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Decision No. 88311 JAN 10 1978

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOHIO TRANSPORTATION COMPANY OF CALIFORNIA to issue 10,000 shares of \$1.00 par value capital stock for working capital.

Application No. 56445 (Filed April 29, 1976)

APPLICATION OF THE CITY OF LOS ANGELES FOR MODIFICATION OF DECISION NO. 87432

Application No. 57563 (Filed August 31, 1977)

OPINION ON FINAL SUPPLEMENT TO FINAL ENVIRONMENTAL IMPACT REPORT

In D.86125, an interim order dated July 19, 1976, the Commission authorized Sohio Transportation Company of California (Sohio) to issue not more than 10,000 shares of its \$1 par value capital (common) stock to the Standard Oil Company (Standard), an Ohio corporation, and authorized Standard to acquire and control Sohio. The shares were issued to allow Sohio a small amount of initial working capital in conjunction with its proposal to construct pipelines and related facilities for the transportation of liquid hydrocarbons in California and to operate and maintain the pipeline and related facilities as a public utility pipeline corporation.

In D.86125 the Commission noted that the facilities which Sohio proposed to construct might have a significant effect on the environment in California and that the Commission, in conjunction with the Port of Long Beach (Port), was preparing an Environmental Impact Report (EIR) with respect to those facilities. The Commission indicated that any further action in

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this proceeding must await the completion of a Final EIR for the
Sohio Transportation Company West Coast-Midcontinent Pipeline
Project (Project).

In D.87432 dated June 7, 1977, we issued a final order
in this proceeding in which we concluded and certified that the
Final EIR for the Project had been completed in compliance with
the California Environmental Quality Act (CEQA) of 1970 and the
Guidelines for implementation of CEQA. We also concluded that
Rule 17.1(j)(3) of the Commission's Rules of Practice and Procedure,
which requires findings of fact and conclusions of law on certain specific
factors, is not relevant to the matter at hand since the Commission,
in this instance, is only making a determination that the EIR for
the Project is complete and in compliance with CEQA and the
Guidelines.

In D.87432 we stated that the assumptions underlying
and utilized in preparation of the Final EIR retain their validity
and adequacy; that the Final EIR contains an analysis of potential
environmental impacts predicated upon various assumptions; that
different analyses may be developed under differing sets of assumptions;
and that data and methodologies are and will continue to be developed
throughout the various steps required to obtain permits. We decided
that the development and incorporation of information must terminate at
some logical and legally sufficient point in time in order to ever
conclude the EIR process.

1/ The Board of Harbor Commissioners, Port of Long Beach, certified the
Final EIR on May 2, 1977.

After the certification of the Final EIR, permits were sought for the project. Permit hearings were held by a number of California agencies including SCAQMD, ARB, and the State Coastal Commission (SCC). During the SCAQMD hearings, questions were raised on air quality impacts produced by the Project and, in turn, the relationships of those impacts to the New Source Review Rule (Rule 213) for permitting new major air emission sources by California air quality agencies. The interpretation of Rule 213 raised questions as to whether transit and electrical emissions should be included as part of the Project emissions total in whole or in part; whether abandonment of the El Paso Natural Gas Company pipeline and the Southern California Gas Company pipeline for use in the Project would create natural gas delivery problems for California; and what criteria California should use to achieve both federal and state offset policies.^{2/} In addition SCAQMD, ARB, Port, and Sohio were concerned about the legality of establishing controls on oil tanker and oil terminal operations to limit air quality impacts. This issue is being reviewed by the federal Justice Department, the Interstate Commerce Commission, the Maritime Commission, the Department of Transportation, and by state and federal air quality agencies.

Revised Project Description

The Sohio project was modified during the course of the permit review processes. The Project objectives are to construct and operate a marine terminal and an oil pipeline distribution system for the movement of an average maximum volume of 500,000 barrels per day (BPD) of crude oil which cannot be disposed of on

^{2/} The policy that existing emissions be reduced to offset emissions created by a new project. The trade-off ratio is the ratio of reduction(s) of emissions from existing pollution source(s) to the production of emissions by a new project.

the west coast to Midland, Texas. Existing pipeline systems will be used to distribute oil from Midland throughout the oil-short mid-continent region.

Port will construct two deep water berths within its Pier J Basin.^{3/} Sohio proposes to lease the two berths from Port for receipt of 500,000 BPD of Alaskan North Slope crude oil. Connections will be made in the Los Angeles area for deliveries of Alaskan oil to local refineries. Sohio's common carrier pipeline may be interconnected with other pipelines for transporting oil from various sources including the Elk Hills Naval Petroleum Reserve No. 1 project and the Outer Continental Shelf. Sohio may utilize the Four Corners Pipeline Company's (an Atlantic Richfield Company subsidiary) common carrier system for transporting its oil eastward.

The principal project changes are the reduction of marine terminal construction from three fixed tanker berths to two fixed tanker berths; the reduction of terminal distribution of oil from 700,000 BPD to 500,000 BPD; the reduction from six to three storage/surge tanks located adjacent to the berths on Pier J in Long Beach Harbor;^{4/} an increase in the number of inland terminal storage facilities from two to five tanks at the Caltrans terminal; the realignment of a section of pipeline system in the vicinity of Rialto to avoid archaeological sites; and the relocation of the Redlands pump station nine miles west toward Rialto to make a potential connection with the Elk Hills project.

3/ A conceptual discussion on construction and operation of two additional oil tanker berths in the Pier J Basin and of possible emissions caused by those activities is contained in the Draft Supplement. Separate EIR proceedings would be needed prior to approval of those projects.

4/ It will be necessary for Sohio to obtain an amendment to its SCC permit to build three storage/surge tanks at this location.

After discussions with petitioners before SCAQMD and interested state and local governmental entities, Sohio, this Commission, and the Port agreed to prepare a supplement to the Sohio Final EIR. A Draft Supplement was prepared which used later analysis and refinements of prior information and which discussed policy issues which are normally part of the specific responsibilities of the various regulatory agencies and questions posed by petitioners during the review processes of the several agencies dealing with the Project. The Draft Supplement states that changes during the permit-acquiring phase of a project do not legally require preparation of a supplement to a previously certified Final EIR. The Draft Supplement provides information on a number of areas including the following:

"1. Impacts of the refinements and alterations to the Project resulting from review by permitting agencies;

"2. Analysis of specific air emission issues, e.g., electrical generating emissions, transit emissions, trade-off emissions, and suitable ways of achieving effective trade-offs;

"3. Natural gas pipeline abandonment impact; and

"4. Cumulative impacts of two additional berths in addition to those for Sohio which could be constructed in the Pier J Basin of the Port of Long Beach."

Attachment A to this decision summarizes the contents of the Draft Supplement. Attachment B describes the EIR Procedures Relating to Final Supplement (FS) to Final EIR.

The EIR procedures described in D-87132 (mimeo page 2) were repeated in processing the FS with the exception of the 21-day review period as approved by the Office of Planning and Research.

On November 15, 1977 copies of the Draft Supplement were delivered to the State Clearinghouse. The Project is still assigned State Clearinghouse No. (SCE) 76102673. Copies of the Draft Supplement were distributed to an extensive list of

individuals and entities who expressed interest in the Project, possess special expertise with respect to aspects thereof, or are involved with the approval thereof. All recipients of the Draft Supplement were advised of the opportunity to evaluate and provide comments on the Draft Supplement. Notice of public hearing on the Draft Supplement was published in newspapers of general circulation, was the subject of a wire release by Associated Press and United Press, and was shown on this Commission's calendar. Copies of the Draft Supplement were also placed in public libraries in the cities and counties in which the proposed project will be located as well as in San Francisco, Oakland, San Jose, and Sacramento.

On November 29, 1977 a public hearing on the Draft Supplement was held at the Commission Courtroom in Los Angeles.

Numerous oral and written comments have been received pertaining to the Draft Supplement and responses to each comment were prepared and included as part of the FS. The FS consists of the Draft Supplement (Volume 5, Part 1) and a new Volume 5, Part 2 which contains the following materials:

"1. Comments to the Draft Supplement.

"2. Responses to the comments.

"3. Errata for the Draft Supplement.

"4. Appendices:

"a. California Coastal Commission Permit A-185-77.

"b. A working paper entitled 'The Effect of Scrubber Effluent from Tankers Equipped with Inert Gas Systems on the pH of Receiving Waters'. (Ricklef and Sandell)

"c. A working paper entitled 'Plankton Entrainment in IGS Operations near the Proposed Sohio Terminal Site.' (Allan Hancock Foundation)"

Volume 5, Part 2 was sent to all concerned individuals on December 20, 1977. The letter of transmittal advised the parties that the Board of Harbor Commissioners, Port of Long Beach, certified the FS on December 19, 1977; that this Commission would consider certification of the FS on January 10, 1978; and that if desired, written comments on the FS should be sent to the Project Officer. No comments were received as of January 9, 1978.

Application of the City of Los Angeles (LA)

LA requested modification of D.87432 on the ground that the Final EIR should not have been certified because the EIR was inadequate in several respects. After it reviewed the Draft Supplement, LA considered withdrawal of its application if it could be determined that the FS was a part of the legally required EIR and that the Port and the Commission would be bound by the information contained therein in terms of mitigation measures in the FS and in the Final EIR.

LA has been particularly concerned about our evaluating the likelihood of an addition to the project, Phase II. LA wants a detailed environmental analysis of Phase II.

Phase II is a different possible future project. We will perform the review requested when and if there is a Phase II proposal before us. Approval of the revised project described herein does not constitute a precommitment on the Commission's part in regard to a Phase II proposal.

Port will implement the mitigating measures discussed in the FS and in the Final EIR (except for later mitigation measures contained in the FS) which fall within its jurisdiction. Implementation of the remaining mitigating measures fall within the jurisdiction of the responsible agencies required to issue permits for various aspects of the Project.

Further Discussion

We referred to the problems of estimating potential environmental impacts discussed in D.87432, supra. These problems have not been eliminated in the FS.

The FS is an informational document. In the controversial area of air quality it describes the methodology of trade-off applications, generally outlines mitigation measures, describes the problems associated with trade-off ratios, lists potential trade-off candidates, discusses information related to air quality standards, and the level to which pollutant emissions must be reduced but leaves it to the responsible permit-granting agencies^{5/} to develop the method, course, technique, or process for obtaining the objective of mitigation.

There are also problems in application of the data; e.g., ARB questioned whether the summary of emissions was understated because oil spills were not included. The FS response was:

"It was not reasonable to attribute oil spill emissions to estimates of project operational emissions. Oil spills represent unlikely events which will be minimized by improved tanker technology and the strict operating protocols to be required of the SOHIO fleet. In addition, it is not possible to characterize a 'typical' spill that would be 'representative' of the project."

The FS and the Final EIR present the information required by CEQA. As information and data develop in the future, it will obviously be utilized in the various permit processes. However, the EIR process must ultimately reach a point of conclusion to insure that the intent of CEQA is fulfilled. The responsible

^{5/} Section 65933 of Section 1, Chapter 4.5 of the Government Code states:

"'Responsible agency' means a public agency, other than the lead agency, which has responsibility for carrying out or approving a project."

agencies can make appropriate use of the information contained in the FS and in the Final EIR in establishing conditions for issuance of necessary permits or approvals.

The Commission has reviewed and considered the information contained in the FS and in the Final EIR. As a result of this review and consideration of all the information contained in the Final EIR and of the FS which is considered as a part of the Final EIR for the revised Project, the Commission hereby concludes and certifies that the FS and the Final EIR for the revised Project have been completed in compliance with CEQA and the Guidelines.

LA's requested modification should be denied.

The Commission also concludes that Rule 17.1(j)(3) of the Commission's Rules of Practice and Procedure is not relevant to the matter at hand, since the Commission, in this instance, is only making a determination that the FS and the Final EIR for the revised Project is complete and in compliance with CEQA and the Guidelines.

The Commission also concludes that the Commission's Rules of Practice and Procedure are not applicable to the matter at hand, since the Commission, in this instance, is only making a determination that the FS and the Final EIR for the revised Project is complete and in compliance with CEQA and the Guidelines.

Section 55302 of Section 5, Chapter 2.1 of the Government Code

"Responsible agency means a public agency, or other person or entity, which has responsibility for carrying out a project."

A.56445, 57563 RF/1c

O R D E R

IT IS ORDERED that Application No. 57563 is denied. No other or further action is necessary with respect to Application No. 56445.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 10th day of JANUARY, 1978.

Ralph B. Friedman
President
William A. ...
Vernon L. ...
Richard D. ...
Clare L. ...
Commissioners

Attachment A

CONTENTS OF THE DRAFT SUPPLEMENT TO
FINAL ENVIRONMENTAL IMPACT REPORT ON THE
SOHIO WEST COAST TO MID-CONTINENT PIPELINE PROJECT

I. Rationale for Preparation of Supplement to Final Environmental Impact Report.

II. Introduction.

Description of the Project objectives, the Project description, related port projects, related projects, project consistency with the Port of Long Beach Master Planning Process, and alternative locations to Pier J for Project tankage.

III. Alterations to Environmental Setting.

IV. Environmental Impacts of Sohio and Related Projects.

Describes the environmental impacts of Sohio Project as to natural environment, public service systems and the economic impacts. Describes the environmental impacts of Berths 3 and 4.

V. Air Emissions Inventory.

Describes the two berth air emissions, both during the marine terminal construction phase and the operation phase. Describes the Berth 3 scenario, including construction of the marine terminal and the pipeline, and the operation phase. Describes the Berth 4 scenario. Discusses the oil spill emissions, including factors affecting the fate of oil spills, tanker oil spills, other accidental events and the air quality impacts of oil spills.

VI. Air Emission Impacts.

After introductory remarks, discusses port-related emission impacts, at sea emission impacts, and summarizes the air emission impacts.

Attachment A (Cont'd)

- XII. The Impact of Abandoning the El Paso Gas Company Pipeline on California Natural Gas Supply.
 - Discusses the El Paso revised supplies to California, the "Western Leg" transmission and gas supply costs, and gas supply estimates.
- XIII. The Sohio Pipeline and Terminal Will Be Common Carrier Facilities.
 - A brief description of common carrier and its ramifications.
- XIV. Tanker Safety.
 - A description of legislation, tanker accident potential, tanker routes, and safety systems.
- XV. Operational Restrictions and Enforceability.
 - A discussion of various Federal regulations applicable to oil terminal and ship operations, ship design and oil pollution regulations. A discussion of the enforceability of operational restrictions.
- XVI. Sohio Crude Oil Delivery Options.
- XVII. No Project Alternative.
 - Analyzes two no-project scenarios and then summarizes the analysis.
- XVIII. Selection of Inland Tank Farm Site.
- XIX. Applications for Permits.
 - Describes the Port of Long Beach's State Coastal Commission Permit before the State Coastal Commission, and Sohio's AQMD permit application.

Attachment A (Cont'd)

XX. Additional Material in Response to Comments.

Discusses additional materials submitted in the Final EIR to be subject to additional review in the Draft Supplement.

XXI. The Effect of Importation of Alaskan Crude Oil on California Crude Oil Production.

A discussion of the characteristics of California crude oil production, the Federal entitlements program, the modifications of West Coast refineries to handle North Slope oil, and the impact of such oil on independent producers.

The Draft Supplement (Volume 5, Part 1) also contains the following appendices:

- A. Atmosat-7 flight and applicable testimony.
- B. El Paso Natural Gas Company projected gas supply available to Transwestern Pipeline Company.
- C. Staff report of CPUC regarding proposed abandonment of natural gas pipelines by El Paso Natural Gas Company.
- D. Western Leg.
- E. Preliminary list of conditions for lease agreement between Port of Long Beach and Sohio Transportation Company and/or operator of proposed marine terminal.
- F. Southern California Air Quality Management District Staff Counsel Analysis.
- G. California Air Resources Board - Permit conditions relating to tanker equipment and operations proposed by ARB staff.
- H. Assessment of hydraulics for pipeline system for Sohio Project.