



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 &
Development
Department No.: 053
For Agenda Of: July 3, 2018
Placement: Administrative Agenda
Estimated Tme: N/A
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Director(s) Dianne M. Black, Director, Planning and Development, 568-2086
Contact Info: John Zorovich, Deputy Director, Energy & Minerals Division, 568-2519

SUBJECT: **Authorization of Agreement for Services with MRS Environmental to Complete an Environmental Impact Report for the PetroRock UCCB project located in the 5th Supervisorial District**

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Recommended Actions:

- a) Approve and authorize the Chair to execute an Agreement for Services of Independent Contractor (Attachment 1) with MRS Environmental to complete an Environmental Impact Report for the PetroRock, LLC (PetroRock) United California, California and Bradley (UCCB) project for the period of July 3, 2018 through July 3, 2020 for a base amount of \$217,251.00 and a total contract amount not to exceed \$249,839.00.
- b) Authorize the Director of Planning & Development, or designee, to approve up to a 15 percent contingency cost not to exceed \$32,588.00 for services being performed under the Agreement for a total contract amount not to exceed \$249,839.00.
- c) Determine that this action is exempt from CEQA pursuant to Section 15378(b)(5), which addresses organizational or administrative activities of governments that will not result in direct or indirect physical changes to the environment (Attachment 3).

Summary Text:

The PetroRock UCCB project (Case Nos. 15PPP-00000-00002 and 16DVP-00000-00015) is subject to the California Environmental Quality Act (CEQA). PetroRock and the Planning and Development Department (P&D) agree that the project may have a significant effect on the environment and, therefore, an Environmental Impact Report (EIR) is required under Section 15064(a)(1) of the *Guidelines for Implementation of the California Environmental Quality Act* (CEQA Guidelines).

Appendices 1 and 2 of the attached Agreement for Services include the technical and cost proposals for completing the EIR. Board authorization of an Agreement is required when the cost of preparing an EIR will exceed \$100,000.00. The preparation of this EIR is included in P&D's current fiscal year budget and therefore, no budget revision is necessary for the contract's execution.

Background:

On February 1, 2018, P&D deemed PetroRock's application for the UCCB project complete. On March 5, 2018, P&D issued a Request for Proposals for preparing the Environmental Impact Report (EIR) to nine consulting firms. Three proposals were received. After the County evaluated the proposals for adequacy, PetroRock selected MRS Environmental to prepare the EIR. Tasks involved with the preparation of the environmental document include, but are not limited to, peer review of technical reports, independent field survey of the project site, independent and objective evaluation of potential project-specific and cumulative impacts, and identification of mitigation measures to reduce environmental impacts to the extent feasible.

PetroRock has proposed the UCCB project (Project) to reactivate oil production in the north central portion of the State designated Cat Canyon Oil Field, approximately 5 miles southeast of the City of Santa Maria and 1.5 miles west of the town of Sisquoc in northern Santa Barbara County. The proposed Project would produce oil through a thermally enhanced oil recovery process and is proposed to be built out in two phases. The proposed project includes the following:

- Oil Drilling and Production Plan (ODPP) (County Case No. 15PPP-00000-00002) to allow for establishment of oil and gas production operations as described below:
 - Development of approximately 29 pads (including new construction and redevelopment of existing well pads and a Tank Battery pad), field access roads and the installation of up to 231 oil production, injection and water wells.
 - Construction of new processing facilities including tanks, loading racks, separators, heater treaters, five steam generators, and other associated equipment.
 - Construction of field pipeline and water systems including a production gathering network, steam distribution network, and a supervisory control and data acquisition (SCADA) system to monitor wells and equipment.
 - Construction of project infrastructure including a new office building, workshop and operator building.
 - Addition of utility/electric lines to well pads.
- Development Plan (County Case No. 16DVP-00000-00015) to allow for construction of an approximately 2.7-mile private natural gas line which would extend from an existing Public Utilities Commission gas pipeline to bring additional gas to the project site and an oil sales pipeline to a connection with the Foxen Canyon Pipeline along Foxen Canyon Road.

Consistent with Section 15087 of the CEQA Guidelines, once your Board approves the execution of the Agreement for Services, P&D will oversee the consultant’s completion of the EIR process.

Fiscal and Facilities:

Costs for consultant preparation and processing of the EIR will be fully reimbursed by PetroRock. The cost of completing the EIR is for an amount not to exceed \$249,839.00, which includes a base cost of \$217,251 and a 15 percent contingency amount of \$32,588.00. Prior to MRS Environmental commencing work to complete the EIR, PetroRock will provide a one-time deposit to the County Planning & Development Department in the amount of \$249,839.00. Any contingency funds used must be identified by the consultant and approved by P&D Director, or designee, prior to the work commencing. MRS Environmental is a local contractor with an office located in the City of Santa Barbara.

P&D will invoice PetroRock for all staff time necessary to administer the Agreement for Services and related planning actions. Funding for this project is budgeted in the Permitting Budget Program on page D-286 of the FY 2017-18 and is included in the recommended FY 2018-19 budget.

Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized</u> <u>On-going Cost:</u>	<u>Total One-Time</u> <u>Project Cost</u>
General Fund	\$ -	\$ -	
State	\$ -	\$ -	
Federal	\$ -	\$ -	
Fees	\$ -	\$ -	
Other:			\$ 249,839.00
Total	\$ -	\$ -	\$ 249,839.00

Key Contract Risks:

A risk analysis was performed on the proposed contract and was determined to be of medium risk due to the contract size, percent of subcontracted work, and competitive acquisition with a limited number of bidders. Approximately 25% of the work will be subcontracted to Rincon Consultants and Central Coast Transportation Consulting for specific and technical resource areas. MRS Environmental did not provide current financial statements and/or tax returns, however the contract amount of \$249,839.00 will be covered in full by the applicant in the form of a deposit to the County. Payments to the contractor will be made from the deposited amount upon completion of pre-determined milestones as required by Exhibit B of Attachment 1 and described in Appendix 2 of Attachment 1. Payments will not be made to the contractor until all services for each milestone have been completed, delivered and found to be satisfactory by P&D. This ensures that deposited funds will only be expended upon satisfactory product delivery and performance by MRS Environmental. The Energy and Minerals Division is satisfied with historic performance by MRS Environmental, which has a proven track record of providing technical services to the Division for over 30 years. Furthermore, risk is also reduced due to the incorporation of ‘termination for convenience’ and ‘suspension for convenience’ clauses in the Agreement for Services (Attachment 1).

Special Instructions:

The Clerk of the Board will forward a copy of the Agreement for Services and Minute Order to P&D, Energy & Minerals Division, attention Joseph Dargel.

Attachments:

Attachment 1: Agreement for Services of Independent Contractor

Attachment 2: Board Contract Summary

Attachment 3: CEQA Notice of Exemption

Authored by: Joseph Dargel, Energy & Minerals Planner