



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Planning and
Development
Department No.: 053
For Agenda Of: May 19, 2009
Placement: Administrative
Estimated Tme: N/A
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department John Baker, Deputy CEO & Director of Planning and Development
Director(s)
Contact Info: Doug Anthony, Deputy Director, Energy Division
SUBJECT: California State Lands Commission Consideration of Renewing the Ellwood
Marine Terminal Offshore Lease

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: No

Other Concurrence: N/A

As to form: No

Recommended Actions: That the Board authorize the Chair to sign the attached letter to Lieutenant Governor John Garamendi, Chair of the California State Lands Commission, recommending termination of the Ellwood Marine Terminal as soon as legally allowable, quickly followed by decommissioning of the terminal's offshore mooring.

Summary Text:

The California State Lands Commission (CSLC) recently announced that it would consider Venoco, Inc.'s request to renew its offshore lease for the Ellwood Marine Terminal on June 1, 2009, at its scheduled hearing in Santa Monica. This terminal currently transports crude oil produced from Platform Holly, via the single-hulled *Barge Jovalon*, to Los Angeles Basin and San Francisco Bay refineries. CSLC has prepared an Environmental Impact Report (EIR) for the project, identifying 11 Class I impacts and 20 Class II impacts due to the high risk of an oil spill and to the operations of the *Barge Jovalon* and the Ellwood Marine Terminal (Table 3-3 of the Final EIR). The Final EIR also indicates that transportation via overland pipeline, in lieu of marine barge, to be substantially superior with regard to environmental considerations. One of the mitigation measures recommended by the EIR is to require Venoco to

Staff recommends execution of the attached letter, which reflects County policy that transportation of offshore oil to refineries via pipeline is environmentally superior to marine vessels, and should be employed where feasible to do so.

Background:

1. County's Oil Transportation Policies

Transport of crude oil produced offshore Santa Barbara County to refineries via marine vessels was, for the most part, the oil industry's preferred mode in the early years of offshore oil development. Overland pipeline infrastructure and capacity was limited and did not provide as much flexibility to change destinations. However, marine transportation also represents the worst option environmentally, due to the risk of a major offshore oil spill, such as the *Exxon Valdez* case.

In 1985, Santa Barbara County adopted policies and regulation that, upon arrival at onshore processing/storage facilities, requires all new offshore oil production be transported to refineries via overland pipeline unless infeasible to do so (LCP Policy 6-8). It also directed that existing marine terminals would become legal, non-conforming uses once overland pipelines were feasible (LCP Policy 6-11). Subsequently, considerable more overland pipeline capacity was installed from Santa Barbara County's Gaviota coast to Kern County and from Kern County to Los Angeles Basin refineries. This new capacity now far exceeds demand. In 1990, the County converted the Ellwood Marine Terminal to a legal, non-conforming use to ensure implementation of its oil transportation policies.

2. Ellwood Marine Terminal

The Ellwood Marine Terminal is the last marine terminal on the Central Coast of California. It has operated as a marine barge and tanker terminal since its was installed in 1929, storing and shipping crude oil produced from the offshore Elwood field, and subsequently, the South Elwood field (see Figure 1 for map of location). Venoco, Inc. has owned and operated this marine terminal since 1997.

This terminal currently receives, stores, and loads crude oil onto the single-hulled *Barge Jovalon* approximately 25 times annually for shipment to refineries in the Los Angeles Basin or San Francisco Bay areas. This crude oil is produced by Venoco from its Platform Holly and processed at its Ellwood Onshore Facility, situated in the City of Goleta. Loading operations require 13-to-17 hours to complete.

The 17.5-acre onshore component of the marine terminal is located on property owned by the University of California at Santa Barbara (UCSB) under a lease that is scheduled to expire in 2016. Although located on UCSB, the marine terminal falls under the County's land-use jurisdiction, because its function is not that of an university. This onshore component consists of the following structures:

- Line 96, which transports crude oil from the Ellwood Onshore Facility (oil & gas processing) to the terminal, UCSB's Long Range Development Plan (LRDP) directs that the onshore site be converted to open space after 2016.).
- Two 65,000-barrel oil storage tanks.
- One 12-inch pipeline to transport crude oil from storage to the offshore mooring area.
- One 10,000-barrel water tank.
- One pump house with two electrically powered crude oil pumps.

- One control room with controls and instrumentation to control storage and pumping.
- Associated metering.
- Water supply pipeline.

Figure 1



The CSLC leases the 2.9 acre offshore component of the marine terminal to Venoco (PRC 3904.1). It consists of following equipment:

- The offshore extension of the 12-inch pipeline (last replaced in 1968).
- An irregular six-point mooring system for barge operations, located in approximately 60-feet of water depth and 2,600 feet seaward of shore.
- One 30-inch diameter sphere hose buoy.
- One hose-end marker buoy.

According to the Environmental Impact Report (EIR), the CSLC executed the current lease with Aminoil (assigned to Venoco in 1997) for a 10-year term, beginning March 1, 1983, with two renewal options, each for 10 years. Since March of 1993, CSLC has granted the lessee one-year extensions to the term of the lease. Two years ago, Venoco notified CSLC that it desired to exercise the last of the 10-year renewal options, which would extend the lease to February 28, 2013.

CSLC staff believes the commission is legally obligated to renew the lease until February 28, 2013 under the renewal option; however, it has no such obligation, or plans, at this time to renew the lease beyond that date. CSLC staff has prepared an EIR for the proposed lease renewal, and has informed County staff that it will recommend the Commission impose several conditions on the renewal, including one that requires Venoco to implement one of two options to the current single-hulled *Barge Jovalon* within 18 months of the lease renewal:

1. Obtain permits and install a pipeline option that terminates marine barging and the marine terminal operations altogether, or
2. Contract for use of a double-hulled barge.

Venoco appears to favor the first option, considering that its terminal operations will likely cease permanently by March 2013 when the offshore lease expires or, at the very latest, in 2016 when the onshore lease expires. Venoco plans to file applications with the County and the City of Goleta for permits to install and operate an onshore pipeline of approximately 10 miles to connect its Ellwood Onshore Facility with the Plains Pipeline at Las Flores Canyon for transport its crude oil to refineries.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

The Energy Division's cost for preparing this docket memorandum is covered under its current budget for FY 2008-09 on page D-313 of the Budget Book, under Long Range Planning. Future potential costs associated with processing permits for a pipeline option would be covered by permit fees.

Staffing Impacts:

The Energy Division is currently sufficiently staffed to process Venoco's anticipated permit application for a pipeline option to marine barging. Essentially, the same planner assigned to Venoco Full Field project proposals would process this application.

Special Instructions:

The Clerk of the Board will transmit the letter to the addressee, and send certified copies to those indicated in the attached letter. Also send one certified copy to the Energy Division.

Attachments:

Draft comment letter to Lieutenant Governor John Garamendi

Authored by: Doug Anthony