

# EXECUTIVE OFFICER'S REPORT

February 28, 2023



## California State Lands Commission

### Budget and Legislative Update

The Governor's proposed budget for the 2023-24 fiscal year includes a total budget for the State Lands Commission of \$53,277,000. The Governor's Budget also includes a \$3,660,000 appropriation for the Commission to secure a caretaker to monitor Platform Holly offshore the City of Goleta in Santa Barbara County. The caretaker will monitor, inspect, and promptly respond to conditions on and around Platform Holly during the caretaker period, which is the time between the final plug and abandonment of the platform's 30 wells and when platform decommissioning begins. This item and the Commission's larger budget will be considered at budget subcommittee hearings in early March.

February 17 was the bill introduction deadline for the 2023-24 legislative session. Legislators introduced 1,751 Assembly bills and 881 Senate bills for a total of 2,632 bills. There are also six special session bills (three in the Assembly and three in the Senate). Of the introduced bills, 495 are spot bills and 551 are intent bills, for a total of 1,046 placeholder bills. So roughly 40 percent of the introduced bills are placeholder measures. Mid-March is the deadline for authors to submit substantive amendments to spot bills. Also of note is that the number of bills introduced this year is the highest in a decade. Item 88 on [the agenda](#) contains a list and summary of the various bills staff is monitoring thus far, and Items [86](#) and [87](#) recommend that the Commission co-sponsor or sponsor particular legislation.

### Diablo Canyon Nuclear Power Plant

The Diablo Canyon Nuclear Power Plant cooling water intake and discharge structures are on state-owned tide and submerged land under the Commission's jurisdiction. PG&E has a lease from the Commission for these structures that expires in August 2025. Last September, Governor Newsom signed SB 846 into law, authorizing the extension of operating the Diablo Canyon Nuclear power plant beyond the current expiration dates (of 2024 for Unit 1 and 2025 for Unit 2), to up to five additional years (no later than 2029 and 2030), under specified conditions. This bill also authorizes a loan of \$1.4 billion from the state to PG&E, the power plant operator, to facilitate the extension of the plant. SB 846 also

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requires the California Public Utilities Commission to set new retirement dates for the power plant, conditioned upon the United States Nuclear Regulatory Commission extending the power plant's operating licenses.

An amendment to the Commission's lease is required to extend the Power Plant operations. In January, PG&E applied for a lease amendment to extend its lease term to October 31, 2030. The lease application is complete and pursuant to SB 846, the Commission has 180 days to act on the application. Which means that the lease extension application is likely to come before the Commission this Spring or Summer.

In November 2022, the U.S. Department of Energy announced a conditional award of credits valued at up to \$1.1 billion to extend operations from the first award cycle of the Civil Nuclear Credit Program. The final terms of the funding are subject to negotiation and finalization by the Department.

On January 24, 2023, the U.S. Nuclear Regulatory Commission (NRC) responded to PG&E's request for the NRC to resume its review of a license renewal application, which PG&E had withdrawn in 2018. The NRC determined that resuming review of the withdrawn application would be inconsistent with NRC regulations or Principles of Good Regulation and that there is no compelling precedent to support PG&E's request to resume review of the withdrawn application. PG&E will be required to submit a new application to the NRC. NRC staff continues to evaluate PG&E's request for an exemption from 10 CFR 2.109(b), and whether Unit 1 must shut down by 2024 and Unit 2 by 2025.

On January 31, 2023, the State Water Resources Control Board released a draft staff report and amendment to the Water Quality Control Policy on the use of coastal and estuarine waters for power plant cooling to revise the compliance schedules for several California power plants, including Diablo Canyon. A public hearing is scheduled for March 7, 2023.

Earlier this month, the California Natural Resources Agency submitted a [detailed plan to the Joint Legislative Budget Committee](#) that identifies actions necessary to extend Diablo Canyon power plant operations. The Agency also hosted a public listening session with the participation of the Governor's Office of Business and Economic Development, State Lands Commission, California Public Utilities Commission, California Coastal Commission, and the State Water Resources Control Board.

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## Reorganization of the Commission's Science Programs

Staff is incredibly excited to announce a reorganization of the Commission's science programs, which we will formally launch next week, that is intended to better serve the Commission and the people of California. Three programs will merge into a new Division called the Division of Environmental Science, Planning, and Management. The three programs are the Marine Invasive Species Program (currently in the Marine Environmental Protection Division), a climate change adaptation and special projects team (currently in the Executive Office), and the team responsible for California Environmental Quality Act analysis (currently in the Division of Environmental Planning and Management). The reorganization will better position the Commission's science team to effectively collaborate and integrate the best available scientific thought and analysis into the decision-making process.

The reorganization, which has been two years in the making, is responsive to the Commission's [Strategic Plan](#). A key focus area of the Strategic Plan is to build a reimagined workforce. That focus area states that the Commission will (among other tasks): 1) Evaluate the Commission organizational chart and reorganize as needed to reflect new work streams; 2) Implement increased use of multi-disciplinary approaches to existing and new work efforts to eliminate organizational silos and improve efficiency; and, 3) Prevent overdependence on a small number of highly skilled staff for time-critical tasks.

The science team reorganization embodies these sentiments and is intended to foster a strong, collaborative, multi-disciplinary approach to scientific analysis, program implementation, and leadership. The reorganization aligns with and supports the Commission's Strategic Plan, Workforce Development Plan, and succession planning efforts.

## Platform Holly and Piers 421 Decommissioning (South Ellwood) Project

The Commission, in collaboration with the City of Goleta, has removed the last two oil pier and caisson structures in the state located at Haskell's Beach in the City of Goleta. This milestone decommissioning project marks the end of oil production in the Ellwood Oil Field, production that started in the late 1920s and continued into the 1990s. At one time, the shoreline was marked by 13 piers as

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well as a welter of oil storage and processing facilities immediately onshore. Now the final two piers and caissons are gone, restoring full coastal access and eliminating public safety and environmental threats.

Staff continues to maintain and monitor Platform Holly and the onshore facilities to ensure public health and safety. Staff, Exxon, and their subcontractors have continued to work on the well abandonment process. Well work to seal off the producing intervals of the 30 platform wells is now complete with preliminary sampling data reporting that the risk from hazardous hydrogen sulfide gas levels emanating from the platform wells has been significantly reduced. Platform staff check the wells daily to monitor for hydrogen sulfide, confirm pressure integrity, and check for any gas flow. Staff anticipates the monitoring period to be complete in early March, and then we will proceed with any required well remediation work, install the remaining surface plugs, and remove casing conductors. Staff continues to work closely with Exxon and their subcontractors to ensure that the work is conducted safely and responsibly.

Staff and contractors have also begun flushing and cleaning the platform and the Ellwood Onshore Facility. Once the cleaning is complete and the facility is no longer needed to support plug and abandonment operations on Platform Holly, the Onshore Facility will be returned to the Venoco trustee. The next step is to place Platform Holly in a safe caretaker status mode while Exxon performs its platform removal engineering study and the Environmental Impact Report is completed.

## **Rincon Decommissioning Project**

Staff anticipates releasing a Draft Environmental Impact Report for public review this Summer or Fall. The Draft Environmental Impact Report will inform the disposition of Rincon Island, the onshore facility, and the causeway. Staff will convene public meetings during the review period to summarize the main components of the Draft Environmental Impact Report and receive public comment. Staff will continue its consultation with other agencies during this time, including the California Coastal Commission, State Coastal Conservancy, California Department of Fish and Wildlife, National Marine Fisheries Service, and Ventura County, as well as with affiliated Tribes.

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## **SB 44 Legacy Well Remediation Program**

### Summerland Oil Sheen Incident

On January 6, amid a series of atmospheric rivers that battered the State in late December and early January, a large oil sheen was seen offshore Summerland Beach in Santa Barbara County. The following day, a Unified Command was formed that consisted of the U.S. Coast Guard, California Department of Fish and Wildlife's Office of Spill Prevention and Response and the Santa Barbara County Fire Department. Lab analysis conducted by the State Office of Spill Response indicated that the sheen oil is consistent with local natural seep oil.

The Pacific Ocean offshore Summerland Beach is an area with very active natural seeps. There are also an estimated 200 legacy wells near the beach, and while lab results indicate that the product is consistent with seep activity, it is possible that one or more of the legacy wells could also be a factor in producing the sheen. The legacy wells, which were drilled in the late 1800s and early 1900s and never properly abandoned, are believed to be relatively shallow compared to modern wells, which makes it nearly impossible to distinguish the legacy well oil from natural seepage in the area. The Commission, through its Coastal Hazard and Legacy Well Remediation Program, investigated whether any of the legacy wells were discharging petroleum. The investigation included crews and divers surveying the area. With confirmed lab results of natural seep oil and the Commission continuing its investigation of a potential legacy well discharge, the Unified Command demobilized about a week after the sheen was observed. The Commission, through its Legacy Well Program, will be the lead agency for ongoing monitoring and investigation at Summerland Beach.

### SB 44 Program

The winter storms created an unusual drop in the level of sand on Southern California beaches, revealing several well casings and other coastal hazards at Summerland beach, Haskell's Beach, Mussel Shoals Beach, and other locations. The Commission's environmental consultant conducted a survey to record the geographic coordinates of the features that were exposed after the storms. An additional legacy well survey will be performed, and any legacy wells leaking

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hydrocarbons will be added to the list of wells that require re-abandonment using SB 44 funding. The next step in terms of legacy well remediation is to re-abandon two offshore wells along the Treadwell Pier, known as Treadwell-1 and Treadwell-5. Permitting for that work is underway and the work is expected to begin this summer.

## Coastal Hazards Removal

Last week, the Commission, through its contractors, removed over 120 hazards from the Haskell's beach area that were exposed during the storms that occurred in late December and early January. Staff will now monitor the sites as well as other sites, including Summerland and Mussel Shoals beaches, for exposure during future storms.

## **Offshore Wind Energy**

### Offshore Wind Energy State Applications

On February 13, BW Ideol withdrew its application for a wind energy development project offshore of Vandenberg Space Force Base (VSFB). Staff continues to process the CADEMO Corp. application for a wind energy development project offshore of VSFB. Staff selected ASPEN Environmental Group as its consultant to prepare an Environmental Impact Report for the CADEMO project. Staff is working with CADEMO Corp. and VSFB to determine if the environmental document will be a joint document for compliance with both the California Environmental Quality Act and the National Environmental Policy Act. Staff will continue to work with and meaningfully engage with responsible and trustee government agencies, tribes, and the public, during the environmental review process.

### Coordinated Offshore Wind Energy Planning in Federal Waters

Staff continues to represent California and participate in offshore wind planning in federal waters as a member of the Bureau of Ocean Energy Management (BOEM)-CA Intergovernmental Task Force for offshore wind and as an agency named in AB 525 (Chiu, Chapter 231, Statutes of 2021) that will participate in the strategic planning process. The BOEM lease sale for the Humboldt and Morro Bay wind energy areas was completed last December and provisional leases

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were awarded to the five winning bidders.<sup>1</sup> Staff is focused on interagency efforts associated with AB 525, including developing a port infrastructure and workforce plan and a permitting roadmap that would ensure a coordinated and efficient approach among the state and federal agencies with jurisdiction or oversight roles.

With respect to port infrastructure and capacity, staff recently released a [study](#) that examined the feasibility of constructing a new purpose-built port on the central California coast to support offshore wind facility staging and integration or operations and maintenance. This high-level desktop screening study examined coastal sites between San Francisco and Long Beach to identify potential underused or undeveloped sites of 30 to 100 acres. A variety of land use, engineering, and environmental “screening criteria” were used to narrow the field of suitable sites. The study concluded that the potential environmental and cultural impacts, costs, and schedule for obtaining permits for developing the identified sites would pose significant challenges and may not be as feasible as expansion or redevelopment of space at existing ports. This study is part of a larger effort to identify, evaluate, and consider the cost, schedule, workforce, environmental, and engineering constraints and tradeoffs associated with development of the offshore wind industry in California. The results of the Commission’s study, together with additional preliminary studies being completed by BOEM, are helpful inputs to the California seaport readiness and investment plan under development and required by AB 525. This plan, which is intended to facilitate successful offshore wind energy development consistent with the planning goals in an August 2022 California Energy Commission report,<sup>2</sup> will inform a strategic plan for offshore wind required by AB 525.

With respect to the permitting roadmap required in AB 525, staff continues to collaborate with the California Energy Commission and other agencies with management or permitting jurisdiction over offshore wind. This work includes developing robust communication strategies with BOEM during the site evaluation and assessment phase that the winning lessees will undertake over

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<sup>1</sup> The five successful bidders are as follows: RWE Offshore Wind Holdings, LLC and California North Floating, LLC for the Humboldt area; Equinor Wind US LLC, Central California Offshore Wind LLC, and Invenergy California Offshore LLC for the Morro Bay area.

<sup>2</sup> <https://www.energy.ca.gov/filebrowser/download/4361>

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the next 2-5 years in order to understand and characterize the existing environment in their provisional lease areas. While the Commission (and most other state agencies) does not likely have a direct permitting or leasing role in the site assessment phase, close coordination on baseline studies, biological surveys, and development of monitoring protocols is critical to ensure that when the State begins its environmental review process, it can be confident that the site assessment and survey will meet the State's needs.

And finally, staff continues to participate in offshore wind development outreach and engagement and plans to attend meetings and listening sessions for tribal communities and fishing interests.

## **Refugio Natural Resources Damage Assessment**

In 2015, oil pipeline Line 901, owned and operated by Plains All American Pipeline, ruptured, spilling 123,000 gallons of crude oil near the Pacific coast in Santa Barbara County. Shortly after the spill, the Commission joined a Trustee Council of federal, state, and local agencies to begin a natural resource damage assessment to determine the extent of harm caused by the spill and to develop restoration plans. This assessment led to a settlement between the government agencies and Plains. Pursuant to the settlement, Plains paid \$22 million to fund restoration projects that would help restore affected natural resources and compensate the public for disrupted human uses, such as recreation.

The Trustee Council has been hard at work finding and planning restoration projects to fund with the settlement moneys. Some of the planned projects would restore or improve: red and black abalone populations, eelgrass beds, kelp forests, stranding and entanglement response for marine mammals, brown pelican nesting colonies, and shoreline recreation near the locations affected by the spill. The Trustee Council has conducted outreach to the public to solicit feedback and proposals for projects that would further the Council's restoration goals.

Up to \$600,000 remains unallocated for recreational projects to enhance the use and enjoyment of public beaches, parks, and other public or natural resources. Projects are expected to focus on directly benefiting shoreline, near-shore, or water-based recreation at Coal Oil Point Nature Reserve and in the counties of Ventura and Los Angeles. Projects benefiting recreation at the



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Channel Islands will also be considered. Interested parties can contact Commission staff for more information on how to submit a proposal.