

Memorandum

Date: November 28, 2012
To: Clerk of the Board
From: Ronn Carlentine *RC*
Office of Real Estate Services
Subject: BOS Administrative Agenda, Dec. 4, 2012
Ellwood Pipeline, Inc. Consent to Assignment, Assumption of Performance,
and First Amendment to Lease Agreement First District
cc: Kevin Ready, Senior Deputy County Counsel



The General Services Department; Office of Real Estate Services is providing additional information on two questions raised during the November 13, 2012 Board of Supervisors meeting regarding the Ellwood Pipeline agreement.

1. Is the contractual obligation of \$10 million an adequate amount?

In practice and in use by other agencies, one to three million is a standard amount of pollution insurance required contingent on the expose; however, in this case the County required a minimum insurance limit of ten million to cover this particular pollution exposure.

Moreover, Ellwood Pipeline, Inc. has provided an existing policy equal to or exceeding \$100 million in general liability coverage that includes coverage for pollution.

County Counsel concurs that \$10 million is sufficient protection for the County.

See attached Ellwood letter and Insurance Certificate.

2. What is the age of the pipeline, and its maintenance?

See attached Ellwood letter regarding age, pipeline inspections, testing and maintenance.



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
11/19/2012

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER MCGRUFF, SEIBELS & WILLIAMS OF TEXAS, INC. 818 Town & Country Blvd, Suite 500 Houston, TX 77024-4549	CONTACT NAME: PHONE (A/C, No, Ext): 713-877-8975 FAX (A/C, No): 713-877-8974 E-MAIL ADDRESS:																				
	<table border="1"> <thead> <tr> <th colspan="2">INSURER(S) AFFORDING COVERAGE</th> <th>NAIC #</th> </tr> </thead> <tbody> <tr> <td>INSURER A :St. Paul Fire & Marine Ins Co</td> <td></td> <td></td> </tr> <tr> <td>INSURER B :Travelers Casualty Insurance Company of America</td> <td></td> <td>19046</td> </tr> <tr> <td>INSURER C :Signal Mutual Indemnity</td> <td></td> <td></td> </tr> <tr> <td>INSURER D :</td> <td></td> <td></td> </tr> <tr> <td>INSURER E :</td> <td></td> <td></td> </tr> <tr> <td>INSURER F :</td> <td></td> <td></td> </tr> </tbody> </table>	INSURER(S) AFFORDING COVERAGE		NAIC #	INSURER A :St. Paul Fire & Marine Ins Co			INSURER B :Travelers Casualty Insurance Company of America		19046	INSURER C :Signal Mutual Indemnity			INSURER D :			INSURER E :			INSURER F :	
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INSURED Ellwood Pipeline, Inc. 370 Seventeenth Street, Suite 3900 Denver, CO 80202																					

COVERAGES **CERTIFICATE NUMBER:U5CFCCNA** **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC			13S47600	08/01/2012	08/01/2013	EACH OCCURRENCE	\$ 1,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ 100,000
							MED EXP (Any one person)	\$ 5,000
							PERSONAL & ADV INJURY	\$ 1,000,000
							GENERAL AGGREGATE	\$ 2,000,000
							PRODUCTS - COMP/OP AGG	\$ 1,000,000
								\$
A	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS			13S47600	08/01/2012	08/01/2013	COMBINED SINGLE LIMIT (Ea accident)	\$ 1,000,000
							BODILY INJURY (Per person)	\$
							BODILY INJURY (Per accident)	\$
							PROPERTY DAMAGE (Per accident)	\$
								\$
A	UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input checked="" type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$			13S47600	08/01/2012	08/01/2013	EACH OCCURRENCE	\$ 25,000,000
							AGGREGATE	\$ 25,000,000
								\$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? <input type="checkbox"/> Y/N If yes, describe under DESCRIPTION OF OPERATIONS below		N/A	HJ-UB-5381M80-7-12 (FOR LAND)	08/01/2012	08/01/2013	<input checked="" type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER E.L. EACH ACCIDENT	\$ 1,000,000
							E.L. DISEASE - EA EMPLOYEE	\$ 1,000,000
							E.L. DISEASE - POLICY LIMIT	\$ 1,000,000
C	OTHER			34600 (FOR USL&H)	10/01/2012	09/30/2013	USL&H - Statutory MARITIME/JONES ACT	\$ \$ \$ \$ \$ 10,000,000

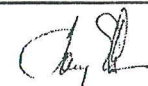
DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
Sudden and Accidental Pollution Coverage included - 30 Day Discovery/90 Day Reporting (GL and all Excess Layers shown)
Santa Barbara County and its officers, employees, agents and volunteers are included as an Additional Insured (except as respects Workers' Compensation & USL&H) as required by written contract subject to policy terms, conditions and exclusions and provided with a Waiver of Subrogation as required by written contract. Coverage is primary and non-contributory as required by written contract, subject to policy terms, conditions and exclusions.

CERTIFICATE HOLDER

CANCELLATION

County of Santa Barbara
General Services Department
Support Services Division
1105 Santa Barbara Street
Santa Barbara, CA 93101

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE 

AGENCY CUSTOMER ID: _____

LOC #: _____



ADDITIONAL REMARKS SCHEDULE

Page 2 of 2

PRODUCER MCGRIFF, SEIBELS & WILLIAMS OF TEXAS, INC.		INSURED Ellwood Pipeline, Inc.	
POLICY NUMBER			
CARRIER	NAIC CODE	ISSUE DATE: 11/19/2012	

ADDITIONAL REMARKS

THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,

FORM NUMBER: _____ FORM TITLE: _____

COMPANIES AFFORDING COVERAGE:

Carrier: Lloyd's of London & Certain Ins. Cos.
Policy Type: Excess Liability
Policy Number: MS-S 3960
Policy Term: 8/1/12 - 8/1/13
Limit: \$50,000,000

Carrier: Lloyd's of London
Policy Type: Excess Liability
Policy Number: MS-S 3961
Policy Term: 8/1/12 - 8/1/13
Limit: \$75,000,000



November 28, 2012

Ronn Carlentine,
Real Property Supervisor
General Services
County of Santa Barbara
105 E. Anapamu Street
Santa Barbara, CA 93101

RE: **SANTA CLARA UNIT, OCS Offshore**
Santa Barbara County, CA
Pipelines crossing County of SB Tidelands offshore City of Carpinteria

Dear Ronn:

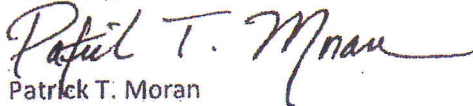
Per the Board of Supervisors meeting on November 13, 2012, and the ensuing questions that were generated by the Board regarding our request for Consent to Assignment, Assumption of Performance and entering into First Amendment to Lease Agreement, we offering the following:

1. **Insurance and Financial Responsibility.** Ellwood Pipeline, Inc. (a wholly owned subsidiary of Venoco, Inc.) has provided proof of its Excess Liability policies insurance that will respond in the event of a sudden and accidental pollution event. Provisions include an existing policy that carries a minimum of \$100 million in general liability coverage which includes coverage for pollution. In addition to insurance, Ellwood and Venoco carry two (2) separate Performance Bonds in favor of the County of Santa Barbara in the amount of \$100,000 each (one for the gas line and one for the oil line).
2. **Age and Maintenance of the Pipelines.**
 - a. The age of the two pipelines is estimated to be 47 years.
 - b. Regarding maintenance:
 - i. Ellwood has continued to conduct internal smart pigging, and external Remotely Operated Vehicle (ROV) inspections of the Platform Grace to Carpinteria shore oil and gas pipelines since taking over as Operator of the pipelines from Chevron USA in 2001.
 - ii. Pipeline pigging continues on a annual basis, alternating years for internal and external inspections; the latest inspection reports indicate no unusual observations.
 - iii. The pipeline integrity inspection reports are reviewed by Ellwood and US Dept. of Interior (DOI)-Bureau of Safety and Environmental Enforcement (BSEE) following each inspection, and also reviewed by US Dept. of Transportation (DOT)-Pipeline and Hazardous Materials Safety Administration (PHMSA) as part of their periodic audits. The pipeline data generated by the inspections as reviewed by Ellwood and agency representatives has not indicated any pipeline integrity issue nor required any remedial action. Ellwood is confident the Platform Grace to shore pipelines are in good condition and through continued maintenance, inspection and surveillance will continue to operate safely without incident.

3. **Leak Detection.** The pipelines are monitored by a Supervisory Control & Data Acquisition (SCADA) system which accurately records the volume of product shipped from the platforms versus the amount of product received at the Carpinteria onshore plant. This system continuously monitors for leaks and any alarms are immediately responded to 24 hrs. /day seven (7) days a week by trained and qualified control room operators.
4. **Operations, Maintenance and Inspection.** In addition to the above-mentioned pipeline integrity inspections in para. 2. b., these pipelines are observed daily, where various maintenance and inspections are completed daily, weekly, monthly and semi-annually by local qualified operators in compliance with the operating, maintenance, and inspection requirements of DOT/PHMSA and BSEE.

If needed, we can also provide you with a set of slides that provides essentially the same above information in more detail. Should you have further questions or comments please feel free to call me at (805) 745-2145. Again, thank you kindly for your consideration in the matter.

Sincerely,

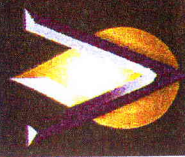


Patrick T. Moran
Sr. Land Negotiator



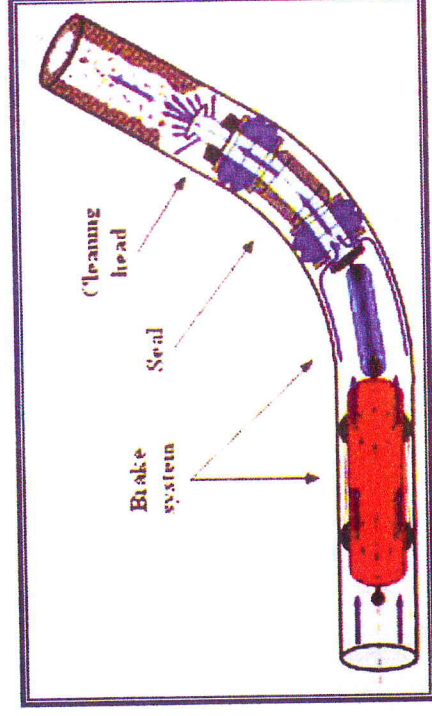
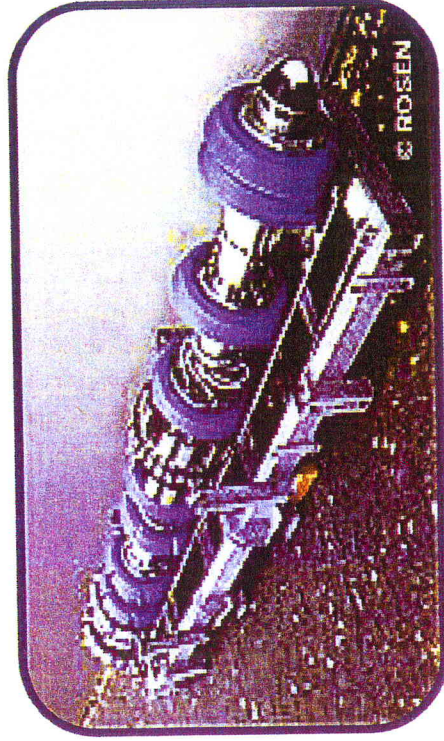
Pipeline Inspection, Testing & Maintenance

- U.S. Dept. of Transportation – Pipeline and Hazardous Materials Safety Administration (DOT/PHMSA), and
- U.S. Dept. of Interior – Bureau of Safety and Environmental Enforcement (BSEE)
 - Inspected/tested annually; alternating years Smart Pig and ROV (see [next slide](#))
 - Last internal inspection completed 2012
 - Last external inspection completed 2011
- Additional daily, weekly, bi-monthly, semi-annual, and annual inspection and maintenance activities per DOT/PHMSA and BSEE requirements.

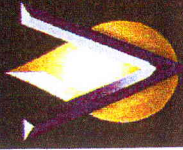


Internal & External Testing Method

- Pipeline Internal Inspection; Gauge and/or Smart Pig

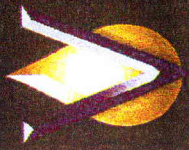


- ROV units inspect entire external length of pipeline; inspection takes 4-5 days including CP, span, third party impacts, coating of pipelines.



Agency Review and Oversight

- DOT/PHMSA (49 CFR Part 192 & 195)
 - Oil and Gas Pipeline Operating & Maintenance plans and procedures (O&M Manuals)
 - Pipeline Integrity Management Plans
 - PHMSA routine auditing (approx. every 2 years)
 - Pipeline operating and maintenance
 - Pipeline integrity program
- Dept. of Interior/BSEE (30 CFR Part 250)
 - Annual pipeline inspection and right-of-way report
 - Review of internal and external pipeline inspection reports
- County of Santa Barbara
 - Review of internal and external pipeline inspection reports



Oil Pipeline Leak Detection

- Supervisory Control and Data Acquisition (SCADA) system is used to continuously monitor for pipeline leaks.
- The SCADA system is monitored 24/7 from the Carpinteria Plant control room by DOT qualified control room operators.
- SCADA calculates volume shipped from Platform Gail and received at Carpinteria Plant. Preset alarm points based on normal operating ranges, annunciated alarms must be acknowledged by control room operators.
- Detection system meets DOT/PHMSA requirements and meets API 1130 standards.