

**CALENDAR ITEM
C26**

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08/20 /10
PRC 4117,1
D. Oetzel

CONSIDER EXECUTION OF AN INDEMNIFICATION AGREEMENT

LESSEE/APPLICANT:

Chevron Products Company
940 Hensley Street
Richmond, California 94801

AREA, LAND TYPE, AND LOCATION:

Sovereign lands located in Castro Cove within San Pablo Bay, Contra Costa County.

AUTHORIZED USE:

Future expansion of existing oil refinery and related facilities; improvement of pollution control and expansion of gas-control facilities.

LEASE TERM:

Forty-nine years, beginning December 19, 1968.

PROPOSED INDEMNIFICATION TERM:

Continuous, beginning August 20, 2010

INDEMNIFICATION CONSIDERATION:

No monetary consideration will be charged because the project will protect public health and safety.

BACKGROUND:

On December 19, 1968, the Commission authorized a lease to Standard Oil Company of California for certain sovereign lands located in Castro Cove, San Pablo Bay, Contra Costa County near the city of Richmond. On October 28, 1976, the Commission authorized the assignment of the Lease from Standard Oil Company to Chevron USA Inc. The current lessee, Chevron Products Company (Chevron), is a division of Chevron USA Inc.

Pursuant to the San Francisco Regional Water Quality Control Board's (Water Board) site cleanup order (No. R2-2006-0078), and the Mitigated Negative

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Declaration that was prepared in accordance with the California Environmental Quality Act (CEQA), Chevron was required to remediate contaminated lands including the Lease Premises.

On December 14, 2006, the Commission authorized the issuance of a two-year Dredging Lease (Lease No. PRC 8735.9) to Chevron to dredge a maximum of 100,000 cubic yards of material to facilitate the remediation project. The Lessee performed the dredging pursuant to the terms of the lease. As part of the remediation project, Chevron constructed a sheet pile wall to isolate the remediation area from the rest of Castro Cove. Pursuant to a request from Chevron, Commission staff issued a December 4, 2008 non-objection letter to Chevron allowing for the sheet pile wall to remain in place until completion of the remediation, but pending the formal authorization by the CSLC. Upon expiration of the prior non-objection letter, and the request of Chevron, staff issued another non-objection letter on December 7, 2009 allowing for the sheet pile wall to remain in place until the completion of the remediation, but again pending the formal authorization by the CSLC.

On June 23, 2010, on Chevron's request to complete the project, and in accordance with the Water Board's site cleanup order, Mitigated Negative Declaration and Remedial Design Report, staff issued a non-objection letter to (1) place a protective cap of clay, sand, and, to a lesser extent synthetic material over the area that was previously dredged; (2) keep the sheet pile wall in place until the completion of the remediation project; (3) remove the sheet pile wall following completion of the project; and (4) institute post-remedial monitoring to assure the viability of the cap in accordance with Water Board requirements. This cap will remain on the Lease Premises permanently and natural siltation processes are expected to add additional protection over the cap. Staff issued the non-objection letter on the condition that Chevron shall execute an indemnification agreement with the CSLC prior to the completion of the project to assure that the CSLC is held harmless and that Chevron is legally responsible for the cap.

OTHER PERTINENT INFORMATION

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of CEQA because it is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060(c)(3) and 15378.

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2. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code sections 6370, et seq., but such activity will not affect those significant lands. Based upon the staff's consultation with the persons nominating such lands and through the CEQA review process, it is the staff's opinion that the project, as proposed, is consistent with its use classification.

APPROVALS OBTAINED:

U. S. Army Corps of Engineers, San Francisco Regional Water Quality Control Board, San Francisco Bay Conservation and Development Commission

FURTHER APPROVALS REQUIRED:

None.

EXHIBITS:

- A. Site and Location Map

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the activity is not subject to the requirements of CEQA pursuant to Title 14, California Code of Regulations, section 15060(c)(3) because the activity is not a project as defined by Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

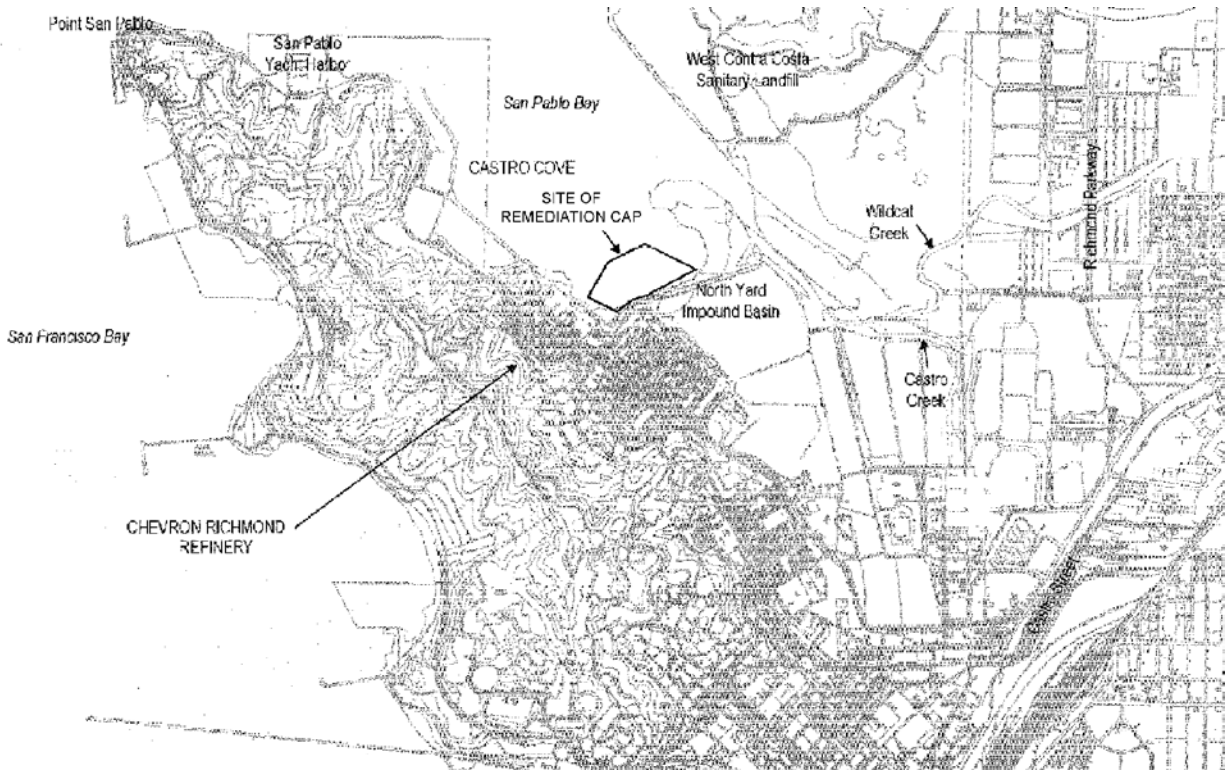
SIGNIFICANT LANDS INVENTORY FINDING:

Find that this activity is consistent with the use classification designated by the Commission for the land pursuant to Public Resources Code sections 6370, et seq.

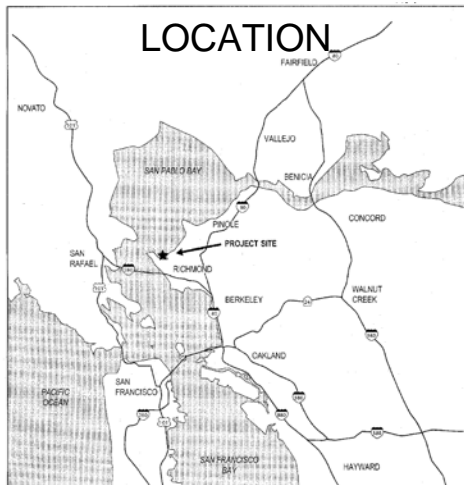
AUTHORIZATION:

Authorize the execution of an Indemnification Agreement concerning sovereign lands as shown on Exhibit A attached and by this reference made a part hereof, beginning August 20, 2010 and lasting indefinitely.

SITE



LOCATION



PRC 4117.1 REMEDATION CAP Exhibit A



This exhibit is solely for purposes of generally defining the cap area and is based on unverified information provided by the Lessee or other parties, and is not intended to be, nor shall it be construed as a waiver or limitation of any State interest in the subject or any other property.
Map Source: USGS