

Staff Report 49

LESSEE:

Phillips 66 Company

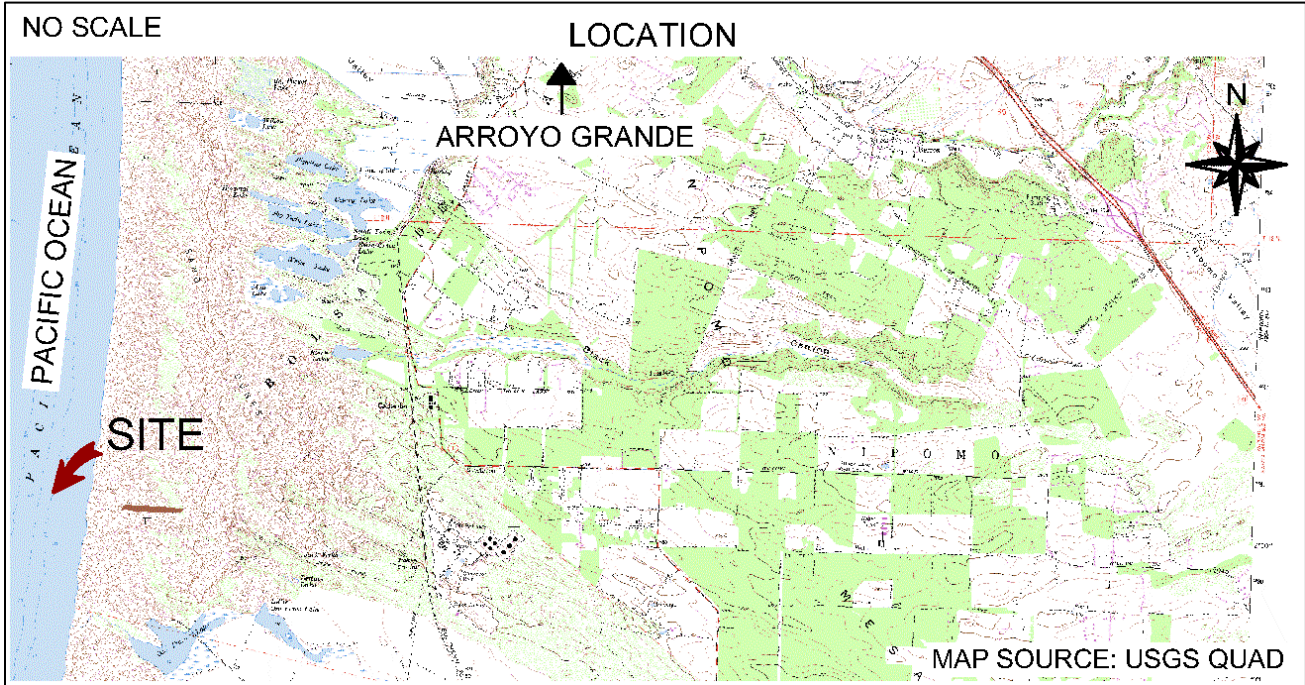
PROPOSED ACTION:

Revision of Rent and Bond

AREA, LAND TYPE, AND LOCATION:

4.493 acres, more or less, of sovereign land in the Pacific Ocean, near Arroyo Grande, San Luis Obispo County (as shown in Figure 1).

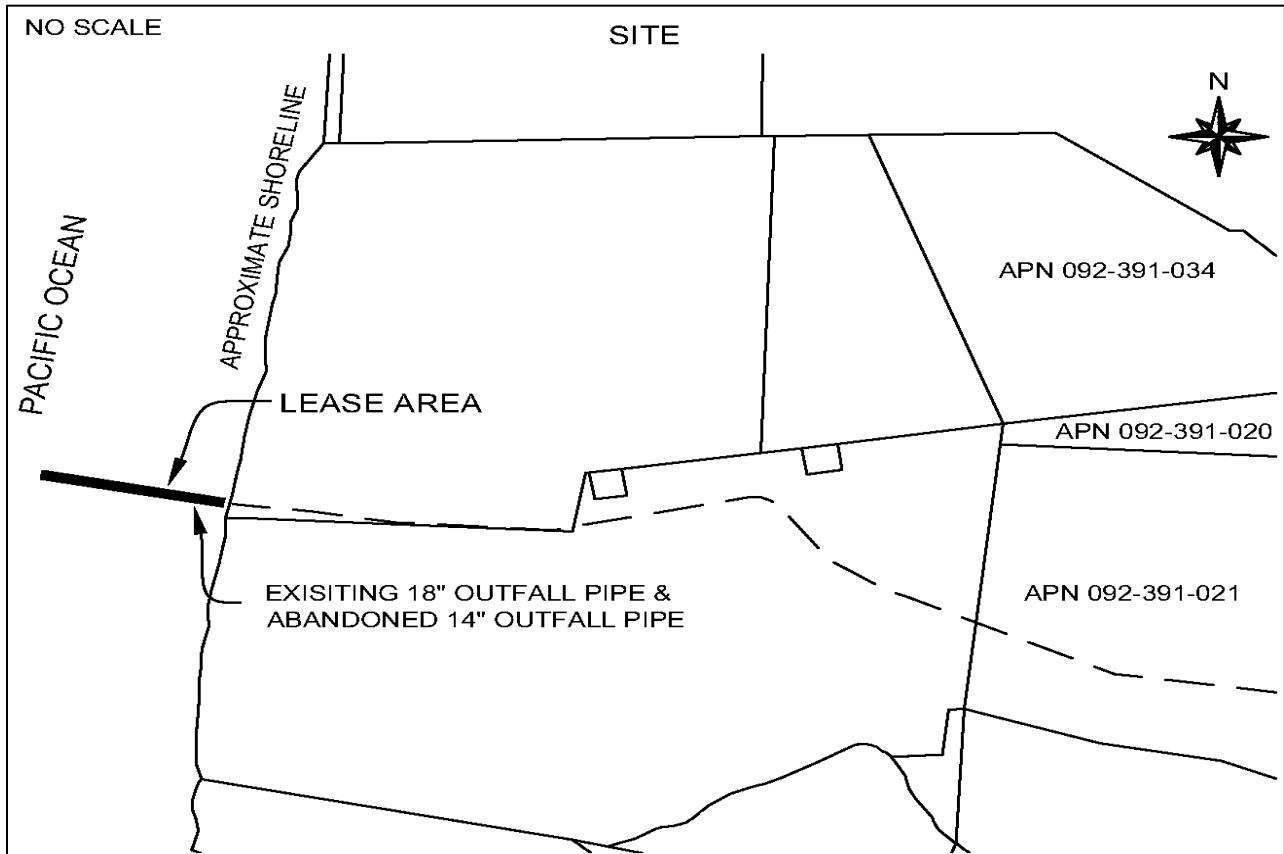
Figure 1. Location



AUTHORIZED USE:

Continued use and maintenance of an 18-inch-diameter wastewater outfall pipeline with diffusers and a 14-inch-diameter abandoned wastewater outfall pipeline (as shown in Figure 2).

Figure 2. Site Map



NOTE: This depiction of the lease premises is based on unverified information provided by the Applicant or other parties and is not a waiver or limitation of any State interest in the subject or any other property.

TERM:

25 years, beginning October 25, 2003.

CONSIDERATION:

The lease provides that Lessor may modify the rent and bond periodically during the lease term. Pursuant to this provision, staff has conducted a review of the rent and bond under this lease and recommends that the rent be revised from \$6,769 per year to \$9,833 per year, and an increase in the bond from \$100,000 to \$2,000,000, effective October 25, 2023.

OTHER PERTINENT INFORMATION:

1. Approval or denial of the revision of rent is a discretionary action by the Commission. Each time the Commission approves or rejects a revision of rent, it exercises legislatively delegated authority and responsibility as trustee of the State's Public Lands as authorized by law. The Lessee has no right to a new lease or to renewal of any previous lease.
2. On September 1, 2011, the Commission authorized a 25-year General Lease – Right-of-Way Use to ConocoPhillips ([September 1, 2011, Item 45](#)) for one existing 18-inch-diameter wastewater outfall pipeline and diffusers and one abandoned 14-inch-diameter wastewater outfall pipeline in the Pacific Ocean, offshore of Oceana Dunes State Vehicle Recreation Area, near Arroyo Grande, San Luis Obispo County. On December 5, 2012, the Commission authorized an assignment of lease ([December 5, 2012, Item 38](#)) from ConocoPhillips to Phillips 66 Company, effective December 5, 2012. The authorized improvements are associated with the Phillip 66 Santa Maria refinery, located approximately 5 miles inland. On October 13, 2016, the Commission authorized a revision of rent ([October 13, 2016, Item 36](#)) from \$5,275 to \$6,728, effective October 25, 2016, and on August 23, 2018, the Commission authorized a revision of rent ([August 23, 2018, Item 89](#)) from \$6,728 to \$6,769, effective October 25, 2018. The lease will expire on October 24, 2028.
3. The wastewater pipeline serve the upland Santa Maria Oil Refinery Facility located three miles inland. The authorized facilities are inspected on an annual basis. The last external inspection of the pipelines using visual inspection, dye test, and underwater video survey was conducted on October 5, 2022, with no leaks or defects noted.
4. Under the terms of the current lease, the lessee holds a bond in the amount of \$100,000. This amount is subject to increases over the lease term and serves the purpose of being able to mitigate costs that might otherwise be shouldered by the state, including where the state must take restorative actions with the leased premises upon lease termination or lease premises abandonment. A bond adjustment is currently appropriate with an increase in rent and to keep it consistent with estimated removal costs for similar facilities. Staff recommends increasing the bond to reduce the state's potential liability.
5. This action is consistent with the "Address current and future risk and liabilities" in the "Meeting Evolving Public Trust Needs" Strategic Focus Area of the Commission's 2021-25 Strategic Plan.

6. Approving the revision of rent and increase in bond is not a project as defined by the California Environmental Quality Act because it is an administrative action that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, section 15378, subdivision (b)(5).

RECOMMENDED ACTION:

It is recommended that the Commission:

AUTHORIZATION:

Approve the revision of rent for Lease PRC 1449 from \$6,796 per year to \$9,833 per year, and an increase in the bond from \$100,000 to \$2,000,000, effective October 25, 2023.