MEETING

STATE OF CALIFORNIA

STATE LANDS COMMISSION

Legislative Office Building
Room 102
1020 N Street
Sacramento, California

Thursday, December 7, 1995
1:00 p.m.

Janet H. Nicol
Certified Shorthand Reporter
License Number 9764

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
COMMISSION MEMBERS PRESENT

Gray Davis
Lieutenant Governor
Chairman

Kathleen Connell, Ph.D
State Controller
Commissioner

Theresa Parker
for Russell S. Gould
Director of Finance
Commissioner

STAFF PRESENT

Gary Gregory, Marine Facilities Division Chief
Robert Hight, Executive Officer
Bill Morrison, Assistant Executive Officer
Jack Rump, Chief Counsel
Sharon Shaw, Legal Support Supervisor
Jan Stevens, Assistant Attorney General
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CHAIRMAN DAVIS: Calling the meeting of the Lands Commission to order. All three representatives of the Commission are present.

The first item of business should be adopting the minutes from our last minute.

COMMISSIONER CONNELL: I move adoption of the minutes.

COMMISSIONER PARKER: Second.

CHAIRMAN DAVIS: The minutes are unanimously adopted.

The first order of business should be the adoption of the consent calendar.

EXECUTIVE OFFICER HIGHT: Yes, Mr. Chairman, with the exception of Item C5, C26 and C53 that have been pulled from the consent calendar.

COMMISSIONER CONNELL: I move adoption of the consent calendar with the exception of C5, C26 and C53.

COMMISSIONER PARKER: I second that.

CHAIRMAN DAVIS: All right. That's unanimously approved.

That takes us to Item No. 60. Would you like to share some comments with us on Item No. 60?

EXECUTIVE OFFICER HIGHT: Yes, Mr. Chairman.

Item 60 is an item for a contract with the Navy.
And I'll let Gary Gregory, who is chief of the Commission's Marine Facilities Division, present that item.

MR. GREGORY: Good afternoon.

Under the Lempert-Keene-Seastrand Oil Spill Prevention and Response Act the Commission has the responsibility to inspect on a regular basis all marine oil terminals in the State of California.

In addition, the Commission shall adopt rules and regulations, guidelines, Commission leasing policies, et cetera, for reviewing the location, type character, design, performance standards, size and operation of those marine terminals.

This item is a request for Commission approval to enter into a cooperative research and development agreement with the U.S. Navy, in fact the Naval Facilities Engineering Service Center, to develop and demonstrate the use of an audit manual designed to determine the fitness for purpose of marine oil terminals.

The objective of the audit manual is to provide a procedure for performing in-depth structural and safety system facility audits for all existing marine loading and discharging facilities in the State of California.

This would apply to facilities onshore, near-shore and offshore, in other words wharves, terminals and multiple-buoy offshore moorings.
The real purpose of these audits is to provide and identify structural damage and weaknesses at those marine terminals that affect their continued fitness for purpose and to identify safety systems, mechanical and electrical deficiencies.

In addition to that, as an inspection function of the Commission staff this would also lead to the regulatory development of standards dealing with structural safety and seismic safety for marine oil terminals.

Under this agreement we would do four audits. The State Lands Commission would be overall manager of those projects. The Navy would provide their level of expertise, diving services at the marine oil terminals and on-site management of the audit teams.

There is a dual gain here for the two agencies involved. The Navy is under Executive Order to look at governmental facilities to ensure that they’re using the best technology to check those facilities. The Navy lost about $275 million as a result of the Loma Prieta quake. And the 1993 quake in Guam that caused severe damage to their facilities, their facilities are much like the facilities in California, they’re on average 75 years old. They represent for the Navy $5 billion in assets and yet today they’re built to standards that they know do not meet structural -- there are no standards today in fact, but they
are structurally weak and they are afraid that they will not meet seismic standards.

So the Navy wishes to gain from this agreement a framework with which to hang their particular expertise and to develop an overall scheme of reviewing and examining and inspecting marine oil terminals.

We will of course gain the particular levels of expertise from the Navy folks that we will hang on the overall concept that we already have.

This is a cooperative agreement that is provided for under the Federal Technology Transfer Act of 1986. The Navy is very interested in pursuing this. We are very excited about the prospects of working side by side with these people and using their expertise to bring it together into a complete and cohesive program.

So we would ask the Commissioners' authority to enter into this agreement with the Navy.

CHAIRMAN DAVIS: How is this study funded?

EXECUTIVE OFFICER HIGHT: It was a special -- the Commission received a BCP two years ago for this specific purpose.

CHAIRMAN DAVIS: So the Navy won't be contributing anything to the costs involved in this joint project?

MR. GREGORY: That's correct. It will be funded from that special fund, $60,000 a year for two years.
The money that goes to the Navy will be used to pay for civilian personnel of the Department of the Navy. Navy uniformed personnel will not be paid as a result of this. This is part of their normal Navy services, so we actually do a good job of leveraging our dollars here.

CHAIRMAN DAVIS: So the staff obviously believes that the expertise the Navy will bring is worth our paying them the entire cost?

EXECUTIVE OFFICER HIGHT: Correct, Mr. Chairman.

COMMISSIONER PARKER: Bob, the budget included the funds starting with this fiscal year?

EXECUTIVE OFFICER HIGHT: Yes.

COMMISSIONER PARKER: So you have this fiscal year and then the subsequent fiscal year is built into your project automatically?

EXECUTIVE OFFICER HIGHT: Yes.

COMMISSIONER PARKER: So obviously you’re anxious to get started to utilize those funds?

EXECUTIVE OFFICER HIGHT: Right.

COMMISSIONER CONNELL: I have a question, Bob, on what you will find if there are deficiencies. The whole purpose of an audit is to see if there are irregularities and, if there are, what is the process to make sure that the Navy lives up to higher standards?

EXECUTIVE OFFICER HIGHT: Well, the standards that
we and the Navy jointly develop we will apply to the marine facilities under the Commission's jurisdiction, and then work with the lessees of those facilities to increase the structural integrity, if you will, of the facility to meet these standards.

COMMISSIONER CONNELL: What's the enforcement for that?

MR. GREGORY: The standards that are to be developed are for commercial terminals as well as Navy terminals. The Navy hopes to take this and apply it to their Navy terminals.

For us, the four audits that will be done will be done on facilities that are coming up for leases from the State Lands Commission over the next several years and so we will get a good picture in time of what these facilities will look like.

The enforcement mechanism will be through the lease for those particular facilities until we are able to develop regulations or guidelines for the design, construction, maintenance, repair and inspection of terminals statewide.

EXECUTIVE OFFICER HIGHT: The biggest hammer is the Commission's leasing authority and we have several coming up that we can apply these standards to now.

MR. GREGORY: There are no such standards anywhere
in the world, that's the major issue here.

COMMISSIONER CONNELL: So you're using a

state-of-the-art --

MR. GREGORY: Yes, ma'am.

COMMISSIONER CONNELL: -- standard determination?

MR. GREGORY: Yes.

COMMISSIONER CONNELL: Mr. Chair, unless there are

concerns, I would certainly move the staff report.

CHAIRMAN DAVIS: I have a couple questions I want
to pursue here.

I think it makes sense to involve someone from the
industry in this audit, the people whose equipment is going
to be affected by this joint determination from the Navy and
the Lands Commission. And clearly this is a decision that
belongs to the two public agencies, but since we're going to
affect the cash flow and the financing of these existing
facilities I'd like to see either an advisory board or some
participation on the part of the operators of the marine
terminals.

MR. GREGORY: Mr. Chairman, this is the result of

a current, existing requirement for a triannual system

safety audit at marine oil terminals. We have worked

extensively with the companies that are involved in our

first scheduled audit, which we will do even if we don't

have the Navy there as a result of or as part of the leasing
process. So we are including very carefully the entities involved in this, the oil companies that are involved.

We will in any regulatory development or guideline development that we do, utilize our standard technical advisory groups, that's industry and environmental group participation, in developing standards.

CHAIRMAN DAVIS: One of the questions I have, we're obligated to do this by virtue of the Keene-Seastrand bill, which the Commission supported, and the former lieutenant governor and I, in my former capacity, helped draft that language.

EXECUTIVE OFFICER HIGHT: Correct.

CHAIRMAN DAVIS: So we have that responsibility to inspect and maintain facilities up and down the coast.

I guess my question is have we any evidence to suggest that these conditions, that their conditions pose a danger, are there any threat either to the safety of people operating the marine terminals or fish or any environmental hazards that we're aware of?

MR. GREGORY: Yes, sir. We have done what's called a first-look inspection, very similar to what is done at oil platforms under the recommended practices of the American Petroleum Institute. And, frankly, our first look is horrifying. We do have facilities in the State of California now that are in very bad physical repair,
facilities that are used on a daily basis. And this is really the basis of our concern here.

COMMISSIONER CONNELL: Commercial facilities?

MR. GREGORY: Yes, ma'am. Commercial facilities.

COMMISSIONER CONNELL: That are under lease to the State?

MR. GREGORY: Yes, ma'am. Some of them. There are approximately 65 physical marine oil terminals operating in the State of California, commercial facilities, 20 of those are on leases.

EXECUTIVE OFFICER HIGHT: But the problem is in order to determine that, there no standards and so this will help us, give us a benchmark of what the facilities need to be, the standards they need to be brought up to.

CHAIRMAN DAVIS: But there is a technical advisory team that includes participation from the lessees?

MR. GREGORY: An audit that's done under this program is done as a team with the lessees. This is not a program that's done exclusively by the State Lands Commission.

Our final desire at this point as we see the world is to develop and finalize this audit manual so that for a triannual safety system audit that we require under the regulations to hand the company the audit manual and say conduct an audit similar to this or along these lines and
report back to us the results of that audit so that we would view it as not being intrusive by a governmental agency, in fact standing there doing the physical audit of each facility in California waters.

We need to test this program, test this audit manual and ensure that it works and ensure that the standards that we're working toward are developed as a result.

CHAIRMAN DAVIS: All right. Any further questions? Is there anyone else?

COMMISSIONER PARKER: Just one last question.

Bob, would our ability to essentially set these standards, would we be able to do that if we did not have the ability to do this joint agreement from the standpoint with the Navy?

EXECUTIVE OFFICER HIGHT: No.

COMMISSIONER PARKER: Is it the access to their technology that will essentially allow us to do this, which we need to do for a substantial number of facilities we have under our lease?

EXECUTIVE OFFICER HIGHT: That's correct. Absent the expertise of the Navy we don't have to ability to do it.

COMMISSIONER PARKER: Well, I would second the motion.

CHAIRMAN DAVIS: Then the motion, the Controller's
motion, is adopted three to zero.

EXECUTIVE OFFICER HIGHT: Okay. And that ends the --

CHAIRMAN DAVIS: Completes the business, the open session.

EXECUTIVE OFFICER HIGHT: Yes.

CHAIRMAN DAVIS: The Commission will now go into closed session and ask anyone in the room that's not supposed to be here in the closed session to please excuse themselves.

(Thereupon the meeting was adjourned at 1:17 p.m.)
CERTIFICATE OF SHORTHAND REPORTER

I, JANET H. NICOL, a Certified Shorthand Reporter of the State of California, do hereby certify that I am a disinterested person herein; that I reported the foregoing meeting in shorthand writing; that I thereafter caused my shorthand writing to be transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, or in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of December 1995.

Janet H. Nicol
Certified Shorthand Reporter
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