harbor Department \$201,988.50 per year for rent and \$1,250 for the permit processing fee (totaling \$403,977 for rent and the one-time charge of \$2,500 for a processing fee, which will be split equally between both Ports). This represents a total of \$203,238.50 of revenue for the first year and \$201,988.50 of recurring revenue to the Harbor Department in subsequent years, subject to annual adjustments based on the year-over-year increase in CPI, which will commence on the first anniversary of the proposed MJRP.

Staff has reviewed financial information pertaining to the proposed guarantor, MPLX LP, and as of the most recently completed fiscal year, it appears that MPLX LP possesses a reasonable amount of financial wherewithal to serve as a guarantor of the proposed MJRP should an adverse event occur.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved Master Joint Revocable Permit No. 24-12 and the Guaranty as to form and legality.

TRANSMITTALS:

1. Premises Map
2. Master Joint Revocable Permit No. 24-12
3. Guaranty

FIS Approval: JS
CA Approval: SO

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