



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: General Services
Department No.: 063
For Agenda Of: January 9, 2018,
Administrative to Set
Hearing;
January 30, 2018
Hearing, and
February 6, 2018
Placement: Administrative
Estimated Time: 1 hour on Jan. 30, 2018
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: General Services Janette D. Pell, Director (805) 560-1011
Contact Info: Skip Grey, Assistant Director, General Services (805) 568-3083
SUBJECT: ERG Operating Company, LLC Foxen Petroleum Pipeline, Santa Maria; Fifth District (R/P File No.: 003822)

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Risk Management, Public Works,
Planning and Development
As to form: Yes

Recommended Actions:

That the Board of Supervisors consider the following recommendations:

On January 9, 2018:

- a) Adopt the Notice and Resolution of Intent to Grant a Public Franchise to ERG Operating Company, LLC (ERG), for the Foxen Petroleum Pipeline pursuant to Chapter 2, Article XI, Section 2-82 of the Santa Barbara County Code (Attachment 1); and
- b) Set a Hearing for January 30, 2018, on the Departmental Agenda to consider the application for a Public Pipeline Franchise to ERG Operating Company, LLC and the introduction (first reading) of an ordinance granting the franchise.

On January 30, 2018:

- i) Consider public comments and protests regarding the proposed public pipeline franchise granting, including those written protests received by the Clerk of the Board prior to the public hearing; and
- ii) Consider the determination made by the Director of the Public Works Department that the occupancy or use of the public places designated in the franchise will not unduly impair or obstruct the County Road System, or unreasonable and unnecessarily obstruct or inconvenience the traveling public (Attachment 3); and
- iii) Determine that it is in the public interest to grant the Public Franchise to ERG Operating Company, LLC for the Foxen Petroleum Pipeline; and
- iv) Approve the introduction (First Reading) of an Ordinance granting a Public Franchise to ERG Operating Company, LLC for a twenty (20) year term to allow ERG the use of portions of County road right-of-way known as Santa Maria Mesa Road, Andrew Street, Stewart Street, and Foxen Canyon Road, in the unincorporated area of the County of Santa Barbara for the construction, operation and maintenance of the Foxen Petroleum Pipeline, a new common carrier pipeline, to connect ERG's oil production facilities to the existing Sisquoc Pump Station and Pipeline operated by Phillips 66 (Attachment 2);
- v) Read the title of the Ordinance into the record and waive full reading of the Ordinance; and
- vi) Continue to the Administrative Agenda of February 6, 2018, to consider recommendations.

On February 6, 2018:

- 1) Approve the adoption (Second Reading) of the Ordinance granting the Public Pipeline Franchise to ERG to facilitate ERG's Foxen Petroleum Pipeline Project; and
- 2) Find that pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15162, there are no substantial changes proposed in the recommended actions regarding a public franchise for the Foxen Petroleum Pipeline Project that will require major revisions to the Environmental Impact Report (13EIR-00000-00002), certified by the Santa Barbara County Planning Commission on March 11, 2015, on file with the State Clearinghouse as file No. 2013061011; no substantial changes have occurred with respect to the circumstances under which the project is undertaken; and there is no new information of substantial importance that has come to light regarding environmental effects of the project or of the sufficiency or feasibility of mitigation measures; and therefore approval of the recommended actions is within the scope of the project covered by the previously certified EIR and no new environmental document is required.

Summary Text:

This item is being brought to the Board of Supervisors to consider the adoption of the ordinance granting a Public Pipeline Franchise to ERG Operating Company, LLC, to facilitate ERG's Foxen Petroleum Pipeline Project, a 2.9 mile long common carrier pipeline occupying approximately 2.08 miles or 10,960 lineal feet of County right-of-way intended to connect ERG's oil production facilities to the existing Sisquoc Pipeline operated by Phillips 66. The Public Franchise Agreement will be for a term of twenty (20) years, with an annual franchise fee of \$3,857.92, increased annually by the Consumer Price Index.

Background:

The purpose of the Franchise is to construct, operate and maintain the Foxen Petroleum Pipeline (FPP), consisting of two eight (8) inch diameter pipelines approximately 2.9 mile long, (10,960 lineal feet per pipeline, or 21,920 combined lineal feet) for the transportation of hydrocarbon substances (oil) where 2.08 miles of pipeline are located within public right-of-way, in the unincorporated area of the County of Santa Barbara. The purpose of the FPP is to connect ERG's oil production facilities to the existing Sisquoc Pump Station and Pipeline operated by Phillips 66. The FPP system includes the installation of two 8-inch diameter pipelines within the same trench; the operation of two pipelines would create a redundancy that in-part allows for one pipeline to be shut down for maintenance and/or repairs while the other pipeline continues to operate. The FPP is also designed and permitted as a common carrier pipeline such that other operators in the surrounding Cat Canyon Oilfields can also tie into the pipeline system for the exportation of their crude oil production.

Within ninety (90) days after the adoption of the ordinance granting the franchise, ERG shall file with the Clerk a written acceptance of the terms and conditions. The work to construct the facilities shall be pursued within four (4) months from the effective date of the franchise. For the purpose of defining commencement of construction, expenditures towards fabrication of the pipeline or excavation in the franchise area shall constitute the commencement of construction for purposes of the franchise. For good cause shown prior to the expiration of the four-month period, the Board may by resolution extend the time for commencement of construction.

ERG currently exports crude oil from its facilities via tanker trucks, where approximately 22 trucks operate on a daily basis for transportation to points of sale. Through the construction and operation of the FPP, all routine daily exportation of ERG's Cat Canyon crude oil via truck would cease. Consistent with County policy, transmission of crude oil via pipeline is the safest mode of transportation. In June 2012, ERG submitted the necessary permit applications and facility designs for the FPP to the County's Planning and Development Department. Subsequently, County staff completed review of the FPP project pursuant to the California Environmental Quality Act (CEQA) and recommended approval of the associated Development Plan permit. Subsequently, the County's Planning Commission voted unanimously (5-0) on March 11, 2015, to approve the FPP Development Plan (12DVP-00000-00005) and certify the associated Environmental Impact Report (13EIR-00000-00002). The FPP project includes the construction and operation of an approximately 2.9 mile long pipeline system that connects ERG's oil production facilities to the existing Sisquoc Pump Station and Pipeline operated by Phillips 66. Of the approximately 2.9 mile total length of the proposed pipeline system, approximately 10,960 linear feet (2.01 miles) of *each* pipeline system would be located within County owned right-of-way.

Fiscal and Facilities Impacts:

In accordance with Section 2-82 of the Santa Barbara County Code, the estimated annual franchise fee is Three Thousand Eight Hundred Fifty Seven and 92/100 Dollars (\$3,857.92), based on the calculation of 21,920 (combined lineal feet of two 10,960 lineal foot pipelines) multiplied by 0.176, pursuant to PUC Section 6231.5 for an eight-inch internal diameter pipeline. ERG will submit actual lineal footage after completion of installation and pay the County that adjusted amount annually with a CPI adjustment during the term of the franchise. Annual Fees will be multiplied by the Consumer Price Index for the month of September.

Special Instructions:

After Board action, please distribute as follows:

1. Original Ordinance; Clerk of the Board Files
 2. Copy of Ordinance; General Services, Attn: A. Kinsella
 3. Minute Order: General Services, Attn: A. Kinsella
- Upon granting of the Ordinance, please post the Notice of Intent to Grant Public Franchise.

Attachments:

1. Resolution of Intent
2. Ordinance granting Public Franchise Agreement
3. Determination of Road Impact
4. Notice of Intent to Grant Public Franchise