

MINUTE ITEM

This Calendar Item No. 112  
was approved as Minute Item  
No. 22 by the State Lands  
Commission by a vote of 2  
to 0 at its 4/21/86  
meeting.

CALENDAR ITEM

22

A 11, 44, 49, 50, 29, 4, 69, 58, 35

S 7, 22, 29, 14, 2, 37, 18

06/26/86  
PKC 139  
PRC 236  
PRC 628  
PRC 2478  
PRC 3394  
PRC 3978  
PRC 4270  
PRC 5577  
PRC 5888  
PRC 6417  
PRC 6942  
PRC 6943  
Townsend

APPROVE SELF-INSURANCE PLAN IN LIEU OF  
AN INSURANCE POLICY ON CHEVRON U.S.A., INC.  
STATE RIGHT-OF-WAY AND INDUSTRIAL LEASES

APPLICANT: Chevron U.S.A., Inc.  
Attn: Mr. H. D. Millar  
Risk Management  
One Sansome Street, Suite 904  
San Francisco, California 94120-7141

PRESENT SITUATION:

1. Chevron currently covers its property/liability exposures through major insurance programs with sizeable deductibles. Reliant on the strength of its net worth, Chevron has requested the Commission's consideration of a self-insurance plan for 12 surface management leases, including pipeline Right-of-way and Industrial Leases for marine terminals. Staff has reviewed, in detail, a description of the plan, and a copy of Chevron's most current 10-K Report, including the Report to Stockholders.
2. The program would be administered by a professionally staffed claims department within Chevron's Insurance Division. CIGNA (INA) (Connecticut General/Insurance of

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America) provides claim handling services. Incidents involving or likely to result in liability claims are reported to Chevron's San Francisco Insurance Division. Reserves are established by both Chevron claim staff and CIGNA field adjusters. Depending on the severity of the loss, Chevron field locations may assign the loss directly to CIGNA offices. CIGNA claims offices investigate reported claims, make appropriate tenders of defense and, where appropriate, negotiate settlement within given authority. CIGNA locations are provided with Chevron client handling instructions and settlement check.

3. Chevron has agreed to enter into a Letter of Agreement with the State which provides that (1) Chevron will submit its annual certified financial report and other requested financial and safety information to Commission staff for review, and (2) in the event the State feels Chevron is unable to meet its deductibles, it reserves the right to require that Chevron provide evidence of insurance coverage from a provider acceptable to the State.

STATUTORY AND OTHER REFERENCES:

- A. P.R.C.: Div. 6, Parts 1 and 2; Div. 13.
- B. Cal. Adm. Code: Title 2, Div. 3; Title 14, Div. 6.

AB 884: N/A.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21065 and 14 Cal. Adm. Code 15378.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.

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2. APPROVE, EFFECTIVE JUNE 26, 1986, THE SELF-INSURANCE PLAN PROPOSED BY CHEVRON FOR THE TWELVE SUBJECT LEASES IDENTIFIED AS PRC 139, PRC 236, PRC 628, PRC 2470, PRC 3394, PRC 3978, PRC 4270, PRC 5574, PRC 5888, PRC 6417, PRC 6942, AND PRC 6943.
3. APPROVE AND AUTHORIZE EXECUTION OF THE LETTER OF AGREEMENT BETWEEN CHEVRON, U.S.A., INC. AND THE STATE LANDS COMMISSION, IN THE FORM ON FILE IN THE OFFICES OF THE STATE LANDS COMMISSION.

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