CALENDAR ITEM
109

A 70 10/14/14
G 05-04
R. Boggiano
K. Colson
S 28, 35 S. Scheiber

CONSIDER SUPPLEMENTAL INFORMATION INVOLVING AN EXISTING REVOCABLE PERMIT ISSUED BY THE PORT OF LOS ANGELES TO RANCHO LPG HOLDINGS LLC FOR USE OF A RAILROAD SPUR LOCATED WITHIN THE LEGISLATIVE TRUST GRANT TO THE PORT OF LOS ANGELES, IN THE CITY OF LOS ANGELES, LOS ANGELES COUNTY

INTRODUCTION:
The purpose of this staff report is to provide an update to the California State Lands Commission (Commission) on supplemental information related to Rancho LPG Holdings LLC (Rancho LPG) that was requested at the June 19, 2014 Commission meeting.

BACKGROUND:
The Commission has the statutory responsibility to oversee the management of public trust lands and assets by legislative grantees who manage these lands, in trust, on behalf of the State. (Pub. Resources Code, § 6301 et seq.; *State of California ex rel. State Lands Commission v. County of Orange* (1982) 134 Cal App. 3d 20, 23).

The City of Los Angeles (City), acting by and through the Port of Los Angeles (Port), is trustee of sovereign tide and submerged lands granted by the Legislature pursuant to Chapter 656, Statutes of 1911 and Chapter 651, Statutes of 1929, and as amended, no minerals reserved to the State.

At the June 19, 2014, meeting, the Commission reviewed a revocable permit for use of a railroad spur issued by Rancho LPG (Calendar Item 91, attached as Exhibit A). The Rancho LPG facility is located on private property and not on land under the Port's jurisdiction; however, the railroad spur at issue is located on land that is held by the Port as an asset of the trust, as shown in Exhibit B.

As detailed in Calendar Item 91, while the Commission has broad discretion and authority to review activities of local trustees, such as the Port, it has limited authority to stop an action or decision by a trustee. Should the Commission find that a trustee is violating the terms of its statutory trust grant or the Public Trust Doctrine, the

Commission's only recourse is to pursue litigation against the trustee or report the violation to the Legislature, as the ultimate trustee of these lands and resources. Additionally, staff concluded that the Port did not violate its statutory trust grant or the common law Public Trust Doctrine by issuing a revocable permit to Rancho LPG for use of the railroad spur.

After hearing public comment, the Commission adopted staff's recommendation to continue to work with the Port of Los Angeles on any issues involving the Rancho LPG revocable permit and requested staff report back to the Commission concerning Rancho LPG's liability insurance, the company's organizational structure, the pending U.S. EPA investigation, and any further issues that may arise as staff continues to monitor the facility.

STAFF ANALYSIS:
The following concerns were discussed during the June 19, 2014 Commission meeting:

Rancho LPG's Liability Insurance Policy
Concerns were raised regarding the amount of liability insurance that was available to the Rancho LPG facility and whether Rancho LPG's parent company, Plains All American Pipeline, L.P. (Plains), had liability insurance that adequately covered its subsidiaries, including Rancho LPG. The Chair of the Commission suggested that the company provide the actual insurance policy to the Attorney General's office for an in camera review so that the State could determine the applicability of the insurance policy to Rancho LPG while ensuring confidentiality.

Staff received a letter from Lockton Companies, LLC stating that Plains carried insurance which totals $500 million to cover third party claims (Exhibit C). However, Plains stated that they are unwilling to provide for or facilitate the Attorney General's Office review of the actual liability insurance policy.

Staff received an offer from Plains for a parental guaranty agreement with a three year term in favor of the Commission and the Port on behalf of Rancho LPG. The purpose of the agreement is to cover Rancho LPG's casualty losses to the extent of uninsured losses or damages arising in connection with a casualty event at the Rancho LPG facility. Staff is currently evaluating the agreement.

Company Organizational Chart
The Commission also requested an organizational chart of Plains in order to determine the liability for Plains if substantial damage to the Rancho LPG facility were to occur. Rancho LPG is the owner of the LPG storage facility located in Los Angeles, California. Rancho LPG is a subsidiary of Plains, which is a publically traded master limited partnership and headquartered in Houston, Texas.

An abridged organizational chart for Plains has been provided and is attached as Exhibit D.

U.S. Environmental Protection Agency Review

During the June 19, 2014 Commission meeting, a review of the Rancho LPG facility and its compliance with risk management plan regulations was currently underway by the U.S. EPA. The Commissioners requested further information about the investigation as it became available. The following six findings resulted from a regularly scheduled U.S. EPA site inspection in April of 2010:

1. Failing to include the rail storage area of the site in the Risk Management Plan;
2. Failing to adequately evaluate seismic impacts upon the facility's emergency flare;
3. Failing to address the consequences of a loss of City water for fire suppression during an earthquake;
4. Failing to timely conduct an internal inspection of Tank 1 (storing 12.5 million gallons of butane);
5. Failing to develop an emergency response plan to protect the public health, welfare, or safety; and
6. Failing to include a drain pipe and valve in the containment basin in the Mechanical Integrity Program.

As of July 2014, the U.S. EPA has completed its investigation of the Rancho LPG facility and according to the U.S. EPA Rancho LPG had resolved all outstanding issues. Since the U.S. EPA began its enforcement action, Rancho LPG has invested over $7 million in plant improvements to bring the facility into compliance with federal environmental laws and to provide additional safety measures. Rancho LPG has addressed its noncompliance with the risk management plan regulations and will pay a civil penalty of $260,000.

During the investigation, there was a misunderstanding that the U.S. EPA had decided to sue Rancho LPG. This statement was the result of a misinterpretation of a notification letter sent by the U.S. EPA to Rancho LPG. The U.S. EPA often refers to letters of this nature as "show-cause" letters, as they send them with the purpose to give the addressee time to provide information that shows there is no cause to proceed with the allegations. The U.S. EPA sent such a letter to Rancho LPG that stated the above six potential or alleged violations. As with other "show-cause" letters, the U.S. EPA stated that they are prepared to file a complaint but that they are extending to the company an opportunity to advise U.S. EPA of any other information that the company believes should be considered before the filing of such a complaint. Rancho LPG was required to respond and did so prior to the May 15, 2014 deadline. The U.S. EPA never filed a complaint and stated that Rancho LPG had cooperated with them on all issues.

On September 10, 2014, Commission staff attended a public meeting organized by Congressman Henry Waxman's district staff to address concerns raised about the Rancho LPG facility. During the meeting, officials from the Department of Homeland Security and the U.S. EPA provided the public with an overview of federal chemical security and safety programs and attempted to answer questions from the audience. The agencies reiterated that the facility was in compliance with all federal laws and regulations. After the discussion, it was unclear what next steps, if any, would be initiated by Congressman Waxman's office.

OTHER PERTINENT INFORMATION:

1. The Port is a municipal agency and not an agency of the State of California. The Rancho LPG storage facility is not located on Port property granted to the Port by the State Legislature. The railroad spur at issue is located on land the Port purchased with trust revenues in the 1970s. This land is considered after-acquired land that is held as an asset of the trust. The State of California, acting by and through the State Lands Commission, is not in the chain of title for this property. The Commission did not participate in any of the land acquisition decisions, the revocable permit decisions, or any decisions involving the Rancho LPG facility that is located on private property. Based on consultation with the Attorney General's Office, staff believes it very unlikely that the Commission has any direct liability with regards to the Rancho LPG operations.

2. Under the revocable permit for the railroad spur, the Port currently has $1 million of liability insurance from Rancho and Pacific Harbor Line (PHL) has $25,000,000 million of liability insurance for the operation of the PHL rail line.

3. As described in Calendar Item 91, because of the relationship between PHL and Rancho LPG, if the Port were to revoke Rancho LPG's permit to use the railroad spur, Rancho LPG would still be able to continue using the PHL rail line to transport LPG through the Port.

4. The staff recommends that the Commission find that the subject staff analysis does not have a potential for resulting in either a direct or a reasonably foreseeable indirect physical change in the environment, and is, therefore, not a project in accordance with the California Environmental Quality Act (CEQA).

   Authority: Public Resources Code section 21065 and California Code of Regulations, Title 14, sections 15060, subdivision (c)(3), and 15378.

EXHIBITS:

A. Calendar Item 91, June 19, 2014 CSLC Meeting
B. Location and Site Map
C. July 10, 2014 Lockton Companies, LLC Letter
D. Plains All American Pipeline Abridged Organizational Chart

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the subject staff analysis is not subject to the requirements of CEQA pursuant to California Code of Regulations, Title 14, section 15060, subdivision (c)(3), because the subject activity is not a project as defined by Public Resources Code section 21065 and California Code of Regulations, Title 14, section 15378.

AUTHORIZATION:

Direct Commission staff to continue to work with the Port of Los Angeles on any issues involving the Rancho LPG revocable permit.

EXHIBIT A

CALENDAR ITEM
91

A 70

S 28, 35

06/19/14
G05-04
S. Scheiber
K.Colson

REVIEW OF AN EXISTING REVOCABLE PERMIT ISSUED BY THE PORT OF LOS ANGELES TO RANCHO LPG HOLDINGS LLC FOR USE OF A RAILROAD SPUR LOCATED WITHIN THE LEGISLATIVE TRUST GRANT TO THE PORT OF LOS ANGELES, IN THE CITY OF LOS ANGELES, LOS ANGELES COUNTY

INTRODUCTION:

The California State Lands Commission (Commission) has the statutory responsibility to oversee the management of sovereign public trust lands and assets by legislative grantees who manage these lands, in trust, on behalf of the State. (Public Resources Code section 6301 et seq.; *State of California ex rel. State Lands Commission v. County of Orange* (1982) 134 Cal App. 3d 20, 23).

The City of Los Angeles (City), acting by and through the Port of Los Angeles (Port), is trustee of sovereign tide and submerged lands granted by the Legislature pursuant to Chapter 656, Statutes of 1911 and Chapter 651, Statutes of 1929, and as amended, no minerals reserved to the State.

During the public comment portion of the April 23, 2014 regularly scheduled Commission meeting, numerous citizens raised concerns regarding a revocable permit for use of a railroad spur issued by the Port to Rancho LPG Holdings LLC (Rancho LPG). The Rancho LPG facility is located on private property and not on land under the Port's jurisdiction; however, the railroad spur at issue is located on land that is held by the Port as an asset of the trust, as shown in Exhibit A.

Upon hearing the concerns, the Chair of the Commission requested that staff report back to the Commission on the various issues and concerns surrounding the Rancho LPG facility and specifically, the revocable permit issued by the Port to Rancho LPG for use of the railroad spur track.

BACKGROUND:

In 1973, Rancho LPG's predecessor, Petrolane, began to develop a liquefied petroleum gas (LPG) storage facility located on private property on North Gaffey Street in San Pedro. The site has two storage tanks of refrigerated butane with 12.6 million gallons of capacity, approximately 110 feet in height and 175 feet in diameter. Additionally, there are smaller horizontal tanks that store butane and propane, each with a capacity of 60,000 gallons. This facility primarily stores butane, which is a by-product from refining petroleum (crude oil). During the summer months, California Air Resources Board regulations prohibit blending butane into gasoline because of the occurrence of vapor pressure. This regulation results in the need to store the butane until it can be transported to refineries and blended into gasoline in the winter months. Much of the butane that is stored at this facility is transported by pipeline to and from local oil refineries. The butane is also transported by rail and tanker truck.

Although the Port does not own or have any control over the Rancho LPG storage facility, the Port has issued a revocable permit to Rancho LPG for a railroad spur track located at the intersection of Gaffey Street and Westmont Drive, which is property the Port acquired in 1970 from the Watson Land Company.

The Port entered into a permit, Revocable Permit (RP) No. 1212, with Petrolane in 1974 for the construction, operation, and maintenance of the industrial railroad spur track to serve the storage facility. There was an existing track owned by Southern Pacific Railroad (SPR) that ran along Gaffey Street that served other customers in the area. In order to allow Petrolane access to the existing rail system a spur track had to be constructed on Port property.

In 1994, as part of a larger land acquisition with the Port of Long Beach in connection with the Alameda Corridor project, the Port acquired the land underlying the existing track from SPR that runs parallel to Gaffey Street up to the land covered by RP 1212. Therefore, the Port currently owns the land under the entire railroad track that parallels Gaffey Street that serves the Rancho facility. Although Rancho LPG uses the entire track, the only portion currently permitted to Rancho LPG is the original portion of the track within the intersection of Gaffey Street and Westmont Drive.

The spur track, as well as the rail along Gaffey Street, is also under another permit, Permit No. 1989, between the Port and the Pacific Harbor Line (PHL). PHL is the operating railroad that provides rail switching service to customers within and adjacent to the Ports of Long Beach and Los Angeles. Rancho LPG continues to use the rail line along Gaffey Street to transport butane product in tank cars to and from the facility using the rail service provided by PHL. Although the Port could revoke the permit to Rancho LPG, it would be unable to prevent rail service to the Rancho LPG facility, which would continue under Permit 1989. Permit 1989 grants PHL operational and

maintenance responsibilities of the rail facilities in the Port, including the switching of railcars in and around the Port and the ability to operate as a federally recognized common carrier on the track along Gaffey Street that serves the Rancho LPG facility. This includes the section of track that is also the subject of the Rancho LPG permit.

Until 2004, Rancho LPG used the railroad spur and the PHL rail line in addition to transferring LPG through a pipeline to Berth 120 at the Port. Today, Rancho LPG no longer utilizes Berth 120, but it still uses the PHL rail line, which runs through the Port and connects to long haul rail lines.

In 2011, the Port entered into RP No. 10-05, the successor to RP No. 1212, with Rancho LPG. The Port is authorized to terminate RP No. 10-05 upon 30 days' notice, pursuant to paragraph 3 of the RP. However, if the Port would like to eliminate the spur track from Permit No. 1989 with PHL, approval would be required from the Surface Transportation Board (STB), a federal agency. STB discontinuance/abandonment proceedings largely involve questions of a line's economic viability. If the STB finds that there is still economic viability in the use of the line to serve the Rancho LPG facility, it is unlikely that the STB would allow discontinuance or abandonment of the line.

In addition, although termination of RP 10-05 would not terminate rail service to the Rancho LPG facility, the revocation of the permit would result in the loss of: 1) $1 million in comprehensive general liability and property damage insurance provided by Rancho LPG; 2) indemnification of the Port from any claims resulting from Rancho LPG's operations on the RP No. 10-05 premises; and 3) the loss of $14,244 in compensation per year generated from the RP 10-05.

Regulatory Oversight:

The Rancho LPG facility is subject to regulation by numerous local, state, and federal agencies, including but not limited to the following:

Federal:

- U.S. Department of Homeland Security
- U.S. Department of Transportation
- U.S. Environmental Protection Agency (U.S. EPA)
- U.S. Defense Logistics Agency
- U.S. Department of Occupational Health and Safety Administration

State:

- California Environmental Protection Agency
- California Emergency Management Agency

- California Department of Toxic Substances Control
- California Department of Industrial Relations, Division of Occupational Safety and Health
- South Coast Air Quality Management District

Local:

- Los Angeles City and County Fire Departments, as the designated Certified Unified Program Agency (CUPA)
- Los Angeles Police Department
- Los Angeles Emergency Management Department
- Los Angeles City Attorney
- City of Los Angeles Bureau of Sanitation Industrial Waste Management Division
- City of Los Angeles Department of City Planning

STAFF ANALYSIS:

The California Legislature, as the representative of the people of California, has primary authority over sovereign public trust lands of the State. That authority includes the ability to make, amend, or repeal statutory grants of trust property to local jurisdictions.

The Legislature transferred general authority to the Commission to manage ungranted trust lands in 1938. Unless otherwise expressly stated in the Constitution or statutes, the common law Public Trust Doctrine mandates the criteria for the Commission's management of trust lands. In carrying out its management responsibilities, the Commission commonly leases trust lands to private and public entities for uses consistent with the Doctrine. Subject to the criteria in the Constitution, statutes and case law, the Commission may also exchange public trust lands for non-trust lands, lift the trust from public trust lands, enter into boundary line agreements, and otherwise generally manage trust property. While much of the authority over the State's public trust lands is vested in the Commission, the Legislature has not delegated the authority to modify uses specifically provided for in a particular trust grant. It is rather the Legislature, exercising its retained powers as the ultimate trustee of sovereign lands, that may enact laws dealing with granted public trust lands and specify uses for particular properties or areas. This may include, in limited circumstances, special legislation allowing some non-trust uses when said uses are not in conflict with trust needs, in order to serve broader public trust purposes.

State Lands Commission Jurisdiction and Authority:

By 1941, the California Legislature vested all jurisdiction over ungranted sovereign lands and certain residual and review authority for sovereign lands legislatively granted in trust to local jurisdictions to the Commission. Public Resources Code section 6301 provides, *inter alia*, "[a]ll jurisdiction and authority remaining in the State as to tidelands and submerged lands as to which grants have been or may be made is vested in the Commission."

In order to promote public trust purposes, the California Legislature has, by statute, conveyed approximately 330,000 acres of public trust lands (often referred to as granted lands), in trust, to cities, counties, and other governmental entities, including the five major ports. There are approximately 70-plus statutory trust grants that operate under more than 300 granting statutes. It is through this method the Legislature seeks to ensure that tidelands are utilized and developed by the local grantee for the benefit of all the people of the state. The local grantee has day-to-day control over operations and management and reaps the benefits such utilization and development directly brings to a local economy. However, the mechanism of a grant-in-trust provides that the state tidelands, as well as all revenues generated, directly or indirectly, by the tidelands are used only for authorized purposes of statewide benefit and as provided by the applicable granting statute.

Thus it was that municipalities, given the land and the power to govern, control, improve and develop the lands in the interests of all of the people of the state, developed the State's major ports. Today the ports are operated and maintained locally, without State involvement in their day-to-day management. However, the State has not, by these statutory trust grants, relinquished all authority over these lands; the State has the reserved authority and the duty to oversee the administration of the granted lands.

The Commission represents the statewide public interest to ensure that the local trustees of public trust lands operate their trust grants in conformance with the California Constitution, granting statutes, and the Public Trust Doctrine. This oversight has ranged from working cooperatively to assist local trustees on issues involving proper trust land use and trust expenditures, to judicial confrontations involving billions of dollars of trust assets, e.g. serving as a*micus curiae* in *Mallon v. City of Long Beach* (1955) 44 Cal.2d 199, 211 and as plaintiff in *State of California ex rel. State Lands Commission v. County of Orange* (1982) 134 Cal.App.3d 20.

The Commission has general oversight authority which may be carried out in a variety of ways; however, the Commission has only limited specific responsibilities that involve the day-to-day management decisions of grantees. In most cases, the Commission staff conducts its oversight by commenting on projects, such as during the CEQA process, or through consultation and advice. In the past the Commission staff has

conducted its oversight through financial and management audits of grantees on a case-by-case basis. Unless the legislative grant provides for specific duties to the Commission, its only remedy to overturn an action taken by a grantee, which the Commission believes is inconsistent with the grantee's trust responsibilities in managing its granted lands, is through litigation. The Commission may also report its concerns relating to trust administration by a local grantee to the Legislature.

In summary, the Commission has the authority to involve itself in issues relating to operations of granted public trust property when it deems appropriate. The Commission's authority includes the power to monitor the administration of the trust grant to ensure compliance with the granting statutes and the Public Trust Doctrine. However, it should be noted that except for statutory provisions specifically involving the Commission, the California Legislature has transferred legal title to its grantees and these grantees have the primary responsibility of administering the trust on a day-to-day basis.

In conclusion, while the Commission has broad discretion and authority to review activities of local trustees, it has limited authority to stop an action or decision by a grantee. Should the Commission find that a trustee is violating the terms its statutory trust grant or the Public Trust Doctrine, the Commission's only recourse is to pursue litigation against the trustee or report these violations to the Legislature, as the ultimate trustee of these lands and resources.

Trust Consistency of a Railroad Spur:

Issues have been raised about the trust consistency of Rancho LPG's revocable permit. The allegations state that the Rancho LPG facility has no connection to the Port because the products imported and exported through the facility no longer have a direct connection to Port operations.

In order to determine trust consistency, one must look at the terms of the Port's statutory trust grant and the common law Public Trust Doctrine. Pursuant to the terms of the Port's statutory trust grant, authorized uses include, but are not limited to, the establishment, improvement, and conduct of harbors, all commercial and industrial uses and purposes, construction, reconstruction, repair, and maintenance of highways, bridges, belt line rail roads and parking facilities, protection of wildlife habitats, and the acquisition of property.

Pursuant to the common law Public Trust Doctrine, uses of public trust lands, whether granted to a local agency, like the Port of Los Angeles, or administered by the State directly, are generally limited to those that are water dependent or related, and include fisheries, commercial navigation, environmental preservation and water related recreation. Public trust uses may include, among others, ports, marinas, docks and

wharves, buoys, hunting, commercial and sport fishing, bathing, swimming, and boating. Public trust lands may also be kept in their natural state or restored and enhanced for habitat, wildlife refuges, scientific study, or open space. Ancillary or incidental uses, which are uses that directly promote trust uses, are directly supportive and necessary for trust uses, or are uses that accommodate the public's enjoyment of trust lands, are also permitted. Examples include facilities to serve waterfront visitors, such as hotels and restaurants, shops, parking lots, and restrooms. Other examples are commercial facilities that must be located on or directly adjacent to the water, such as warehouses, container cargo storage, and facilities for the development, production and distribution of oil and gas. Uses that are generally not permitted on public trust lands are those that are not trust related, do not serve a statewide public purpose, and can be located on non-waterfront property, such as residential and non-maritime related commercial and office uses.

Generally, use of public trust lands for railroad purposes has long been considered a trust consistent use, particularly in a working waterfront/port setting. Railroads are the traditional means by which goods were imported or exported through the Port, and, still today, railroad use is necessary to promote interstate commerce. The PHL is a common carrier and operator of the short track rail lines that primarily serves the Port and port tenants but also serves other nearby clients. The PHL rail line is a trust consistent use because it is used to transport goods throughout the Port.

Temporary uses that do not interfere with trust uses and needs, but support and benefit the trust economically such as short-term leasing of facilities that are vacant and for which no traditional trust needs currently exist (warehouses used for non-maritime commerce) may be determined to be "not inconsistent with trust needs." The Rancho LPG Revocable Permit fits this description of a use not inconsistent with public trust needs.

Furthermore, as a fiduciary of the trust, the Port has a duty to make the trust property productive in furtherance of the purposes of the trust. The Port has continued to permit Rancho LPG to use the railroad spur and, in consideration, has obtained insurance, indemnity, and approximately $15,000 a year in compensation. In addition, PHL pays a certain amount of money to the Port in consideration of its permit based on its number of clients, which includes Rancho LPG.

The allegations also go to whether Rancho LPG should be allowed to use the railroad spur and/or PHL rail line which are located on Port property. The PHL rail line or the relationship between PHL and Rancho LPG is outside the control of the Port because they are regulated and controlled by federal agencies. It is important to note that if the Port were to revoke Rancho LPG's permit to use the railroad spur, Rancho LPG could still use the PHL rail line to transport LPG through the Port.

In conclusion, staff does not believe that the Port has violated its statutory trust grant or the common law Public Trust Doctrine by issuing a revocable permit to Rancho LPG for use of the railroad spur.

OTHER PERTINENT INFORMATION:

1. Previously, the Port had issued a permit for a 16-inch pipeline from the Rancho LPG facility to Berth 120 where vessels were loaded with butane for export. In March 2004, the Port denied the reissuance of the permit. In July 2004, the berthing rights were terminated. In October 2010, the pipeline permit was terminated. The Rancho LPG facility does not currently have any berthing rights or pipeline permits with the Port.

2. The Port is a municipal agency and not an agency of the State of California. The Rancho LPG storage facility is not located on Port property granted to the Port by the State of California. The railroad spur at issue is located on land the Port purchased with trust revenues in the 1970s. This land is considered after-acquired land that is held as an asset of the trust. The Commission is not in the chain of title for this property. The Commission did not participate in any of the land acquisition decisions, the revocable permit decisions, or any decisions involving the Rancho LPG facility that is located on private property. Based on consultation with the Attorney General's Office, staff believes it very unlikely that the Commission has any direct liability with regards to the Rancho LPG operations.

3. The U.S. EPA calculated the worst-case consequence radius from the main tanks at the Rancho LPG facility to be 0.5 mile based on U.S. EPA's regulatory formula. The calculation factors in the benefit of Rancho's containment basin and the consequence radius would likely be greater without the benefit of this secondary safety feature. In a worst case scenario with the benefit of the secondary safety feature, a 0.5-mile radius from the Rancho LPG facility would extend approximately 0.16 mile at its greatest point onto Port property that includes a Los Angeles Harbor Police Station, an office building for the Yang Ming terminal, two cell towers, and a container storage and truck loading area. It is uncertain what the consequence would be or whether the Port would have to shut down operations as a result of such a "worst-case scenario."

   Rancho LPG uses railcars that are approximately 65 feet in length and have the capacity to hold approximately 30,000 gallons of LPG per railcar. When the railcar is loaded at the Rancho LPG facility, it is transported on the track that parallels Gaffey Street and continues on the rail line using

services provided by PHL on the periphery of the Port's property. The PHL permit includes $10,000,000 in general liability insurance and $15,000,000 of excess liability insurance for operating the railroad. The insurance held by PHL also includes pollution liability, railroad liability, auto liability, federal employers liability, all risk and earthquake/flood liability coverage. In addition, the individual railroad companies that use the line also have general liability insurance. As mentioned above, Rancho LPG provides $1 million in comprehensive general liability and property damage insurance and indemnification of the Port from any claims resulting from Rancho LPG's operation on the RP No. 10-05 premises.

4. The Commission is unaware of any regulatory agency that requires the Rancho LPG facility to hold insurance. Commission staff has contacted the U.S. EPA, Department of Toxic Substances Control and the CUPA LA Fire Department. Based on information known to Commission staff, Rancho LPG is current with all of its required permits, approvals, and other required entitlements. It is staff's understanding that the Los Angeles Fire Department, as the designated CUPA, inspects the Rancho LPG facility every three years. The next inspection for the Rancho LPG facility is scheduled for August 2014.

5. Commission staff requested insurance and bond information for the Rancho LPG facility and was informed that insurance and bond information is proprietary.

6. Rancho LPG's predecessor, Petrolane, was unsuccessfully sued on both private and public nuisance theories in a case decided in 1980 (*Don Brown v. Petrolane* (1980) 102 Cal.App.3d 720).

7. As mentioned above, the Port currently has $1 million of liability insurance from Rancho LGP related to RP No 10-05 and PHL has $25,000,000 million of liability insurance for the operation of the PHL rail line.

8. The staff recommends that the Commission find that the subject staff analysis does not have a potential for resulting in either a direct or a reasonably foreseeable indirect physical change in the environment, and is, therefore, not a project in accordance with the California Environmental Quality Act (CEQA)

Authority: Public Resources Code section 21065 and California Code of Regulations, Title 14, sections 15060, subdivision (c)(3), and 15378.

EXHIBIT:

A. Location and Site Map

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

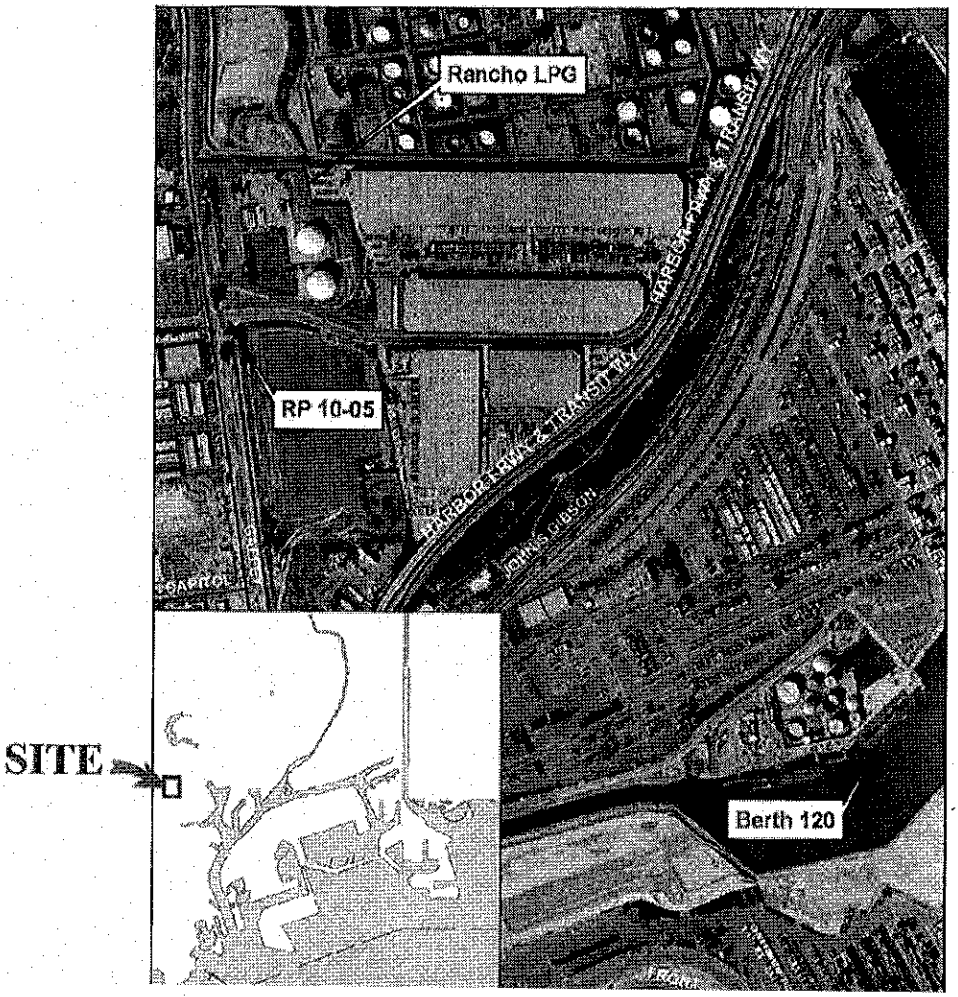
Find that the subject staff analysis is not subject to the requirements of CEQA pursuant to California Code of Regulations, Title 14, section 15060, subdivision (c)(3), because the subject activity is not a project as defined by Public Resources Code section 21065 and California Code of Regulations, Title 14, section 15378.

AUTHORIZATION:

Direct Commission staff to continue to work with the Port of Los Angeles on any issues involving the Rancho LPG revocable permit.

NO SCALE

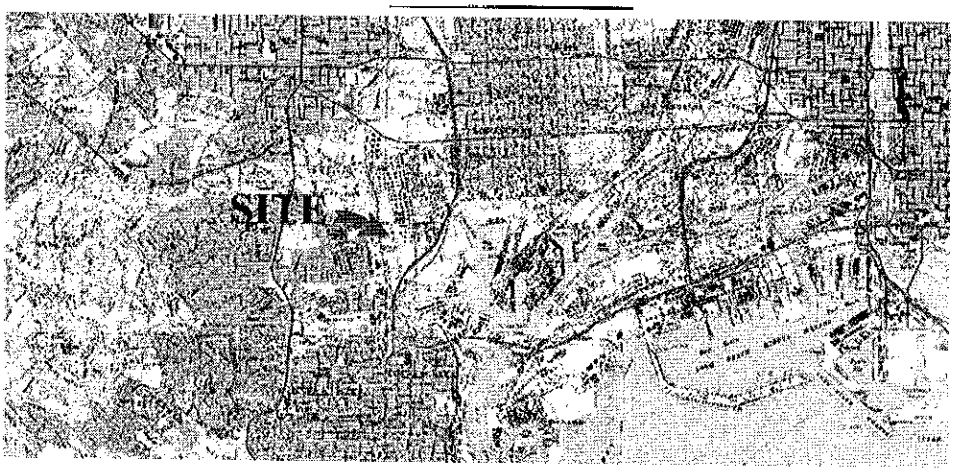
SITE



PORT OF LOS ANGELES

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.

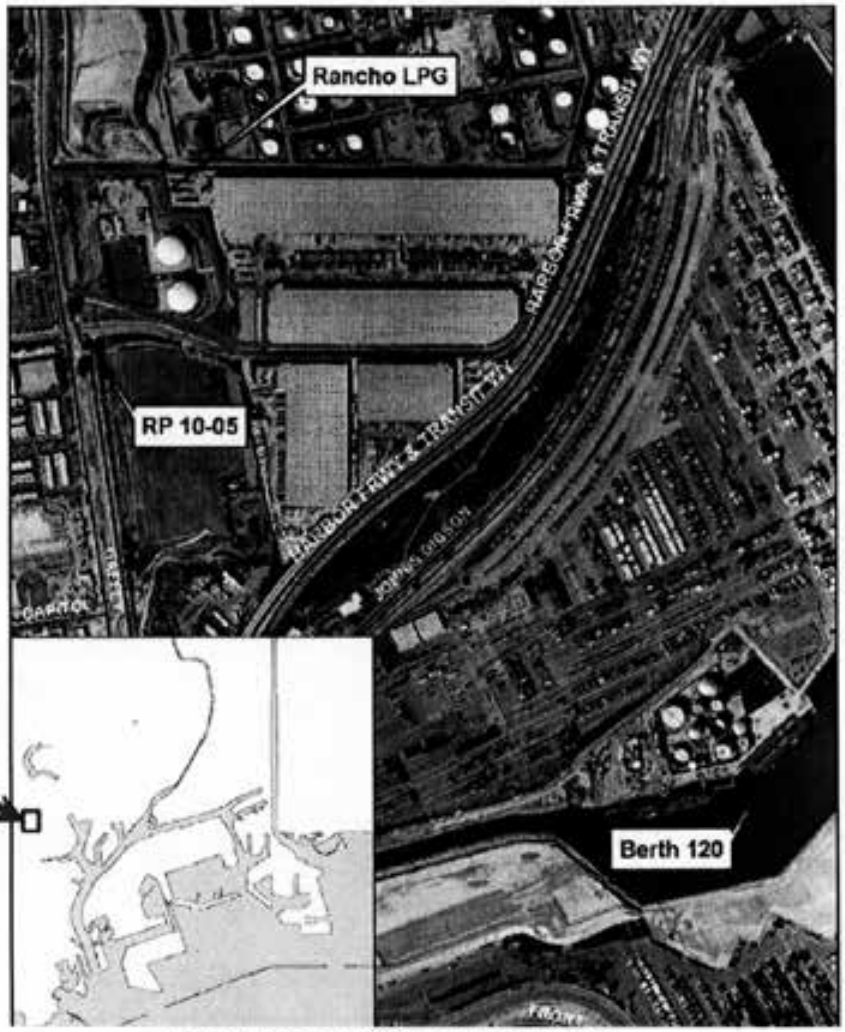
Exhibit A

G 05-04
CITY OF LOS ANGELES
RANCHO LPG FACILITY
LOS ANGELES COUNTY

TS 06/12/14

NO SCALE

SITE



PORT OF LOS ANGELES

NO SCALE

LOCATION

MAP SOURCE: USGS QUAD

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Exhibit B

G 05-04
CITY OF LOS ANGELES
RANCHO LPG FACILITY
LOS ANGELES COUNTY

TS 06/12/14

LOCKTON

July 10, 2014

California State Lands Commission
100 Howe Avenue, Suite 100 South
Sacramento, CA 95825-8202

Dear Sirs:

Please be advised that Plains All American Pipeline, L.P. (PAA) currently carries insurance which totals $500 million to cover third party claims. A summary of that insurance program is attached. This insurance applies to PAA's principal assets including those held under Rancho LPG Holdings LLC.

Sincerely,

Linda J. Skiles
Sr. Vice President
Lockton Houston Series

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Plains All American General Liability Insurance Limit Summary

Effective June 1, 2014 through May 31, 2015[1]		
Coverage	**Carrier**	**A M Best Rating**
$10MM xs $1MM[2]	Aspen, Lloyds (UK)	A
$25MM xs $10MM	Aegis, Lloyds (UK)	A
	Aspen, Lloyds (UK)	A
	Catlin, Lloyds (UK)	A
	Markel (UK)	A
	Hannover (UK)	A+
	Swiss Re (Luxembourg)	A+
	Axis (US)	A+
$50MM xs $35MM	Energy Insurance Mutual (US)	A
$15MM xs $85MM	Oil Casualty Ins. (Bermuda)	A-
$50MM xs $100MM	Aegis, Lloyds (UK)	A
	Amlin, Lloyds (UK)	A+
	COF/QBE, Lloyd's (UK)	A
	SCOR (UK)	A
	Lancashire (UK)	A
	Ironshore (UK)	A
	AXIS (U.S.)	A+
$50MM xs $150MM	XL (Bermuda)	A
$25MM xs $200MM	Oil Casualty Ins. (Bermuda)	A-
$25MM xs $225MM	Endurance (Bermuda)	A
$25MM xs $250MM	Argo (Bermuda)	A
$50MM xs $275MM	ACE (Bermuda)	A++
$75MM xs $325MM	Iron-Starr (Bermuda) Arch (Bermuda) Axis (Bermuda)	A[3] A+ A+
$50MM xs $400MM	ACE (Bermuda)	A++
$10MM xs $450MM	Swiss Re (Luxembourg)	A+
$40M xs $460M	AIG (Bermuda)	A

[1] Insurance coverage renews annually.
Existing $500MM coverage level is representative of historical coverage level.
Terms and coverage level are subject to market availability.

[2] $5MM retained limit for pollution claim

[3] Joint venture between Ironshore (A)and Starr (A). Iron-Starr is not rated

Plains All American General Liability Insurance Limit Summary

A.M. Best Rating - Credit Rating Correlation

Rank	A. M. Best	Standard & Poor's	Moody's	Fitch
1	A++	AAA	Aaa	AAA
2	A+	AA+	Aa1	AA+
3	A	AA	Aa2	AA
4	A-	AA-	Aa3	AA-
5	B++	A+	A1	A+
6	B+	A	A2	A
7	B	A-	A3	A-
8	B-	BBB+	Baa1	BBB+
9	C++	BBB	Baa2	BBB
10	C+	BBB-	Baa3	BBB-
11	C	BB+	Ba1	BB+
12	C-	BB	Ba2	BB
13	D	BB-	Ba3	BB-
14	E	B+	B1	B+
15	F	B	B2	B
16		B-	B3	B-
17		CCC+	Caa1	CCC+
18		CCC	Caa2	CCC
19		CCC-	Caa3	CCC-
20		CC	Ca	CC
21			C	C

(Source: http://www.ambest.com/ratings/guide.asp)

EXHIBIT D **G 05-04**

Plains All American Pipeline, L.P. ("PAA") Org. Chart (Short Form)