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MEETING
STATE OF CALIFORNIA
STATE LANDS COMMISSION

ORIGINAL

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

APPEARANCES

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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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P R O C E E D I N G S

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2 CHAIRMAN DAVIS: Calling the meeting of the Lands
3 Commission to order. All three representatives of the
4 Commission are present.

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

7 COMMISSIONER CONNELL: I move adoption of the
8 minutes.

9 COMMISSIONER PARKER: Second.

10 CHAIRMAN DAVIS: The minutes are unanimously
11 adopted.

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

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

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

19 COMMISSIONER PARKER: I second that.

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

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

24 EXECUTIVE OFFICER HIGHT: Yes, Mr. Chairman.

25 Item 60 is an item for a contract with the Navy.

1 And I'll let Gary Gregory, who is chief of the Commission's
2 Marine Facilities Division, present that item.

3 MR. GREGORY: Good afternoon.

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

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

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

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

23 This would apply to facilities onshore, near-shore
24 and offshore, in other words wharves, terminals and
25 multiple-buoy offshore moorings.

1 The real purpose of these audits is to provide and
2 identify structural damage and weaknesses at those marine
3 terminals that affect their continued fitness for purpose
4 and to identify safety systems, mechanical and electrical
5 deficiencies.

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

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

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

1 are structurally weak and they are afraid that they will not
2 meet seismic standards.

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

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

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

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

18 CHAIRMAN DAVIS: How is this study funded?

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

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

24 MR. GREGORY: That's correct. It will be funded
25 from that special fund, \$60,000 a year for two years.

1 The money that goes to the Navy will be used to
2 pay for civilian personnel of the Department of the Navy.
3 Navy uniformed personnel will not be paid as a result of
4 this. This is part of their normal Navy services, so we
5 actually do a good job of leveraging our dollars here.

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

9 EXECUTIVE OFFICER HIGHT: Correct, Mr. Chairman.

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

12 EXECUTIVE OFFICER HIGHT: Yes.

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

16 EXECUTIVE OFFICER HIGHT: Yes.

17 COMMISSIONER PARKER: So obviously you're anxious
18 to get started to utilize those funds?

19 EXECUTIVE OFFICER HIGHT: Right.

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

25 EXECUTIVE OFFICER HIGHT: Well, the standards that

1 we and the Navy jointly develop we will apply to the marine
2 facilities under the Commission's jurisdiction, and then
3 work with the lessees of those facilities to increase the
4 structural integrity, if you will, of the facility to meet
5 these standards.

6 COMMISSIONER CONNELL: What's the enforcement for
7 that?

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

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

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

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

25 MR. GREGORY: There are no such standards anywhere

1 in the world, that's the major issue here.

2 COMMISSIONER CONNELL: So you're using a
3 state-of-the-art --

4 MR. GREGORY: Yes, ma'am.

5 COMMISSIONER CONNELL: -- standard determination?

6 MR. GREGORY: Yes.

7 COMMISSIONER CONNELL: Mr. Chair, unless there are
8 concerns, I would certainly move the staff report.

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

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

20 MR. GREGORY: Mr. Chairman, this is the result of
21 a current, existing requirement for a triannual system
22 safety audit at marine oil terminals. We have worked
23 extensively with the companies that are involved in our
24 first scheduled audit, which we will do even if we don't
25 have the Navy there as a result of or as part of the leasing

1 process. So we are including very carefully the entities
2 involved in this, the oil companies that are involved.

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

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

12 EXECUTIVE OFFICER HIGHT: Correct.

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

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

20 MR. GREGORY: Yes, sir. We have done what's
21 called a first-look inspection, very similar to what is done
22 at oil platforms under the recommended practices of the
23 American Petroleum Institute. And, frankly, our first look
24 is horrifying. We do have facilities in the State of
25 California now that are in very bad physical repair,

1 facilities that are used on a daily basis. And this is
2 really the basis of our concern here.

3 COMMISSIONER CONNELL: Commercial facilities?

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

5 COMMISSIONER CONNELL: That are under lease to the
6 State?

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

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

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

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

21 Our final desire at this point as we see the world
22 is to develop and finalize this audit manual so that for a
23 triannual safety system audit that we require under the
24 regulations to hand the company the audit manual and say
25 conduct an audit similar to this or along these lines and

1 report back to us the results of that audit so that we would
2 view it as not being intrusive by a governmental agency, in
3 fact standing there doing the physical audit of each
4 facility in California waters.

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

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

11 COMMISSIONER PARKER: Just one last question.

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

16 EXECUTIVE OFFICER HIGHT: No.

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

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

23 COMMISSIONER PARKER: Well, I would second the
24 motion.

25 CHAIRMAN DAVIS: Then the motion, the Controller's

1 motion, is adopted three to zero.

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

4 CHAIRMAN DAVIS: Completes the business, the open
5 session.

6 EXECUTIVE OFFICER HIGHT: Yes.

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

11 (Thereupon the meeting was adjourned
12 at 1:17 p.m.)

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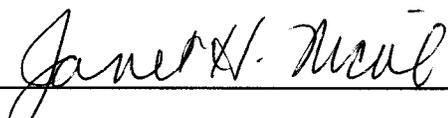
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CERTIFICATE OF SHORTHAND REPORTER

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
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