

This Calendar Item No. 30  
was approved as Minute Item  
No. 30 by the State Lands  
Commission by a vote of 3  
to 0 at its 6-24-76 MINUTE ITEM  
meeting.

6/24/76  
DHS  
LHG

30. LEASE OF STATE LAND FOR A LIQUEFIED NATURAL GAS TERMINAL -  
W 20<sup>th</sup> 42.

During consideration of Calendar Item 30, Mr. William F. Northrop, Executive Officer, explained the item to the Commission. He asked the Commission to make a finding that when a lease is on sovereign land, the lessee must deal directly with the State of California, as opposed to dealing directly with the local agency involved, e.g. the Oxnard Harbor District.

Mr. John Elmore, representing the Oxnard Harbor District, appeared. He presented a position paper, on file in the office of the State Lands Commission and by reference made a part hereof. In summary, Mr. Elmore stated the District believes (1) that any offshore terminal should be developed, constructed, and operated as public port facilities; (2) the existing port authorities are best equipped to provide facilities and the State lands directly to a private operator for the operation of such a terminal does not appear to be in the public's best interest, and the District would therefore resist any such action.

Mr. N. Gregory Taylor, Assistant Attorney General, stated that the District is assuming it would successfully obtain a lease from the Commission, whereupon it would sublease to the LNG operator. He stated it is the staff's recommendation to put the District and operator on notice that the lease be handled directly with the Commission and the operator, not with the local agency and the operator.

Mr. Elmore reemphasized that the Oxnard Harbor District feels it should be a public terminal. However, since the District does not have a grant from the Commission or a lease that existed in other ports where there is such an arrangement, they are requesting the Commission allow the District to proceed in this manner. He stated they do not want to be foreclosed by a policy decision at this time.

Chairman Kenneth Cory stated for the record that he is not convinced LNG should be approved at all. Until that issue has been resolved, he is not prepared to allow anyone on his behalf imply that he would approve such a lease in the future.

Commission-alternate Sid McCausland stated that there are many port districts in California and many energy companies. The Commission would not be doing it's duty to the people if it foreclosed its options by allowing the District to be the State's broker.

MINUTE ITEM NO. 50. (CONTD)

Mr. Elmore stated that what he really is asking is that the Commission not foreclose the District's building and owning a port facility in that location with the related onshore storage tanks. Chairman Cory indicated that this item does not foreclose that option.

At this point in the discussion, Mr. N. Gregory Taylor, Assistant Attorney General, clarified the record by stating this item is a reaffirmation of the Commission's interest in the area. It is not intended as a commitment or approval of the irrevocable decision wherein the Commission would issue a lease in the future. The item says the Commission would be involved in the process. In addition, it is to put the LNG company on notice that this is land under the jurisdiction of the Commission, and that the assumption made by the port district to date and the company's ignoring the Commission's interest may not be one which is correct if it is ultimately decided this will not be the location of the facility. At that point, he stated it would be necessary to work out an arrangement which would be satisfactory to the Commission, but that arrangement has not been what the port authority has assumed would be the case for this facility and port.

Commission-alternate McCausland moved at this time that the Commission adopt a statement of Commission intent, as presented in the attached calendar item. Commission-alternate McGuire seconded the motion.

Mr. Winston Tyler, Deputy City Attorney, City of Los Angeles Harbor Department, appeared. Mr. Tyler stated that the Harbor Department has no position with respect to this item. However, he questioned whether the second portion of the recommendation applied to granted tidelands. Chairman Cory advised Mr. Tyler that as long as the Harbor Department remains within the terms of the grant and is consistent with the trust, the grant is not affected. However, the Commission has the option to intercede if it feels the trust has been violated.

Upon motion duly made and carried, the recommendation as presented in Calendar Item 30 attached was adopted by a vote of 3-0.

Attachment:  
Calendar Item 30 (2 pages)

CALENDAR ITEM  
30.

6/76  
W 20782  
DBS  
LHG

LEASE OF STATE LAND FOR A  
LIQUEFIED NATURAL GAS TERMINAL

The Federal Power Commission (FPC) has before it three major proposals to import liquefied natural gas (LNG) from Alaska and Indonesia to California sites. The companies involved, their source of gas, and California terminal location are:

<u>COMPANY</u>	<u>SOURCE</u>	<u>TERMINAL</u> (Contractor)
El Paso Alaska Company	Prudhoe Bay, AK	Pt. Conception (Western LNG Term.Co.)
Pacific Alaska LNG Co.	Cook Inlet, AK	Los Angeles (Western LNG Term.Co.)
Pacific Indonesia LNG Co.	Indonesia	Oxnard (Western LNG Term.Co.)

The El Paso Alaska Company's proposal is in competition with another proposal to bring Prudhoe Bay gas via pipeline to the "lower 48", specifically the Midwest--the Arctic Gas System. Although the FPC has yet to make its final decision, staff concludes, in the April, 1976 Final Environmental Impact Statement on Alaska Natural Gas Transmission Systems, that the Arctic Gas System is superior environmentally and economically to the El Paso Alaska proposal.

An additional recommendation contained in the EIS is of direct interest to the State Lands Commission. Based on a number of factors--supply, health and safety, etc.--the FPC STAFF recommends that all LNG destined for California at this time should be processed at one Western LNG Company facility--Oxnard. While the upland area for the Oxnard terminal is to be provided by the City of Oxnard, the seaward portion of the facility (trestle and attendant pipelines) would be located on State tide and submerged lands.

In the preliminary stages of the Oxnard proposal, meetings were held between Western LNG Company, Oxnard Harbor District and State Lands Division staff. In these meetings it was proposed by the Harbor District that it be the prime mover in the eventual lease application. The Oxnard Harbor District has on numerous occasions, explored the possibility of leasing State land which, in turn, would be leased to the Western LNG Company by the District. Although the District has not yet formally made application to the Division for a lease, the City of Oxnard commissioned and has received an EIR on the project.

The installation and operation of an LNG facility has major environmental and health and safety ramifications which should

A 36

S 18

CALENDAR ITEM NO. 30. (CONTD)

be addressed, mitigated, and regulated at the state level.

IT IS RECOMMENDED THE COMMISSION FIND THAT IT IS IN THE BEST INTERESTS OF THE PEOPLE OF THE STATE THAT ANY LEASE OF STATE TIDE AND SUBMERGED LANDS FOR A LIQUEFIED NATURAL GAS FACILITY AT OXNARD OR OTHER PROPOSED SITE BE NEGOTIATED AND CONSUMMATED DIRECTLY BETWEEN THE COMMISSION AND THE OWNER AND/OR OPERATOR OF SUCH FACILITY AND THAT THE COMMISSION DIRECT STAFF TO INFORM THE PRINCIPALS OF THEIR DECISION IN THIS MATTER.