

NOTICE OF EXEMPTION

TO: Santa Barbara County Clerk of the Board of Supervisors

FROM: General Services Department

The project or activity identified below is determined to be exempt from further environmental review requirements of the California Environmental Quality Act (CEQA) of 1970, as defined in the State and County Guidelines for the implementation of CEQA.

APN: N/A **Case No.:** Real Property File No. 003657

Location: Submerged Lands offshore of Carpinteria

Project Title: Consent to Assignment from Ellwood Pipeline Inc. to Chevron USA Inc., Assumption of Performance, and Fourth Amendment to Lease Agreement, for Oil and Gas Pipelines in County submerged Lands, Offshore Carpinteria, First District (R/P File No.: 003657)

Project Applicant: Ellwood Pipeline Inc.

Project Description:

The proposed action is a Consent to Assignment, Assumption of Performance, and Fourth Amendment to Lease Agreement (“Fourth Amendment”) to allow Chevron USA Inc. (“Chevron”) to assume the rights and liabilities associated with the lease formerly assigned to Ellwood Pipeline, Inc. (“Ellwood”) allowing two submerged oil and gas pipelines crossing County submerged lands from 2 miles to 3 miles off of Carpinteria (County submerged lands). The action would also extend the term of the 1965 Lease for a period of five (5) years, through September 26, 2023, to allow Chevron adequate time to complete the decommissioning of Platforms Gail and Grace and the related facilities, which include the two pipelines transporting oil and gas between Platforms Gail and Grace in the Outer Continental Shelf and the onshore Venoco Carpinteria Oil and Gas Processing Facility.

Name of Public Agency Approving Project: County of Santa Barbara

Name of Person or Agency Carrying Out Project: County of Santa Barbara

Exempt Status:

- Ministerial
- Statutory Exemption [Section 15261(b)]
- Categorical Exemption [Section 15301]
- Emergency Project
- Declared Emergency

Cite specific CEQA and/or CEQA Guideline Section: 15261(b) ONGOING PROJECT

Reasons to support exemption findings: A private project shall be exempt from CEQA if the project received approval of a lease, license, certificate, permit, or other entitlement for use from a public agency prior to April 5, 1973. Here, the lease between Ellwood Pipeline, Inc. (as successor in interest to Standard Oil Company of California) and the County of Santa Barbara was executed on September 27, 1965. As part of the action, the lease will be transferred from Ellwood to Chevron. It is a private project, allowing Chevron to operate private facilities on submerged lands held in public trust by the County. Therefore, a third short-term extension of the existing Lease Agreement for a period of 60 months, to allow the continued use of the two existing submerged oil and gas pipelines in submerged lands offshore Carpinteria, the same facilities to be operated by Chevron under the same parameters as currently operated by Ellwood, is statutorily exempt from CEQA in accordance with Section 15261(b) of the CEQA Guidelines.

Cite specific CEQA and/or CEQA Guideline Section: 15301 EXISTING FACILITIES

Reasons to support exemption findings: The baseline for determining whether a significant effect on the environment might occur is the actual environmental conditions existing at the time of the analysis. The existing conditions for this project are the ongoing operation of the pipelines during the period of the short-term lease extension. The CEQA Existing Facilities exemption at Section 15301 allows for the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination. The assignment of the lease to Chevron and lease extension involves no expansion of the existing pipeline uses. The proposed action in this case is the short-term (60-month) extension of an existing Lease Agreement between the County and Ellwood and the assignment of that lease to Chevron. These actions would authorize the continued use of the pipeline facilities through County lands under the same parameters as currently operating. There will be no physical alterations or expansion of the existing uses resulting from the action and no expansion of use beyond that existing at this time and, therefore, the short-term lease extension and assignment of the lease to Chevron is exempt from CEQA in accordance with Section 15301.

With regard to the proposed project, the exceptions to the Existing Facilities categorical exemption that must be considered pursuant to Section 15300.2 of the State CEQA Guidelines are:

(a) Location. Classes 3, 4, 5, 6, and 11 are qualified by consideration of where the project is to be located – a project that is ordinarily insignificant in its impact on the environment may in a particularly sensitive environment be significant. Therefore, these classes are considered to apply in all instances, except where the project may impact on an environmental resources of hazardous or critical concern where designated, precisely mapped, and official adopted pursuant to law by federal, state, or local agencies.

The Section 15301 is a Class 1 Categorical Exemption, therefore this exception is not applicable.

(b) Cumulative Impact. All exemptions for these classes are inapplicable when the cumulative impact of successive projects of the same type in the same place, over time is significant.

The available federal oil and gas leases in the area of Platforms Gail and Grace have been developed. The County is not aware of any applications to construct additional platforms or associated new pipelines in the area during the term of the proposed 60-month lease extension. In fact, the subject

lease is being transferred and extended to allow Chevron to plug and abandon the wells on these platforms and after which, the subject pipelines will cease to be used. There are no other complete applications to extend or enter into new oil and gas pipeline leases in the area, nor are any leases anticipated to be extended or renewed by the County within the next sixty months. Because successive projects of the same type in the same place are unlikely during the proposed 60-month lease extension period, no cumulative impacts of this nature are anticipated. Therefore, there will be no successive projects of the same type in the same place over time and thus no significant cumulative impacts.

- (c) *Significant Effect. A categorical exemption shall not be used for an activity where there is a reasonable possibility that the activity will have a significant effect on the environment due to unusual circumstances.*

To determine whether a reasonable possibility of a significant effect on the environment exists for the proposed project, the pipelines' potential to leak or spill into the environment due to unusual circumstances during the 60-month duration of the lease extension and assignment of the lease to Chevron was considered. There will be no physical alterations or expansion of the existing pipeline uses. During the short-term lease extension, the same facilities will be operated under the same parameters as they have historically been operated. As discussed below, there is no evidence of unusual circumstances of the ownership or operation of the pipelines; therefore, there is no reasonable possibility that the activity will have a significant effect on the environment due to unusual circumstances.

The federal Bureau of Safety and Environmental Enforcement (BSEE) has regulatory authority to oversee maintenance, repair and safety-related planning for Platforms Gail and Grace and the associated pipelines. BSEE has concluded, "The Platform Grace pipelines are regularly inspected, and there have been no findings of apparent problems and thus no remedial action or further analysis is required based on the last several sets of inspection results" (BSEE letter dated 10 February 2017, attached). Additionally, the pipelines have a cathodic protection system in place with anodes strategically placed along the pipelines to reduce corrosion.

In addition to BSEE input on the pipelines' operational integrity, third-party engineering consultant Robert Brown Engineers (RBE) also provided detailed review of Ellwood Pipeline, Inc.'s previous and most recent pipeline test data. From this review, RBE concluded that the pipelines are currently fit for service, are operated at pressures well below their maximum allowable, and are not in any imminent danger of failure (RBE letter dated December 9, 2016, attached).

Based on the above, the pipelines are currently in satisfactory operating condition, are being maintained appropriately according to applicable standards, and no unusual circumstances exist. As noted elsewhere, there will be no physical alterations or expansion of the existing uses under the lease extension and assignment. During the short-term lease extension, the pipelines will be operated and maintained by Chevron under the same parameters as currently operating and found to be acceptable by the jurisdictional regulator (BSEE) and a third-party reviewer (RBE). In consideration of these facts, there is no reasonable possibility that the activity will have a significant effect on the environment due to unusual circumstances. This exception does not apply.



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FEB 10 2017

Mr. Peter Cantle
Deputy Director
County of Santa Barbara
123 East Anapamu Street
Santa Barbara, CA 93101-2058

Re: Pipeline Integrity, Platform Grace to Shore

Dear Mr. Cantle

Thank you for your inquiry regarding the integrity of the Platform Grace-to-shore oil and gas pipelines. The Bureau of Safety and Environmental Enforcement (BSEE) Pacific OCS Region, Office of Strategic Operations, has a comprehensive pipeline inspection program that requires operators to use both internal and external inspection technologies in concert to assess and maintain the overall integrity of pipelines. In addition, the pipelines have a cathodic protection system in place with anodes strategically placed along the pipelines to reduce corrosion. The Platform Grace pipelines are regularly inspected, and there have been no findings of apparent problems and thus no remedial action or further analysis is required based on the last several sets of inspection results. External inspection surveys for the 12" oil and 10" gas pipelines, and an internal inspection survey of the 10" M-1 gas pipeline reports are due to BSEE in 2017.

Please contact me at (805) 384-6334, or at nabil.masri@bsee.gov, if you have any questions.

Sincerely,

Nabil F. Masri
Regional Supervisor
Office of Strategic Operations

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December 9, 2016

237-3-3
Venoco: Santa Clara Unit
Lease Renewal Assessment

Mr. Dave Durflinger
CITY OF CARPINTERIA
5775 Carpinteria Avenue
Carpinteria, CA 93013

Dear Dave:

As requested, we have completed the review of the responses to the review comments as well as the updated support documents provided in the Venoco letter, dated September 20, 2016 to assess the current, short term integrity of the Venoco's Santa Clara Unit, 10" Gas Pipeline (M-1) and the 10"/12" Oil Pipeline (M-2) transporting Gas and Oil between the Offshore Platforms and the facility in Carpinteria.

Based upon the review of the additional documents provided and the original submittals, it is concluded that currently, both, the 10" Gas Pipeline (M-1) and the 10"/12" Oil Pipeline (M-2) transporting Gas and Oil between the Offshore Platforms and the facility in Carpinteria are not in any imminent danger of failure. This current, short term assessment is based upon the following:

- None of the metal loss anomalies identified by the recent Smart Pig Surveys require any de-rating of the pipelines. The pipelines are fit for service for their specified Maximum Allowable Operating Pressure (MAWP) for each pipeline.
- The normal operating pressures for both pipelines are well below the specified MAWP for each pipeline.
- The gas pipeline is now transporting PUC quality fuel gas for platform use instead of sour gas from platform to shore. The PUC quality gas is dry and not corrosive.

The Attachment I summarizes the documents review and the Attachment II provides detail review comments for the each of the documents reviewed.

ATTACHMENT I DOCUMENT REVIEW SUMMARY

Gas Pipeline (M-1)

The Smart Pig Survey Reports (2013 and 2015) for the Gas Pipeline (M-1) has been revised. Both surveys now show significantly reduced number of anomalies with significant reduction in the metal loss and severity. As delineated in the attached specific comments, provide justification for these reduced corrosion anomalies reported in the revised survey reports. The gas pipeline is now in a sweet gas (PUC quality) service. It transports the gas from the Carpinteria Facility for the Platform use. Since the Gas Pipeline no longer carries the Produced Gas to Shore and it transports sweet dry gas (no H₂S or water) to the Platform (reverse flow), the gas pipeline should not be prone to internal corrosion. However, environment for the external corrosion still exists.

Oil Pipeline (M-2)

Venoco has addressed and repaired both anomalies at the Platform. The ROV Surveys (2011 and 2013) show the pipelines are adequately protected by the Cathodic Protection for the external corrosion.

Venoco states that the 50% anomaly at a log distance of 40,027.8' is well below any action "trigger". However, this anomaly requires action as per 49 CFR Part 195.452(h) (4) (iii) (E) (Pipeline Integrity Management in High Consequence Area): 180-day conditions – An area of general corrosion with a predicted metal loss greater than 50% of the nominal wall.

The anomaly at 82,077.4' is External metal loss of 49.1%. Venoco states that this anomaly is not active and well below any action "trigger". This anomaly has increased from 43.7% in 2010 to 49.1% in 2014. This makes this anomaly active. Also, with the tool tolerance of +/-, this anomaly could be 59.1%. Venoco should pro-actively evaluate this anomaly.

Venoco is due for 2016 Smart Pig survey for this pipeline. Venoco may have conducted the survey. Provide the 2016 Survey Report for review. This survey would provide the status of these anomalies to ensure the continued M-2 pipeline integrity.

2015 Side Scan Sonar Survey

The Side Scan Sonar (SSS) Survey for the pipelines do not show any excessive free spans. As per the attached comments, validate the maximum allowable free spans for these pipelines.

Oil and Gas Pipelines: Pipeline Specific Operation Manuals (PSOMs)

Venoco has updated the 2014 Gas and Oil Pipelines PSOMs Appendix IV and Appendix VII, respectively. However, Venoco has not addressed a number of comments provided and discussed in the City of Carpinteria letter, dated January 22, 2016. Address these comments. Annually, these PSOMs are required to be re-validated in a timely manner, reflecting the current operation and regulations.

calculations.

APPENDIX IV: 2016 Gas Pipelines - Pipeline Specific Operations Manual (PSOM)

The 2016 Gas Pipelines PSOM Manual has been updated from the 2014 PSOM submitted with the original submittal in December 2015. As per Venoco, currently this pipeline is in sweet gas (PUC Quality, dry gas) service with the gas flowing (in reverse direction) from Shore to Platform Grace. This is not reflected in the 2016 PSOM. A number of review comments provided for the 2014 PSOM revision in the City of Carpinteria's letter, dated January 22, 2016 have not been addressed. Address the comments provided below, a majority (if not all) of them have been repeated from the 2014 PSOM review comments and these are not merely "grammatical correction" comments.

1. General Comment: The PSOM does show the change in service: Sweet Gas from Shore to the Platform from Produce Gas from the Platform to Shore. Update the description.
2. TOC, Page 1 of 1: For Section 17.10, correct, "Bureau of Ocean Energy Management Regulation, and Enforcement (BOEMRE)" to "Bureau of Safety, Environment and Enforcement (BSEE)".

Section 17.02, Page 2 of 2, Outside Agencies, #4: Correct, "Bureau of Ocean Energy Management Regulation, and Enforcement (BOEMRE)" to "Bureau of Safety, Environment and Enforcement (BSEE)".
3. Section 17.03, Page 2 of 9: Under the Maximum Allowable Operating Pressure, ANSI 600# has a rating of 1,440 psig. If the 740 psig MAOP is based upon the flange rating, than the correct flange rating to ANSI 300# which rated for 740 psig. Update the PSOM.
4. Section 17.03, Page 3 of 9: Since the M-1 pipeline is now sending sweet gas to Platform Grace, update the title and facility name to "Carpinteria Gas Plant to Platform Grace Pipeline (M-1)" and "Shore to Grace Pipeline (M-1)", respectively.
5. Section 17.03, Page 5 of 9: Provide the type of External Protective Coating details for the M-1 Pipeline.
6. Section 17.03, Page 8 of 9: For M-29, it states, "The pipeline is limited by the pressure rating of 600# flanges. Therefore, the MAOP for M-29 = 1415 psig". However, Section 17.03, Page 2 of 9 (see comment, #2 above) shows the MAOP of 740 psig; 300# flanges have the 740 psig rating. Update the PSOM.
7. Section 17.03, Page 8 of 9: Based upon the $P = 1,188$ psig, the S_A is calculated to be $1,188 \times 10.75/2 (0.365) = 17,495$ psig and the percent of SMYS is calculated to be $17,495/35,000 = 50\%$. Update the PSOM.
8. Section 17.05.6C, Page 3 of 3: Section 403.3 is not included in the PSOM. The flaring at Platform Grace is not discussed in this PSOM. Update the PSOM.

meeting the PHMSA and CPUC requirements.

APPENDIX VI: 2016 DOT Hazardous Liquid Pipeline Operations & Maintenance Procedures

In 2016, the DOT Gas Pipeline Operations & Maintenance Procedures have been updated as per the PHMSA meeting the PHMSA and CSFM requirements.

APPENDIX VII 2016 Oil Pipelines Specific Operations and Manual (PSOM)

This manual (assigned as Appendix VII) was submitted by Venoco via email on October 20, 2016 since it was not included in the September 20, 2016 submittal. The 2016 Oil Pipelines PSOM Manual has been updated from the 2014 PSOM submitted with the original submittal in December 2015. A number of review comments provided for the 2014 PSOM revision in the City of Carpinteria's letter, dated January 22, 2016 have not been addressed. Address the comments provided below, a majority (if not all) of them have been repeated from the 2014 PSOM review comments and these are not merely "grammatical correction" comments.

1. Section 17.01.1, Page 1 of 2: The cited reference, 192.402(c) (13) is for the Gas Pipeline. Use and update the PSOM with appropriate reference for the Hazardous Liquid Pipeline.
2. Section 17.01.4, Page 1 of 2, 1st Paragraph: Correct, "49 CFR Part 192" to "49 CFR Part 195" for the Hazardous Liquid Pipeline. The 1968 Natural Gas Pipeline Safety Act referenced for the Hazardous Liquid Pipeline is not relevant. Update the PSOM.
3. Sections 17.03, Page 7 of 9: Correct, "49 CFR 192.619" to appropriate 49 CFR Part 195 Section.
4. Entire Section 17.05 has been revised; however, the revision date is not updated from 3/2014. Update the revision date.
5. Section 17.05.4A, Page 1 of 6: Update, "should" to "shall" (3 places).
6. Section 17.05.5C, Page 3 of 6: Update "will" to "shall" in (A), (C) and (E) where appropriate.
7. Section 17.05.6A, Page 4 of 6: Update, "would" to "shall" in (A), (B), (C) and (D).
8. Section 17.05.6A-1, Page 4 of 6: Update, "would" to "shall" in (A), (C) and (D).
9. Section 17.05.6C-1, Page 6 of 6: Update, "will" and "should" to "shall" in (A).
10. Section 17.07A, DOT Inspection and Report Schedule: Provide DOT Inspection and Report Schedules for the Hazardous Liquid Pipeline. The schedules provided are for the DOT Gas Pipelines, such as Gas Integrity Management (IMP) and not the Hazardous Liquid Management (IMP). Correct, "MMS" to "BSEE" in the schedules provided (11 places). Define "PSA".
11. Section 17.09.4, Page 1 of 4: Provide copy of the recent Hazard Analysis (HAZOP/MOC) for review.