



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: March 14, 2017
Placement: Administrative to
Set Hearing for
March 21, 2017
Estimated Time: 30 Minutes
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: Set Hearing to Consider Approval of Third Amendment to Lease with Ellwood Pipeline, Inc., in County Submerged Lands, Offshore Carpinteria, First District (R/P File No.: 003657)

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Risk Manager, Planning and Development
As to form: Yes

Recommended Actions:

That the Board of Supervisors:

Set a hearing on the Departmental Agenda of March 21, 2017 to consider the recommendations, as follows:

- a) Approve and authorize the Chair to execute the attached original and duplicate original Third Amendment to Lease Agreement between the County of Santa Barbara and Ellwood Pipeline, Inc., ("Ellwood") a subsidiary of Venoco, LLC., for Ellwood's continued use of two existing submerged oil and gas pipelines in the offshore county boundaries of Carpinteria; for an extended term of eighteen (18) months, beginning March 27, 2017, and ending September 26, 2018; and
- b) Determine that the proposed action is exempt from the California Environmental Quality Act (CEQA) guidelines, pursuant to Section 15301, Existing Facilities, and Section 15261, Ongoing Project; and approve and direct staff to file and post the attached Notice of Exemption on that basis.

Summary Text:

The Board's approval of the Third Amendment will extend the term of the 1965 Lease between the County and Ellwood Pipeline, Inc., as successor in interest to Standard Oil Company of California, for a period of eighteen (18) months, through September 26, 2018; to allow time to conduct a focused Environmental Impact Report (EIR) to determine the feasibility of a long-term Lease Agreement for Ellwood's continued use of two pipelines transporting oil and gas from Platforms Gail and Grace in the Outer Continental Shelf, to Ellwood's onshore Carpinteria Oil and Gas Processing Facility.

Background:

This item was last before the Board on September 15, 2015, on the Departmental Agenda, where the Board approved a Second Amendment to the Lease Agreement between the County and Ellwood Pipeline Inc., doing business as Venoco LLC ("Venoco"), and directed staff to explore a third-party evaluation of the pipeline infrastructure during the California Environmental Quality Act (CEQA) process. The purpose of the evaluation was to determine the condition of the pipelines for consideration of the requested long-term lease extension or new long-term lease agreement. Venoco has requested a long-term (25 year) lease renewal. Prior to staff recommending a new long-term lease agreement between the County and Venoco, additional information on the pipeline integrity, operational safety, and mitigation and monitoring programs is necessary. The County (with City of Carpinteria concurrence) has informed Venoco that an EIR is required for a long-term lease extension or new long-term lease agreement, as discussed further below.

Since approval of the Second Amendment, County staff has continued to work with the City of Carpinteria and engineering consultant Robert Brown Engineers (RBE) to gather and analyze Venoco's pipeline integrity data to determine the existing condition of the pipelines. On December 9, 2016, RBE summarized its review and concluded that the pipelines are currently fit for service and do not pose an immediate risk of failure (Attachment 2). In addition to the RBE analysis, the County reached out to the Federal Bureau of Safety and Environmental Enforcement (BSEE) about the current integrity of the pipelines. On February 10, 2017, BSEE concluded that the 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 (Attachment 3). Additionally, the pipelines have a cathodic protection system in place with anodes strategically placed along the pipelines to reduce corrosion. This information provides evidence to support using CEQA Exemptions for the currently proposed 18-month lease extension.

However, further analysis is necessary to support the requested long-term extension. Venoco has recently agreed to fund a focused EIR to support the requested long-term lease extension or new long-term lease agreement. On the basis of this progress, General Services is recommending an 18-month lease extension to allow time for completion of a focused EIR and negotiation of terms for a 25-year lease extension or new long-term lease agreement. Venoco has signed the reimbursement agreement to recover contractor and staff costs associated with preparing the focused EIR and is in the process of submitting the initial deposit of \$12,500 to begin the EIR. The EIR is estimated to cost \$95,000. Staff estimates that the EIR can be completed within the recommended 18-month lease extension that is the subject of this memo.

Approval of this Third Amendment to Lease Agreement between the County and Venoco, for Venoco's continued use of two existing submerged oil and gas pipelines offshore of Carpinteria for an extended

term of eighteen months (18) months, exempt from environmental review under the California Environmental Quality Act (CEQA), pursuant to CEQA Guidelines for Implementation of CEQA, 14 CCR Sections 15301, “Existing Facilities”, and 15261 (b), “Ongoing Project”. The purpose of the 18-month extension is to determine the feasibility of a new long-term Lease Agreement, or long-term extension of the current Lease Agreement and to complete a focused EIR.

The 18-month lease extension is categorically exempt from environmental review in accordance with CEQA Guidelines, Section 15301 – Class 1, which consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alterations 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 temporary extension of the current lease agreement between the County and Venoco will provide for the continued operation, repair, maintenance, and leasing of the two pipelines, under the same parameters of existing operations, as private facilities, involving no expansion of use.

Section 15261 of the CEQA Guidelines provides a statutory exemption for a private project 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. The lease between the County and Standard Oil Company of California, Ellwood’s successor in interest, was approved by the County, a public agency, on September 27, 1965. The lease allows Ellwood to continue use of its private pipeline facilities under the same parameters as currently operated for an extended term of 18-months. Therefore, the recommended action of temporarily extending the lease and allowing Ellwood to continue its use of the private facilities is statutorily exempt from further CEQA review in accordance with CEQA Guidelines Section 15261.

Fiscal and Facilities Impacts:

Costs for consultant preparation and processing of the EIR, as well as staff time preparing the Third Amendment to Lease Agreement and related documents, will be fully reimbursed by Venoco. Once the EIR consultant is identified and the contract approved by the Board of Supervisors, Venoco will be required to pay for the entire cost of the EIR up front including contingency. Any contingency funds used must be identified by the consultant and approved by P&D Director or designee prior to the work commencing. The current annual rent of \$13,655.00 is deposited into Fund 0001, Dept. 063, Program 1207, Project 003657.

Special Instructions:

After Board action, please distribute as follows:

1. Original Third Amendment:
Clerk of the Board files
2. Duplicate Original Third Amendment and copy of minute order:
General Services, Real Property
Attn: Elizabeth Linn
3. Copies of Third Amendment and Minute Order:
 - Auditor-Controller, Financial Reporting Division
Attn: Betsy Schaffer
 - Planning & Development, Energy and Minerals Division
Attn: Peter Cantle
4. After Board action, please post the Notice of Exemption

Attachments:

1. Third Amendment to Lease Agreement (1 original, 1 duplicate original)
2. December 9, 2016 RBE Letter
3. February 10, 2017 BSEE Letter
4. Notice of Exemption