

**CALENDAR ITEM
C35**

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PRC 5735.1
A. Franzoia
S. Mongano

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AMENDMENT OF LEASE

LESSEE:

Shore Terminals LLC

AREA, LAND TYPE, AND LOCATION:

10.10 acres, more or less, of sovereign land along the southern shore of the Carquinez Strait located just west of the Carquinez Bridge and the unincorporated town of Crockett, Contra Costa County.

AUTHORIZED USE:

The continued operation and maintenance of an 850-foot-long Marine Oil Terminal (MOT) with a single breasting dolphin and two mooring dolphins on either side of the loading platform. The wharf deck consists of a concrete 32-foot by 72-foot loading platform supported by steel pipe piles and is connected to land via a 260-foot elevated trestle paved with a 12-foot-wide access road with a 15-foot-wide pipe rack along the west side of the roadway. The wharf is equipped with pumps, pipelines, electrical utilities, and other mechanical equipment for effectively transferring diverse refined products from vessels with varying configurations.

LEASE TERM:

25 years, beginning January 1, 2012.

CONSIDERATION:

An annual base rent in the amount of \$168,285; with the State adjusting the annual base rent each year by application of the California Consumer Price Index (CPI); however, the adjusted annual rent will never be lower than the base rent.

This CPI adjustment will continue until each 10th anniversary of the lease, when a new base rent may be established as outlined in the lease. The CPI adjustment would continue on any new base rent established.

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PROPOSED AMENDMENT:

Approve replacing the loading arms with hoses for product transfer and a hose rack or tower. All other terms and conditions of the lease shall remain in effect without amendment.

OTHER PERTINENT INFORMATION:

1. Applicant owns the MOT. Applicant has right-of way agreements with CS Lands (Phillips 66) for the pipelines that connect the wharf and the MOT.
2. On May 24, 2012, the Commission authorized a 25-year General Lease—Industrial Use to Shore Terminals LLC (Shore), a wholly owned subsidiary of NuStar Energy, L.P. The original lease (PRC 5735.1) was issued to former owner Wickland Oil in 1981 for an initial term of 25 years with a provision for a preferential right of renewal for a lease term not less than 20 years. Wickland Oil assigned its interest to Shore in September 1998, and Valero L.P. purchased Shore in July 2005. Valero L.P. was then spun off as an independent company from Valero Energy. Valero L.P. changed its name to NuStar Energy L.P. in 2007.
3. Shore is an independent, privately-owned shipper of refined petroleum products. No crude oil is shipped through the MOT. Shore operates the MOT and storage facilities in an industrial area in the unincorporated portion of Contra Costa County between the unincorporated towns of Crockett and Rodeo. The MOT is located just east of the ConocoPhillips San Francisco Refinery in the northwestern portion of Contra Costa County. More specifically, it lies just west of the Carquinez (I-80) Bridge and Crockett at the entrance to the Carquinez Strait, and across from and to the south of the Vallejo ship channel. Shore owns approximately 50 acres on the south side of San Pablo Avenue, approximately one mile southwest of the wharf facility, occupied by the upland storage facilities, which Shore calls the Main Terminal. Pipelines connect the wharf to the Main Terminal and upland storage facilities.
4. The current lease allows Shore to continue current transfer operations of refined petroleum products between vessels moored at the MOT and its upland Main Terminal storage for the next 25 years. The current lease was analyzed in an Environmental Impact Report (EIR) identified as CSLC EIR No. 744, State Clearinghouse No. 2007112108, for the Shore Marine Oil Terminal Lease Project (Project). The EIR included a Mitigation Monitoring Program (MMP) for the Project which was incorporated into the lease. To minimize the risk of oil spills at the MOT, the authorized lease includes Mitigation Measure (MM) OS-1c , which states:

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Shore shall replace the existing loading arms on the MOT with loading arms that have quick-connect/disconnect couplers and emergency quick-release systems, consistent with Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS) sections 3110F.2, 3110F.2.2.1, 3110F.8 and all other applicable regulations, within two years of certification of this EIR. **Shore may install alternate technology that provides an equivalent level of protection, as reviewed by CSLC staff and approved by the Commission at a publicly noticed meeting.** (Emphasis added.)

5. After conducting extensive analysis of new loading arms currently available on the market, Shore determined that any new loading arms that met the requirements of OS-1c would be significantly heavier than the existing loading arms and would therefore require extensive structural strengthening of the wharf. This would include driving new support pilings to bear the additional weight of the new loading arms to comply with current seismic design standards, which would create new significant environmental impacts. The Commission's Marine Facilities Division (MFD) Engineering and Operations branch staff reviewed Shore's analysis of available loading arms and conclusions about the need for extensive structural strengthening of the wharf to accommodate new loading arms and concurred with the determination.
6. Shore submitted a proposal to the Commission to replace the loading arms with a flexible hose system to transfer product between tanker vessels at the MOT and the pipelines leading to upland storage. Shore also prepared a risk assessment and identified best management practices to minimize improper hose handling that would lead to excess wear. These best management practices include installing a hose rack or tower to house the hoses when not in use (making them easier to manage), reducing hose contact with abrasive surfaces, implementing a hose inspection program, and conducting routine hose pressure testing. The hose transfer system will implement Emergency Release Systems (ERS) using hose ERS couplings and be MOTEMS compliant. The Commission's MFD Engineering and Operations branches have reviewed the risk assessment of the proposed hose transfer system and, determined it provided an equivalent level of protection as required by MM OS-1c. The hose transfer system with hose rack or tower is used by the majority of MOTs under lease with the Commission, and is much lighter than currently available loading arms quick-connect/disconnect couplers and emergency quick-release systems; therefore, the new system would not require any structural modifications to be made to the wharf. The new system meets the objective of MM OS-1c by automatically shutting off

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product flow and releasing the hose couplings if the ship should accidentally break its moorings and pull away from the wharf during a transfer operation.

7. Replacing the existing loading arms with a hose transfer system, including hose rack or tower, does not trigger a subsequent or supplemental EIR, or an addendum to the current certified EIR, because per the State California Environmental Quality Act (CEQA) Guidelines (Cal. Code Regs., tit. 14, §§ 15162, 15163 and 15164), no new or more significant environmental impacts were identified.
8. The Commission is currently considering the approval of alternative technology to replace the existing loading arms with a hose transfer system, including hose rack or tower, providing an equivalent level of protection as described above. Approving such technology as reviewed by Commission staff and approved by the Commission at a publicly noticed meeting fulfills the intent of MM OS-1c.
9. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Cal. Code Regs., tit. 14, § 15025), Commission staff prepared an EIR identified as State Clearinghouse No. 2007112108, for the Shore Marine Oil Terminal Lease Project. The Commission certified the Final EIR on May 24, 2012. At the same time, the Commission adopted a MMP and CEQA Findings for the Project. A Statement of Overriding Considerations made in conformance with the State CEQA Guidelines (Cal. Code Regs., tit. 14, §§ 15091, 15096, subd. (h), and 15093) was also adopted for the Project.
10. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code section 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.

EXHIBITS:

- A. Land Description
- B. Site and Location Map

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RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that an EIR, State Clearinghouse No. 2007112108, was prepared for this Project by Commission staff pursuant to the provisions of CEQA and certified by the Commission on May 24, 2012. The current authorization is within the scope of the analysis in the prior certified EIR.

The Mitigation Monitoring Program, Findings, and Statement of Overriding Considerations were adopted by the Commission as provided from the May 24, 2012, Commission meeting: http://archives.slc.ca.gov/Meeting_Summaries/2012_Documents/05-24-12/Items_and_Exhibits/C47.pdf.

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 section 6370 et seq.

AUTHORIZATION:

Authorize the amendment of General Lease – Industrial Use Lease No. PRC 5735.1, to approve the replacement of the existing loading arms at the Shore Marine Terminal with a hose transfer system as proposed by Shore Terminal, LLC and reviewed by the State Lands Commission engineering staff that provides the equivalent level of protection to the environment as intended by Mitigation Measure OS-1c as adopted by the Commission on May 24, 2012, and by this reference made a part hereof, effective October 16, 2015; all other terms and conditions of the lease will remain in effect without amendment.

EXHIBIT A

PRC 5735.1

LAND DESCRIPTION

A parcel of tide and submerged land in Section 36, T3N, R4W, MDM, and Section 31, T3N, R3W, MDM, Contra Costa County, California, described as follows:

COMMENCING at the southeast corner of said section 36; thence north along the line common to said Sections 36 and 31, a distance of 1310.10 feet to the northeast corner of Tide Land Survey No. 19 and the POINT OF BEGINNING; thence S 68° 09' 30" W 38.46 feet, to a point on the Bulkhead Line as shown on U.S. Engineers map of Harbor Lines for Carquinez Strait, dated March 1, 1940; thence N 79° 00' 00" W 40 feet; thence N 45° 00' 00" E 425.00 feet; thence N 83° 00' 00" E 800.00 feet; thence S 32° 30' 00" E 575 feet more or less to the mean high tide line of San Pablo Bay; thence westerly along the mean high tide line 590 feet more or less to a point on the north boundary of Tide Land Survey No. 12; thence along said boundary S 59° 09' 30" W 165 feet more or less to an angle point in said boundary; thence continuing along said north boundary N 64° 05' 30" W 314.79 feet; thence N 89° 35' 30" W 313.50 to the true point on beginning.

Record bearings were rotated 1° 09' 30" clockwise.

TOGETHER WITH the sovereign interests in Tideland Survey Nos. 12 and 19 abutting the above described parcel.

END OF DESCRIPTION

REVISED NOVEMBER 18, 1988 BY BIU 1.

