APPEARANCES

BOARD MEMBERS

Mr. Cruz Bustamante, Chairperson, represented by Ms. Lorena Gonzalez

Mr. Steve Westly, Acting Chairperson

Mr. Steve Peace, represented by Mr. Steve Larson

STAFF

Mr. Paul Thayer, Executive Officer

Mr. Jack Rump, Chief Counsel

Ms. Kimberly Korhonen, Executive Assistant

Mr. Martin Eskijian

ALSO PRESENT

Alan Hager, Deputy Attorney General
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PROCEEDINGS

ACTING CHAIRPERSON WESTLY: All right. Are we ready here?

I'd like to call this meeting of the State Lands Commission to order. All of the representatives of the Commission are present. I'm State Controller Steve Westly. And I'm joined today by Steve Larson, representing the Department of Finance, and Lorena Gonzalez, representing the Lieutenant Governor.

Is the Lieutenant Governor otherwise occupied today?

(Laughter.)

ACTING COMMISSIONER GONZALEZ: Unfortunately. He may make it at the end. Right now he can't.

ACTING CHAIRPERSON WESTLY: I can't imagine what he'd be doing.

(Laughter.)

ACTING CHAIRPERSON WESTLY: For the benefit of those in the audience, the State Lands Commission administers properties owned by the State as well as its mineral interests. Today we will hear proposals concerning the leasing and management of these public properties.

The first item of business will be the adoption of the minutes from the Commission's last meeting -- May
May I have a motion to approve the minutes?

ACTING COMMISSIONER GONZALEZ: I move to approve the minutes.

ACTING COMMISSIONER LARSON: Second.

ACTING CHAIRPERSON WESTLY: All right. All in favor please say aye.

(Ayes.)

ACTING CHAIRPERSON WESTLY: Thank you.

The minutes are unanimously adopted.

The next order of business is the Executive Officer's report.

Mr. Thayer.

EXECUTIVE OFFICER THAYER: Mr. Chairman, good morning. I have a very brief report this morning.

I just wanted to mention that with respect to enforcement of the ballast water program, we had previously discussed this with the Commission, and there were two areas that we were looking to enforce. And I just wanted to report that on one of them, the violations by the agency K&S, that we have proceeded and referred that to the Oil Spill Prevention Response Office for enforcement.

And we'll keep you up to date on the second one when there are developments in that.
And that will conclude my report, unless there are any questions.

ACTING CHAIRPERSON WESTLY: I have no questions. Mr. Larson or Ms. Gonzalez? No?

Is there anyone in the audience at this time who would like to speak out on an item on the consent calendar? If not, the remaining group of consent items will be taken up as a group for a single vote.

Is there a motion on the consent calendar?

EXECUTIVE OFFICER THAYER: If I may, Mr. Chair.

There are a couple items that I'd like to announce are removed from the consent calendar before the vote's taken.

ACTING CHAIRPERSON WESTLY: Please, Mr. Thayer, if you could give us that background.

EXECUTIVE OFFICER THAYER: Certainly.

There are five items -- or six: C7, C20, C23, C34, C79, and C94. All but one will be heard at a succeeding commission meeting. C7 would be heard at the end of our regular calendar item -- a regular calendar item.

ACTING CHAIRPERSON WESTLY: Let me just say for the record, as Controller I serve on over 50 boards and commissions. And I really feel like you at the Lands Commission set the standard for working collegially with
people with very conflicting interests. And I just thank you for doing this. I know you've resolved a number of issues in advance in an appropriate and a statesmanlike way; and a few that you couldn't, I know you've postponed. And I fully expect most of these will be resolved in advance of the meeting.

So I just want to give appropriate kudos where kudos are due, especially when so many people are critical of government in these times. You're doing a first-rate job.

EXECUTIVE OFFICER THAYER: That's very nice of you to say. And I'll certainly pass it along to the rest of the staff who are really responsible for that result.

ACTING CHAIRPERSON WESTLY: Well, I appreciate it a lot.

So is there a motion on the consent calendar?

ACTING COMMISSIONER GONZALEZ: Before we do that --

(Thereupon a cell phone rang.)

(Laughter.)

ACTING COMMISSIONER GONZALEZ: And I won't even answer it.

Before we do that, there's a couple that I would like to pull off or comment on, if that's okay.

ACTING CHAIRPERSON WESTLY: Absolutely.
ACTING COMMISSIONER GONZALEZ: As far as -- I'll go numerically, if I may. Ended up making this up. C11, is that amended?

EXECUTIVE OFFICER THAYER: Yes, that was amended. As a result, the Commission will be sending a letter to the OSPR Office with respect to the spill that occurred there.

ACTING COMMISSIONER GONZALEZ: Okay. I just wanted to reiterate on behalf of Lieutenant Governor Bustamante that when he first sat as Chair of this Commission, he adopted and I believe the Commission adopted a zero-tolerance policy on any kind of oil spill. So it was really important to him that a letter was sent OSPR reaffirming that and making sure that a fine was imposed for it, even an accidental spill.

Well, I guess all spills are probably accidental.

EXECUTIVE OFFICER THAYER: We hope.

ACTING COMMISSIONER GONZALEZ: Let's hope nobody's out there spilling on purpose.

Okay. The next one I had a question on was C85.

EXECUTIVE OFFICER THAYER: That --

ACTING COMMISSIONER GONZALEZ: And I didn't want to pull staff report on any of these. I just wanted to clarify that all we are doing in that is asking Venoco to go forward with an EIR process and allowing you to go
forward with that.

EXECUTIVE OFFICER THAYER: This would provide that authorization so that we could -- so I could enter in to a contract for the preparation of an EIR for the extension of the lease for the marine terminal at Ellwood.

ACTING COMMISSIONER GONZALEZ: Okay. And we will make it clear to Venoco that prior to taking up -- was it C94?

EXECUTIVE OFFICER THAYER: Yes.

ACTING COMMISSIONER GONZALEZ: -- that this will be resolved?

EXECUTIVE OFFICER THAYER: And that has been done. As I've discussed with all the Commissioners' offices, we're working with Venoco, and we hope to have a successful result. But at the moment there needs to be a little bit more work to achieve that.

ACTING COMMISSIONER GONZALEZ: And, finally, I want to pull C86, if that's okay. There seems to be a lot of confusion I think over this item in Ventura County. And I got calls this morning from county supervisors as well as from an Assembly person. And I want to ensure that we get in contact with those people and deal with this issue before it's taken up.

I think there may be confusion. But in case there's not, if they truly are opposed to it, I'd like to
They were unable to make the meeting today.

EXECUTIVE OFFICER THAYER: There was an unfortunate newspaper article that came out at the end of last week which implied that the item on today's agenda for the Commission consideration was for approval of the LNG project itself rather than, as is in fact the case, merely authorization as with the previous item for us to enter into a contract to prepare the Environmental Impact Report.

We contacted the reporter and asked for a correction to be published. I believe it was. But as a result, there has been a lot of confusion because of that article.

ACTING COMMISSIONER GONZALEZ: And can we make sure that we get in touch then with -- I think it's a Supervisor Flynn?

EXECUTIVE OFFICER THAYER: Yes.

ACTING COMMISSIONER GONZALEZ: And I also had requests from Assembly Woman Pavley's office. So if we could get ahold of those two people and try to clear up any confusion.

And then if there's still hesitation on this, if we can try to work that out.

EXECUTIVE OFFICER THAYER: Sure.
ACTING COMMISSIONER GONZALEZ: I know there's a lot of caution with LNG facilities and the rise of those. It's really important to the Lieutenant Governor that, you know, we proceed with caution and really look to see what's going on before we move forward.

EXECUTIVE OFFICER THAYER: We'll certainly contact those individuals.

But just to set the record clear, that the Commission -- the staff was only bringing authorization to prepare the EIR to the Commission. And the intent of that process is to do two things: One is to develop the information about the project, which would include an examination of the same issues that the folks who are concerned about this have. And the second thing is it has an enormous public participation element to it. And so I think those folks who are most concerned about what we're doing here are, in fact, most benefited by the process that we wanted to get going today. But we can take that up at a succeeding meeting.

ACTING COMMISSIONER GONZALEZ: Okay.

ACTING CHAIRPERSON WESTLY: Thank you, Ms. Gonzalez.

Just for the staff's record then, we will remove from the consent calendar items C11, C85 and --

ACTING COMMISSIONER GONZALEZ: No, C11 stays on.
I just wanted to make sure that it had been amended from what I had originally seen, because I didn't have time this morning to go through it.

EXECUTIVE OFFICER THAYER: So C86 is the only one that --

ACTING COMMISSIONER GONZALEZ: C86 is the only one that I want to remove before voting on them.

ACTING CHAIRPERSON WESTLY: Terrific.

And Mr. Larson.

ACTING COMMISSIONER LARSON: I had a question about C86 also. And it's really following on from what's been discussed. I wondered if there was any harm done by delaying it until the next meeting.

EXECUTIVE OFFICER THAYER: It will mean that we'll initiate the EIR two months later. We're anticipating our next meeting being in October, we believe around October 20th. And we're looking to do it in San Diego.

That date is not firmly established yet, but still that's the time we're looking at.

ACTING COMMISSIONER LARSON: So it delays the process by two months?

EXECUTIVE OFFICER THAYER: Yes, it does.

It's also true we do not yet have a completed permit application. So the total delay -- which we're not
expecting until September. So there may be -- it may not
be the entire two months' delay that we're talking about
here.

ACTING CHAIRPERSON WESTLY: All right.

ACTING COMMISSIONER LARSON: I make a motion to
approve the consent items.

ACTING CHAIRPERSON WESTLY: Is there a second?

ACTING COMMISSIONER GONZALEZ: Second.

ACTING CHAIRPERSON WESTLY: All in favor say aye.

(Ayes.)

ACTING CHAIRPERSON WESTLY: Okay. Motion passes
unanimously.

Item 99 is the consideration of a resolution
concerning the inventory of oil and gas resources in the
outer continental shelf.

I'd like to make a few comments about this item.

I'm proposing -- I always hate when we remove the
controversy early in the meetings.

(Laughter.)

ACTING CHAIRPERSON WESTLY: I'd like to go ahead
and make a few comments about this item.

I'm proposing this resolution because I believe
we must maintain the moratorium on oil development off
America's coastline. I am deeply concerned that Congress
by their recent actions may try to reauthorize new leases
on oil and gas development off California's coast. I think this is poor policy for the state.

Senator Domenici, the Chair of the Senate Committee on Energy and Natural Resources promised to pursue his oil agenda, which includes taking inventory of offshore oil and gas resources as part of the 2003 energy bill. This inventory's widely seen as a first step towards new offshore development in California and in other places in the country. And I believe we need to oppose it in the strongest possible terms.

Even more alarming is the fact that this study would scrutinize state and local programs to determine if they impede offshore development. In California these programs protect our coast from the harmful effects of oil development, and that we reap recreational benefits, environmental benefits, economic benefits from tourism, et cetera.

Even if the inventory doesn't lead to development, the study itself poses risks. I have concerns about the seismic surveys, that we'd use high-energy air guns, which may cause harm to fish and marine life. California bans these surveys because of these dangers.

The California State Lands Commission has worked to phase out oil development off our shores. We've
accepted eight quit claims of oil leases since 1995, have
not leased any new areas in more than 30 years. This
resolution is consistent with our tradition and will make
a strong statement to Congress that we value our coast.

I'd like to ask the other Commissioners to join
me in supporting it. And I'd like to ask if there are any
other speakers on this resolution?

ACTING COMMISSIONER LARSON: Move to approve.

ACTING CHAIRPERSON WESTLY: No comments from the
Commissioners?

ACTING COMMISSIONER GONZALEZ: I just want to
reiterate, the Lieutenant Governor wanted to thank you for
bringing this forward. He brought a similar resolution
forward I think two years ago now on the undeveloped 36
offshore oil facilities imperiled waters. And thank you
for bringing it forward. It's absolutely important, if we
can make sure it's in the strongest language possible,
that we again affirm that California's completely opposed
to any extension of offshore oil drilling.

ACTING CHAIRPERSON WESTLY: Thank you.

ACTING COMMISSIONER GONZALEZ: Because there
seems to be some misunderstanding at the federal level
that California did not oppose offshore oil drilling. And
so any time we can remind them, I think it's a great
thing.
ACTING CHAIRPERSON WESTLY: Just for the record, I think we need to be at least as emphatic as the people in Florida are.

(Laughter.)

ACTING CHAIRPERSON WESTLY: I think the President will appreciate that.

So, Ms. Gonzalez, we have a motion.

ACTING COMMISSIONER GONZALEZ: I second.

ACTING CHAIRPERSON WESTLY: Thank you.

All in favor please say aye.

(Ayes.)

ACTING CHAIRPERSON WESTLY: Terrific.

Item No. 100 is the informational item concerning the Marine Oil Terminal Standards.

May we have the presentation from the staff.

Mr. Thayer.

EXECUTIVE OFFICER THAYER: Certainly. Thank you, Mr. Chair.

The staff presentation will be made by Martin Eskijian, who's with our Marine Facilities Division. Mr. Eskijian is an engineer who's been looking at seismic safety issues for some time. And this informational item today, although it's the first time we've really come to the Commission in a while with it, really represents a lot of work that's gone over the last few years and analyze
the potential impacts to California from what we think of as the unpreparedness by marine oil terminals at the present time to handle large earthquakes. And so this will be an item that will explain the research we've done and some of the proposed standards that we'll be bringing back to the Commission in several months in the form of regulations.

ACTING CHAIRPERSON WESTLY: Terrific.

Mr. Eskijian, please let me just say, I know this is a tough time for staff and budget cuts and the like. And let me just say I particularly appreciate the expertise that people like you bring with a fairly deep technical background. It's extremely important, as we're trying to do good public policy. And just please let your colleagues know you're genuinely valued here. So I'd love to hear your presentation.

MR. ESKIJIAN: Thank you.

All I've got to do now is figure out how to get my presentation working. It's a slide show.

(Thereupon an overhead presentation was presented as follows.)

MR. ESKIJIAN: Well, it's a privilege to be here, Mr. Chairman and Commissioners and ladies and gentlemen. And I'll make this as brief as I can. If you have any questions or comments, just please speak up.
And you're seeing the very tip of the iceberg here. You're not seeing the full story, because it's pretty detailed. It involves about four years of pretty hard work by myself, my staff, and a whole bunch of other people from industry and from the professional field.

Again, this is informational. And we're hoping to come back in January with it for your vote. So this is to kind of get you -- how you feel about it. That's the idea of today.

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MR. ESKIJIAN: I've been looking at marine oil terminals for about the last 11 years. I started out as a complete novice, and started looking at them from Eureka to San Diego. We found that there's some real problems with the oil terminals in California.

The average age is 50 years. The newest one was built in 1984. The twenties is a common build date. The seismic standards were extremely minimal or nonexistent. They in no way come close to today's standards.

Some of the reasons why we took this course to do this work were that -- it's called grandfathering, where when we started to look at operations manuals, we let the operator use the vessel that he was bringing in at that point and say, "Yes, it's okay," without any engineering justification.
The other main reason for doing this work is that after looking at these structures a number of times, we see damage, and we say, "Well, why don't you fix it?" And they say, "Well, why?"

And then if they say, "Why?" and they want to fix it, then they say, "To whose standards?" And then we have to say, "There are no standards." There's no standard of which you should bring this structure up to, that is that currently exists anywhere in the United States. That's where we started.

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MR. ESKIJIAN: What do some of these things look like? That's about 100,000 dead-weight ton tanker coming into a very light -- you can see a little wood wharf behind it. He's going to go and moor there. Basically it's a bumpering system from this large vessel. It's probably designed for a 25,000 dead-weight ton vessel. He's like four times the size of what should be there. Has there ever been any engineering to justify him parking there? No.

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MR. ESKIJIAN: This is a very boring slide, but it has a very interesting story behind it. And this is northern California Carquinez Strait.

The currents do not line up with the angle of the
wharf. And the vessel that was tied there one day had a very adverse current. At the same time a vessel was passing by and the line started to part. That means a system had been broke all the way down.

And the last thing to go is where the arrow is, which is called a loading arm. And one of the employees risked his life, went in there, shut off the oil, got out of the way. And the loading arm collapsed and went in the water. That was the last arm holding the vessel to the wharf. It dropped in the water. It cost $500,000 to replace. The vessel drifted off. It didn't hit anybody. It didn't hit a bridge. It didn't hit a tank ship or anything. And the captain was smart enough to drop his anchor and averted a major catastrophe. It was like this close to being a major problem.

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MR. ESKIJIAN: This is Turkey one week after the earthquake of August 17th, 1999. And we were in a little boat. And I saw that and I said, "I've got to get a picture of that." That's what's called a mooring dolphin. And it has no structural integrity left. You can see that the rebar is exposed.

You have to hit a fundamental frequency when the earthquake hit that day. And it severely damaged it. You have a large mass on top.
Why'd I take that picture? Because that structure was built by Americans in the mid-1960s. That's the same design, the same kind of thing that we had in northern California all over the place.

And the Hayward fault is just as apt to go as the north Anatolian fault that went in a matter of...

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MR. ESKIJIAN: There was a vessel that was moored at this marine oil terminal. He decided that -- after seeing a tsunami of a meter or two and watching the wharf kind of oscillate back and forth, he decided it was probably time to leave town. So he left town. And his hose ruptured. Just like going to the gas station, when you pull away and your nozzle's still in the tank. You've seen people do that. Except in the gas station the flow turns off. In this case the flow doesn't turn off.

This is my favorite shot. When you have an earthquake and you have a major oil spill from a marine oil terminal, the answer is yes. This is Turkey. There's about three to six inches of crude in the small fishing marina. The estimate was 2,000 to 3,000 barrels of oil spilled as a result of the earthquake of August 17th, 1999.

So what did we do? You all know the Lempert-Keene-Seastrand Oil Spill Response Prevention Act.
And there's a very famous quote in there that addresses the problem that we have here, and it says, "Commission is to adopt performance standards from marine oil terminals." And that's what -- using that as a mandate, that's how we started the project and said, "Okay. We're going to do this. We're going to do this as best we can."

We submit a proposal to FEMA as a result of the 1994 Northridge earthquake. The grant was approved. We got $500,000 from FEMA. The California State Lands Commission came in with $300,000 for the non-seismic portions. My staff time is somewhere in the order of $400,000 to $500,000. If you add on the consultants that gave their time for free, the industry, and all the people that helped us, probably another $100,000 or $200,000 involved in this project.

There was a grant from the University of Southern California for $1 million for the seismic and tsunami threat for southern California, and that work has been completed.

Think of it this way: You're going to the doctor. You're 50-years old. These structures are 50-years old. You never had a physical. You don't know anything that's wrong with you. This is the equivalent of the blood test, the EKG, the colonoscopy, everything you got to do, this is what it is for a marine oil terminal.
It tries to capture every bit of important information relative to the safe and fit-for-purpose use of that terminal.

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MR. ESKIJIAN: Now, we didn't do this in a vacuum. We had two major workshops. We invited everybody that we knew from industry, consulting firms, port engineers, and academia. At these workshops there were around 80 to 100 people. We have the exact numbers in my office.

We didn't stop there. That wasn't enough. We gathered the best brains we could, the best seismic-type structural engineers in California and the United States, got them together and formed a technical advisory group. That work was complete and they could find nothing wrong with the structural portions of the MOTEMS.

We involved industry. We invited WSPA. We had -- that's the Western States Petroleum Association. They are participants. They are aware of every word, every nuance of this document. They participated. Most of their comments we incorporated into this document. There were some we couldn't, but we did the very best we could to make everybody feel that this was a document they could live with.

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MR. ESKIJIAN: To the best of my knowledge there's never been any technical disagreement over what's in this document. It's about a hundred pages long. It represents the state-of-the-art engineering for marine oil terminals.

A couple of ways that we know that that's true:

There's an international body called PIANC. And in 2001 they published a book called Seismic Design Guidelines for Port Structures. This is an international accepted document and group. And the seismic criteria and methods and design information in that document were taken exactly right out of the work that was done for us.

Item 2 is the National Earthquake Hazard Reduction Program. And I was asked to chair a small group of -- a subcommittee of this group for the past year and a half. And I was tasked to develop standards for ports and harbors for marine structures. And it's just been approved for the 2000 edition. It will reference the MOTEMS and the PIANC document.

The work won an award this year in New York. It's called the Silver Award. It's issued by the Consulting Engineers Association of New York. It was recognized as a research and development project for New York state.

We believe that this work fulfills the mandate
that we have under Lempert-Keene-Seastrand, are providing
the best achievable protection and regulations that will
take care of the performance standards of marine oil
terminals whether they're existing or new.

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MR. ESKIJIAN: There are some things that push
buttons with people. And I want to go through a few of
these. They are important concerns, but they're concerns
that we believe are entirely justified.

The first is that you need a registered engineer
on the dive team to inspect under water. Now, this is not
having somebody like myself being dangled by their feet
and swimming two feet under the water. This is having a
registered engineer diver person being part of the group
that goes down from the mud line to the splash zone and
touches or sees, visually observes the piles.

It's become a national standard, and we are
consistent with the new national standard. I was also on
the committee that wrote that book, and I believe in it.

Grandfathering of terminals will end. There is
no longer, "It was okay yesterday, it's okay tomorrow."
Every vessel that comes into California's marine oil
terminals will now have to have an engineering
justification that is safe for use at that facility. That
includes considerations for wind, seismic, and berthing.
They say, "Well, that's no big deal." Well, it is a big deal when you're berthing system is 50 years old and it's designed for a very small ship and all of a sudden now you're bringing in one that weighs four or five times as much. The impact velocity's much higher. So it is a big deal, and we feel it's very important. We don't want to have any of those pipelines fail.

A seismic analysis will be required, unless you can come up to the standard that we have specified. You say, well, where do we come up with that? Well, we came up with the exact same seismic criteria as being used in the refineries. There's something called CalArt, which says that refineries in California have to come up to a certain seismic standard. We're saying that that same seismic standard should include the marine oil terminal which is attached to the refinery, so there's the same level of seismic hardness between the two.

And so we feel real justified to do that. There's not anybody -- they'll say they don't want to do it, but there's good justification to do it. If your structural analysis shows a large deflection, like your structure's moving a foot or two, you may have to do a pipeline analysis to show that you can handle those global displacements.

Underwater volumes are consistent with an
international standard, but it hasn't been made into a regulation. We're making it into a regulation.

--o0o--

MR. ESKIJIAN: Another problem in California is that people buy and sell marine oil terminals today, and the third or the fourth owner may not have any idea what the structure is, what the pipelines are, what's going on.

Well, to do this you have to come up with drawings. And the drawings have to be sufficient to provide the engineering details necessary to perform the analysis. And we think we're justified to make people do that.

ACTING COMMISSIONER LARSON: How many marine oil terminals are there?

MR. ESKIJIAN: There's about 45 in today's population that this would affect.

ACTING COMMISSIONER LARSON: And how are they -- what's the ownership pattern?

MR. ESKIJIAN: Major oil companies like the Chevrons and the Tesoros, ConocoPhillips, down to mom and pop.

ACTING COMMISSIONER LARSON: And will you involve those folks in the process here?

MR. ESKIJIAN: They've all been involved since day one. Some of them choose not to contribute or be
involved, but they've all been invited to contribute from day one. They were all invited to the workshops. It's out for public comment right now. Public comments are coming in I think in October, when they can come and give their statements. The document's on the web. It's a hundred pages long.

ACTING CHAIRPERSON WESTLY: Is there a pattern here -- and I'm just guessing -- maybe a third or a half of them are sort of good corporate citizens, they're participating, giving you feedback?

MR. ESKIJIAN: Yeah. I would say that's probably about a third to a half. That's about right.

ACTING CHAIRPERSON WESTLY: Good.

MR. ESKIJIAN: The ones that are rated higher are about 14; moderate are about 12; and low, about 15. So the highs and the medium risk people, yes, they're cooperating. Most of them are very much aware of this.

ACTING COMMISSIONER LARSON: I'm sorry. What is a high and medium and low --

MR. ESKIJIAN: Oh, I don't want to get in to the details, but I should.

ACTING COMMISSIONER LARSON: -- participation of them?

MR. ESKIJIAN: It has to do with the amount of oil at risk. Four hundred barrels of oil at risk between
your flowing oil, your stored oil. And if it adds up to
more than 1,200 barrels, you're a high-risk facility.

ACTING CHAIRPERSON WESTLY: Okay.

MR. ESKIJIAN: And those are the major oil
companies, your high flow rates and --

ACTING CHAIRPERSON WESTLY: At least a few of
those folks are participating and sharing concerns?

MR. ESKIJIAN: Oh, yes.

ACTING COMMISSIONER LARSON: The large ones --
how many of the really large --

MR. ESKIJIAN: The largest player -- I'll get to
it in a minute -- is -- I would say would be the Chevron
long wharf in Richmond. And they have just completed
their MOTEMS seismic upgrade. And, understand, that
facility was built the year I was born, 1946. And they
want to run that structure for another 40 years. And they
spent -- they won't tell me how much money they spent, but
they spent a lot of -- millions of dollars doing a seismic
upgrade so it will withstand the next earthquake.

Because they can't tear it down. They want it to
remain in use and they want to strengthen it. So this
gives them a way to do that. And I'm very happy they use
our structure.

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MR. ESKIJIAN: I want to talk about the
geotechnical review for one minute. If I'm boring anybody, let me know. I don't want to bore anybody.

   But you think, "Well, why do we have to do a geotechnical survey here? Why do we need to do any screening?" Well, it turns out that you do. And we had a lease that came up for renewal here about a year and a half go. And we said to these people, "Well, we want you to go out and do a geotechnical screening similar to what's in MOTEMS." And they said -- they hemmed and hawed, but they went out and they did it.

   And it turned out that -- a very large propane tank right against the water when they checked it. They said, "We've got a problem here."

   So we have a very good verification that our screening process for geotechnical issues is relevant, it works, and it has been used. So we feel real confident about that.

   If discrepancies or deficiencies are found, they don't have to be corrected the same day. All you have to do is come in with an approach and a schedule, tell us how long it takes. And if we agree and you agree, then you just follow through with that program and rehabilitate over the next one, two, three, or four years. If it's ten years, you may have a problem.

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MR. ESKIJIAN: And the audit process repeats. You have to go in and do your underwater inspection in five or six years later. If your structure's ready to fall down now, you may have to come back in a year.

What's going on outside of this project? A number of items.

The Port of Oakland did a strengthening project. And they've used the MOTEMS in their strengthening project. So it's been tried and tested by the Port of Oakland.

The Chevron long wharf, I've already alluded to. It's done this. It's completed. And they're very happy with what they came out with.

The third item. I'm a member of the State Strong Motion Instrumentation Program, and I've twisted some arms. And Chevron long wharf has put accelerometers onto their wharf. And so in the next earthquake we will know a number of things:

1) Did that structure respond as it was estimated to in the analysis?

2) Did it respond? Is the acceleration high enough for me to call everybody in northern California and say, "You may have a problem."?

And 3) it's known -- within five or ten minutes we'll have that record of that event.
So it's an extremely useful item. Chevron went out of their way and fought an uphill battle to get it intrinsically safe and mounted on the wharf, which they did, and everything's moving ahead.

The Port of Oakland has also mounted accelerometers on their wharves as a result of the subcommittee I'm on. And also the Port of L.A. and Long Beach are planning the same.

It's interesting that to date there is only one record, from Loma Prieta, in the United States of an earthquake on a wharf. There is one record. It's an old record. It's 1989. One grad student is currently looking at it at the University of Oregon.

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MR. ESKIJIAN: We had an opportunity on this next item to do a full scale test. This is in the Port of Long Beach. They were going to demolish an 1,100 foot long Navy pier. And we asked if we could test the piles and some of the pile groups before they destroyed it.

We came in and tested aesthetically and dynamically. Professor Scott Ashford at the University of California at San Diego is looking at the results now and interpreting them. It's probably the only known full scale test of a pile in silt. So it's extremely useful to the academia and to the profession. And we're real happy
to be involved in that.

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The last item is one that excites me. And that's
the passing vessel study. I showed you a slide of a --
you know, to the tanker pull off. And you saw what
happened after the tanker pulled off.

We are currently running tests in the Carquinez
Strait of measuring the tension on mooring lines from
moored vessels as vessels pass by the Carquinez Strait.
And we're learning a lot, and we're enjoying every minute
of it.

And I'm going to meet tomorrow with a second
facility that's willing to give us their full
instrumentation results and tell us exactly what's
happening in time.

We put a little bit of money in to this. The
Navy has put in $70,000. And together we have started a
wave tank study at the Academy at Annapolis. And we're
looking forward to seeing some exciting results.

The only data that is existing has been lost. It
was performed in the early seventies in Europe. And the
people that did it, there's no corporate history left and
nobody knows where the data is. And I question the
results.

So we're going to try for some real full scale
data and compare it with the equations. So we're doing that right now. And that to me is real exciting.

And that's the end of the program. I hope to be back in January and we'll tell you that it's time for a vote.

ACTING CHAIRPERSON WESTLY: That was a terrific report. You certainly covered a lot of ground. And I'm eager to hear some of the data as it comes back. I think we're all looking forward to the report.

You said it will come back in November or January?

MR. ESKIJIAN: Whenever we can get done with the public comment. And we're guessing December, January, I think, for the vote, I believe. Right?

EXECUTIVE OFFICER THAYER: I think the next phase we're entering into is the one that's dictated by the Office of Administrative Law in terms of how we need to go about adopting regulations. And that involves more public input to ensure that the standards we come up with have been reviewed by the people who will be -- and the companies that will be affected by that. That will happen this fall.

And at the end of that process, once there's been full public involvement in the proposed regulations, then we'll bring them back to the Commission.
ACTING CHAIRPERSON WESTLY: That's terrific.

This is just an informational item. There is no vote. But I'd like to ask either of the two other Commissioners if they'd like to ask any questions.

ACTING COMMISSIONER GONZALEZ: I have no questions. I just have a small comment.

I want to thank you. It was a great presentation. I really appreciate you bringing together something that we can work on, and I think that that's vital.

However, I want to emphasize on behalf of the Lieutenant Governor, you can't be too aggressive when we're talking about safety. We would hate for you to -- you know, you brought up issues. They're important issues, and we're glad that you're working it out. That's very important, so we don't have people saying that they think it's unbearable and that's a part of this.

MR. ESKIJIAN: That's why I said it.

ACTING COMMISSIONER GONZALEZ: But absolutely go out there, be aggressive as possible, because the last thing we want is a catastrophe in our waters.

MR. ESKIJIAN: Thank you.

ACTING COMMISSIONER GONZALEZ: And that's exactly what this would be. This to me scares me a little, I mean, because it -- can't you bring it to us tomorrow for
a vote, you know --

MR. ESKIJIAN: I'd love to.

ACTING COMMISSIONER GONZALEZ: -- before the next major earthquake?

But thank you very much for all your work on this.

ACTING COMMISSIONER LARSON: One question.

Have you had a chance yet to estimate how much this is going to cost totally in terms of to the industry?

MR. ESKIJIAN: Yes, we have. We have some numbers that went in with the filing with the Office of Administrative Law. And those numbers are being processed right now. And basically something like five or six hundred thousand a year for major operators. And the cost of losing the 1,200 barrels of oil based on $20,000 a barrel, which is kind of a rough number, we're talking 24 million.

And then if you happen to do this in the Port of L.A. or Long Beach -- you remember the longshoremen's strike? And the L.A. Times reported that the cost to close down one of those ports was around $1 billion a day. So we're talking about small change compared to the risk that you lose -- shut down a port for a day.

ACTING COMMISSIONER LARSON: So you don't think it would cost more than about half a million --
MR. ESKIJIAN: A year.

ACTING COMMISSIONER LARSON: -- per company per year --

MR. ESKIJIAN: Yes.

ACTING COMMISSIONER LARSON: -- to maintain these --

MR. ESKIJIAN: And that's over a number of years. I mean that's not -- your first year's going to be expensive. But after five or six years, it becomes about that number.

ACTING CHAIRPERSON WESTLY: For my part, I just wanted to add two points.

First, I used to do that -- the Director of Economic Development for San Jose. And I know firsthand from an economic development standpoint what a huge stimulus the ports are in this state. You know, L.A. and Long Beach in particular are an incredible engine for economics to draw production in the state. And we have to make sure those ports continue to operate.

The second thing is I would just love it if the staff could, at some point, come back to us and help a little bit. When you put the standards out, I think that will be a great step forward. But as a rule, you know, what I've tended to observe over time is that some companies, usually the most profitable ones, are the good
corporate players. They tend to do the right things. Sometimes larger firms. But there are often companies that are struggling a bit, having tougher times, and those are the ones we most worry about. Here we are in a free market system. I would just love to see any recommendations on what we could do to provide the appropriate stimulus for companies to do the right thing, above and beyond simply saying, "Here are the standards. Go meet them."

And any feedback you can give us, qualitative or quantitative, as to how to provide the right incentives for the corporations would be much appreciated.

MR. ESKIJIAN: Okay. That may go beyond my engineering expertise. But I will say that there are -- I've seen a lot of engineering, good and bad, provided to us when companies come in with proposals. And I've seen the best and I've seen the worst. And we've done our very best to close the loopholes in this 100 page document. So that the bad player's going to get caught. He's going to get caught.

And we have a staff of engineers to look at that and look and review of what's submitted. And if it's not adequate, it will be returned and they'll have to do some part of it over again.

EXECUTIVE OFFICER THAYER: But what I hear the
Chair also focus on is that in addition to catching the bad actors, we should recognize the ones that are undertaking their responsibilities appropriately and pay attention and reward that.

ACTING CHAIRPERSON WESTLY: Yeah, there's a balance hear. Again, I want to make sure we have the highest standards. That's terrific. But I guess I'm looking for a carrot and stick approach. And rather than simply saying, "Here's the next set of regulations in the State of California. Go do it," that we're also providing some incentives for people to do the right thing and certainly making sure we recognize people who are doing the right thing.

That's terrific.

Any other comments on that?

And now we come to my favorite item, Item C7, an application for a residential pier along the Sacramento River.

May we have the staff presentation?

CHIEF COUNSEL RUMP: Certainly. I'll make the presentation. I'm Jack Rump, the Chief Counsel.

Normally this item is so small it would not bring it to our regular calendar. However, it's an application by a Commission employee, Paul Thayer and his wife.

This is intended as a regular discussion item to
afford a full and open disclosure, which I think it's appropriate that we maintain the highest standards possible.

A little background on this lease. It's basically a dock along the Sacramento River. The first lease for this site was issued in 1981. And then Mr. Thayer applied for a new lease as the new purchaser of the property in 1993 before he worked for the Commission. The Commission at that time granted a ten-year lease. And it is set to expire August 26th of this year.

Before the renewal process began, Mr. Thayer disclosed his interest, he recused himself, and has not participated in any manner with the issuance of this lease.

I have worked with internal staff. I've been authorized to contact Commissioners directly. But, again, this is such a regular, routine small item. For example, there are approximately 70 of these types of leases along the Sacramento River from Discovery Park to the Sutter County line.

Before you today, this is basically a renewal situation, with no change in conditions or improvements. All fees, costs have been paid. It's in full conformance with the Commission's regulations and standards, and is in my opinion indistinguishable from any of the other leases.
which come before you in this manner.

So, again, Mr. Thayer's not participated, and you are free to consider this for renewal at this time.

So that's my presentation. I'll be happy to answer any questions.

ACTING CHAIRPERSON WESTLY: All right. Let me establish for the record. And was Mr. Thayer charged the same fees as the other applicants for the recreational pier?

CHIEF COUNSEL RUMP: That is correct.

ACTING CHAIRPERSON WESTLY: Is there anything different about this pier from other recreational piers?

CHIEF COUNSEL RUMP: None.

ACTING CHAIRPERSON WESTLY: I suspect this is probably the most controversial thing Mr. Thayer has ever done.

(Laughter.)

CHIEF COUNSEL RUMP: I assure you I have given it the greatest scrutiny possible.

EXECUTIVE OFFICER THAYER: It's the one that made me most nervous.

ACTING COMMISSIONER LARSON: Move approval.

ACTING COMMISSIONER GONZALEZ: Second.

ACTING CHAIRPERSON WESTLY: Okay. All in favor?

(Ayes.)
ACTING CHAIRPERSON WESTLY: Great. Passes unanimously.

All right, Mr. Thayer.

That concludes --

(Laughter.)

ACTING CHAIRPERSON WESTLY: -- the regular calendar.

Are there any speakers who wish to address the Commission during the public comment period? We want these meetings to be known for their openness.

And by the way, I think the way in which we handled Mr. Thayer's request goes to the professionalism of what we're trying to do at the State Lands Commission. We want these meetings to be open, absolutely fair. And I welcome any public comment or questions if there are any.

Otherwise, that concludes the meeting.

And we'll now adjourn into closed session. If we can have the room cleared, please.

(Thereupon the California State Lands Commission adjourns at 10:45 a.m.)
CERTIFICATE OF REPORTER

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, and Registered Professional Reporter, do hereby certify:

That I am a disinterested person herein; that the foregoing California State Lands Commission meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 21st day of August, 2003.

JAMES F. PETERS, CSR, RPR
Certified Shorthand Reporter
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