Council Meeting of
September 23, 2008

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the City Council:

SUBJECT: City Manager – Adopt Amendment to Agreement to 1999 Mobil Agreement relating to refinery throughput and costs associated with the Del Amo Boulevard Extension

RECOMMENDATION

Recommendation of the City Manager that City Council authorize the Mayor to execute and the City Clerk to attest to Amendment No. 1 to an existing Agreement by and between the City of Torrance, California, a municipal corporation ("City") and ExxonMobil Oil Corporation ("ExxonMobil"), a New York corporation, as the successor company to Mobil Oil Corporation that will:

- Increase ExxonMobil's contribution to the Del Amo Extension by an amount up to $4 million; and
- Require City of Torrance to cover $5.5 million (reimbursable through Federal Grant Funds) to ExxonMobil for on-site capital expenditures related to Project; and
- Allows for the City to consider a ten percent (10%) increase in maximum total input for the Refinery, including a total maximum average annual input of crude at 176 Thousand Barrels per Day ("TBPD") and intermediate feedstock for a total not to exceed 220 TBPD, excluding external blend components.

Funding

Funding is not required for this action. If approved, additional funds for the Del Amo Extension project will be secured up to four million dollars.

BACKGROUND

In May of 1992, the City of Torrance adopted Ordinance 3351 which granted a franchise to Mobil Oil Corporation for its M-70 pipeline from the northerly City boundary (Redondo Beach Boulevard), southerly along Prairie Avenue to the Mobil refinery on 190th Street. The franchise was granted with stipulations that limited the M-70 pipeline throughput to 95,000 Barrels Per Day (BPD) annual average and to 63,500 BPD if the refinery's crude unit processing exceeded 130,000 BPD annual average.

In August of 1998, Mobil representatives contacted City staff to initiate meetings to discuss modification of throughput limits to the Torrance refinery. The results of those meetings were the development of a Memorandum of Understanding (MOU) that accomplished the following:

- An ordinance was adopted to increase the input limits to the M-70 pipeline to 160 Thousand Barrels Per Day (TBPD) and a total maximum average annual refinery input of 200 TBPD,

excluding internal blend components. The Agreement also includes authority for the City to approve a 10% increase to the maximum total input upon demonstration by Mobil of no degradation of the refinery environmental, health and safety performance as a result of such increase.

- Require Mobil to offer an irrevocable offer to dedicate 39,700 square feet of right-of-way for the Del Amo Extension Project;
- Guarantee $3,000,000 to the Del Amo Extension Project for certain onsite improvements associated with the project or make those funds available to the City in the event of delay or abandonment of said project;
- Provide an additional amount of up to $2,000,000 upon adoption of the ordinance amending the M-70 pipeline franchise ordinance.

ANALYSIS

The MOU was negotiated to meet the refinery's production needs as well as to secure funding and support for the Del Amo Extension (Project). In recent months staff has moved forward in the development of the Project. During the development of plans and specifications it became clear that the construction costs have significantly increased and therefore the Project would require more funds. To respond to this need, a City team headed by the Public Works Director sought additional funds from the Metropolitan Transportation Authority (MTA). The City was successful in securing these funds; however, shortly thereafter the staff team was informed that the funding for the required refinery on-sights would fall short.

Staff has been working with refinery staff to develop sources to secure the additional funds required to cover the costs as it relates to capital expenditures on the refinery property for the Project. ExxonMobil will meet their funding obligations of the original Agreement; however, upon a closer review the 10% increase clause contained in the original Agreement gained more focus. The Agreement allows for an additional increase of maximum total input upon demonstration of no degradation of refinery environmental, health and safety performance as a result of such increase. If proof is provided, an Amendment to the M70 pipeline Ordinance would be drafted and brought before the City Council once reviews are completed and assuming that the safety requirements are met, and or addressed. The Amendment to the pipeline Ordinance is a public process and the Amendment to the Agreement makes no assumption of presumptive adoption.

Staff approached the refinery to see if a win-win could be developed to gain the increase and secure more Project funding. Staff has developed an Amendment to the Agreement that allows for the 10% increase, providing all safety data supports such an increase, with an increase to the refinery's contribution to cover the shortfall beyond the City's Project Budget for the refinery's onsite preparation costs.

The revised Agreement contains these parameters:

- ExxonMobil to cover $3 million in costs associated with on-site capital expenditures related to Project (existing Agreement)
- City covers $5.5 million (reimbursable through Federal Grant Funds) to ExxonMobil for on-site capital expenditures related to Project (new cost derived from additional project funds)

- ExxonMobil covers additional cost up to an additional $4 million for on-site improvements related to the Project.

The Amendment contains a clause that protects the City as it relates to refinery safety:

"The City agrees that, pursuant to City Ordinance No. 3351, the City will consider a ten percent (10%) increase in maximum total input for the Refinery, including a total maximum average annual input of crude at 176 Thousand Barrels per Day ("TBPD") and intermediate feedstock for a total not to exceed 220 TBPD, excluding external blend components (this clause does not constitute approval of the ten percent increase and approval of the increase can only be given by the City Council). Such increase will be subject to a demonstration by ExxonMobil of no degradation of the Refinery's environmental, health and safety performance as a result of such increase. An adequate demonstration will require the concurrence of the City Council upon the recommendation of the City Staff, the City Fire Department, and a third party safety expert acceptable to the City. ExxonMobil will pay the cost of the third party expert. The City and ExxonMobil agree that, in the event that a demonstration of no degradation is considered inadequate for any reason, the City and ExxonMobil will work to reach a mutually agreeable resolution of any alleged inadequacies. The acceptance of any findings is at the sole discretion of the City."

This Section in the Amendment requires a third party to review the safety elements as it relates to an increase in total refinery input and leaves the authority to accept findings in the sole discretion of the City. The ExxonMobil will agree to provide the funds outlined in the Agreement and Amendment whether or not the increase is approved. As stated earlier, if the safety review meets City requirements, the increase would not be approved until an Ordinance is adopted amending the M-70 pipeline Ordinance.

Respectfully submitted,

LeRoy J. Jackson
City Manager

By _____
Brian K. Sunshine
Assistant to the City Manager

CONCUR:

_____
LeRoy J. Jackson
City Manager

Attachments:
A. Amendment No. 1 to Agreement
B. Agreement
C. Council Item Dated May 11, 1999

Attachment A

AMENDMENT NO. 1 TO THE AGREEMENT BETWEEN MOBIL OIL CORPORATION AND THE CITY OF TORRANCE

This Amendment Number 1 (the "Amendment") to the AGREEMENT BETWEEN MOBIL OIL CORPORATION AND THE CITY OF TORRANCE, dated May 11, 1999, is made and entered into as of September 16, 2008 ("Effective Date"), by and between the City of Torrance, California, a municipal corporation ("City") and ExxonMobil Oil Corporation ("ExxonMobil"), a New York corporation, as the successor company to Mobil Oil Corporation, collectively referred to herein as the "Parties" or, individually, as a "Party".

RECITALS

WHEREAS, on May 11, 1999, the City and ExxonMobil entered into an agreement, entitled "AGREEMENT BETWEEN MOBIL OIL CORPORATION AND THE CITY OF TORRANCE," (the "1999 Agreement") under which ExxonMobil and the City agreed to perform certain activities with respect to the City's proposed project to extend Del Amo Boulevard from Madrona Avenue to Crenshaw Boulevard in the City of Torrance, California (the "Del Amo Project" or the "Del Amo Extension"); and

WHEREAS, pursuant to the terms of the 1999 Agreement, ExxonMobil and the City entered into a Letter Agreement, dated June 30, 1999, under which ExxonMobil made an irrevocable offer of dedication to the City as a permanent easement for street and highway purposes of approximately one acre of land (the "Easement Property") within the ExxonMobil Refinery located in Torrance, California (the "Refinery"); and

WHEREAS, the 1999 Agreement contemplated performance of certain activities by ExxonMobil, the City, and third parties on the Easement Property and on adjacent property at the Refinery, to facilitate the City's proposed Del Amo Project; and

WHEREAS, the 1999 Agreement established certain allocations of costs between the parties for the work to be done in completing the Del Amo Project; and

WHEREAS, in the 1999 Agreement ExxonMobil agreed to contribute $3 million toward the cost of the Del Amo Project; and

WHEREAS, in August 2006, the City and ExxonMobil developed a shared cost estimate for the cost of the Del Amo Project, and based upon that estimate of $8.5 million, less the $3 million to be contributed by ExxonMobil pursuant to the 1999 Agreement, the City proceeded to secure additional funding of $5.5 million; and

WHEREAS, in August, 2007, ExxonMobil advised the City of a revised cost estimate of $11.5 million for the Del Amo Project, $3 million more than the $3 million ExxonMobil contribution to be made pursuant to the 1999 Agreement and the $5.5 million in additional funding previously secured by the City; and

WHEREAS, the City agrees that ExxonMobil's obligations under the 1999 Agreement, and liability for any and all costs and expenses thereunder relating to or concerning the Del Amo Project, shall in no event and under no circumstances exceed $12.5 million dollars (including the $5.5 million dollars to be expended by ExxonMobil and reimbursed by the City); and

WHEREAS, the City agrees that it will bring forward an amendment for City Council consideration to amend Ordinance No. 3351 to authorize a ten percent (10%) increase in total maximum input upon demonstration of no degradation of the Refinery's environmental, health and safety performance as a result of such increase (this clause does not constitute approval of the ten percent increase and approval of the increase can only be given by the City Council); and

WHEREAS, ExxonMobil and the City wish to continue their historic cooperation; and

WHEREAS, ExxonMobil and the City desire to enter into this Amendment No. 1 to the 1999 Agreement in order to further define the duties and obligations of ExxonMobil and the City with respect to the Del Amo Project.

NOW, THEREFORE, in consideration of the promises and acts contained herein, the Parties agree to amend the 1999 Agreement as follows:

I. The Parties agree to amend Section 1, City's Obligations, by adding new subsections A, B and C as follows:

A. The City agrees that, pursuant to City Ordinance No. 3351, the City will consider a ten percent (10%) increase in maximum total input for the Refinery, including a total maximum average annual input of crude at 176 Thousand Barrels per Day ("TBPD") and intermediate feedstock for a total not to exceed 220 TBPD, excluding external blend components (this clause does not constitute approval of the ten percent increase and approval of the increase can only be given by the City Council). Such increase will be subject to a demonstration by ExxonMobil of no degradation of the Refinery's environmental, health and safety performance as a result of such increase. An adequate demonstration will require the concurrence of the City Council upon the recommendation of the City Staff, the City Fire Department, and a third party safety expert acceptable to the City. ExxonMobil will pay the cost of the third party expert. The City and ExxonMobil agree that, in the event that a demonstration of no degradation is considered inadequate for any reason, the City and ExxonMobil will work to reach a mutually agreeable resolution of any alleged inadequacies. The acceptance of any findings is at the sole discretion of the City.

B. The City agrees that it will undertake the following work or actions pursuant to the 1999 Agreement and pursuant to the "Torrance Refinery Safety Advisor Project, Torrance Refinery ("Rate Cap"), Final Report," dated May 5,

1999 and attached as Exhibit A to the 1999 Agreement (the "Safety Advisor Report"):

1) Scope of Work

(a) The design, oversight, coordination and management of the Los Angeles County Sanitation Districts sewer pipeline relocation, including negotiation of required agreements for the sewer pipeline relocation.

(b) The design, oversight, coordination and management of the relocation of four water lines crossing the Easement Property.

(c) Installation of remotely-operated physical barriers at both the east and west end of the Del Amo Project (also identified herein as the Del Amo Extension) and City to provide 120 VAC power for the field signal apparatus, which is to be supplied by ExxonMobil.

(d) The City and ExxonMobil will jointly develop emergency communication and activation protocols for response to emergency events. The City will provide copies of its emergency response procedures to ExxonMobil for review during development of the protocols.

(e) There will be no sidewalk or bicycle path on the Del Amo Extension. Signs will be installed at both the east and west end of the Del Amo Extension stating that pedestrians and cyclists are prohibited on the Del Amo Extension.

(f) Provision of truck access for BOC during construction. Any outages will be scheduled in advance with the agreement of BOC.

(g) Provide lighting under the new railroad overpass, if permitted by the railroad owner.

(h) Incorporation of the following Safety Advisor Report recommendations in the design of the roadway:

(i) Designing the eastbound traffic flow, so that even during rush hour, traffic is not backed up and "stalled" at the point closest to the elevated flares and the South Oil Movements LPG Storage Area on the Refinery Property.

(ii) Emergency traffic light sequencing capabilities.

(iii) Installation of a median to minimize the potential for head-on collisions resulting from driver distraction.

(iv) For traffic control issues associated with the Del Amo Extension, consider including familiarization training for the Torrance Police or other personnel. Such training should include updating the traffic flow diagrams that are located in the Safety Advisor's Evaluation of Traffic Control Systems, assimilated into the Torrance Police Department training program.

(i) Removal of City-owned firewater hydrants and capping of firewater lines on the Easement Property.

(j) The City will require that its contractors provide temporary shelters during the Del Amo Project.

(k) Relocation of the east-west rail spur (the aluminum spur located off of ExxonMobil property) to provide on-going rail service to BOC Gases. Due to BOC's requirements, such work may only be performed between November and April of each year. Outages will be scheduled in advance with the agreement of BOC.

2) Funding of Work and Accounting For Costs

(a) The City shall pay the costs for work identified as part of the City's Scope of Work under the 1999 Agreement, as amended herein. Such costs shall not be considered as part of the costs to be borne by ExxonMobil, pursuant to Section II.G(3) of this Amendment.

3) Environmental Conditions

(a) The City has conducted soil tests on the Easement Property and has concluded that no remediation is required for the property's intended use.

C. The City has requested that it be permitted to oversee, coordinate and manage the relocation of the Los Angeles County Sanitation Districts sewer pipeline, as stated in Section1(B)(1)(a) herein. This activity will require relocation of the sewer pipeline by or at the direction of the City from the Easement Property onto another location within ExxonMobil's Refinery property. The City and ExxonMobil shall enter into a "RIGHT OF ENTRY FOR CONSTRUCTION PURPOSES" agreement regarding the rights and obligations, including indemnification, of the City in furtherance of this activity.

II. The Parties agree to amend Section 4, ExxonMobil's Obligations With Respect to the Del Amo Project, by adding a new subsection G as follows:

G. ExxonMobil agrees that it will undertake the following work or actions to assist the City in completion of the Del Amo Project:

1) Scope of Work

(a) Project definition, project development, project management, detailed engineering design, and construction management to support the implementation of this scope of work.

(b) Specific scope of work items are as follows:

(i) Installation of temporary shelters and temporary lighting for ExxonMobil's construction activities.

(ii) Modification of the southwest corner of Tank 5000x1 dike wall to provide adequate space for the relocation of other facilities on ExxonMobil property and restoration of containment capacity of the Tank 5000x1 berm to 110% of the tanks rated capacity. These actions will include demolition, construction and excavation and disposal of soil as necessary

(iii) Relocation, demolition, and/or reconstruction of surface drains and associated process water and stormwater pipelines.

(iv) Relocation, demolition and/or reconstruction of various structures, equipment or shelters currently located on the Easement Property or on adjacent Refinery property as may be determined to be necessary by ExxonMobil for completion of the ExxonMobil scope of work.

(v) Construction, relocation and/or modification, as may be required, of three ExxonMobil pipelines and their related appurtenances, designated as one 8-inch (No. M-134), one 8-inch (No. M-135), and one 8-inch (No. M-141) pipelines, respectively. Existing ExxonMobil pipelines that are determined by ExxonMobil to be in conflict with the City Project will be purged and abandoned in place pursuant to standard industry practice.

(vi) Design and coordination of the relocation of three third party hydrocarbon pipelines located within ExxonMobil's property. Existing portions of these pipelines that are underground will be purged and abandoned in place. It is expected that the third party owners of these pipelines will pay a portion of the relocation costs pursuant to existing agreements with such parties. In the event that ExxonMobil is unable to obtain agreement with, or entering into such agreement is unreasonably delayed by, any or all of the three third party owners regarding relocation of a hydrocarbon pipeline(s), or in the event that, after agreement with such party or parties, relocation of any or all of the third party pipelines is unreasonably delayed due to the acts or failures to act of such third party or parties, ExxonMobil shall provide written notification of such event to the City within 72 hours after ExxonMobil becomes aware of such event.

ExxonMobil and the City shall then meet and confer regarding resolution of issues regarding relocation of the third party pipeline(s).

(vii) Relocation by ExxonMobil of firewater lines and two firewater hydrants in the Easement Property.

(viii) Relocation of ExxonMobil power poles and lighting as may be required for Easement Property clearance.

(ix) Removal by ExxonMobil of a monitoring well on the Easement Property and installation of a new monitoring well on Refinery property.

(x) Construction of a new portion of access road, and reconnection to the existing access road on the south side of Tank 5000x1 as may be determined to be required by ExxonMobil. Reconstruction, as required by the relocation of pipelines, of the access road along Railroad Avenue.

(xi) Excavation, transportation, storage and disposal of soil and/or water associated with ExxonMobil's work or actions.

(xii) Removal of existing fencing and installation of new chain link fencing to ExxonMobil standards.

(xiii) Installation of "No Trespassing" signs on the Refinery perimeter fencing adjacent to the Easement Property.

(xiv) Provision of remote field signal apparatus located in close proximity to the road barriers to be constructed by the City on the Del Amo roadway. The field signal apparatus will communicate with the ExxonMobil operating consoles. ExxonMobil and the City will jointly develop emergency communication and activation protocols for response to emergency events. ExxonMobil will provide copies of its emergency response procedures to the City for review during development of the protocols.

(xv) Installation of four additional hydrocarbon detectors on the south perimeter of the Refinery's South Oil Movements LPG Storage Area.

(xvi) Performance of community familiarization through issuance of a brief article in ExxonMobil's community newsletter regarding the potential for driver distraction should a flaring event occur.

2) Schedule

(a) Subject to refinery operations, agreements with third parties, and review and approval by regulatory agencies, as applicable, ExxonMobil will complete the work required to clear the Easement Property (Items 1(b)(i)-(xii)) within the schedule prepared by ExxonMobil, a copy of which is attached to this Amendment as Exhibit A.. ExxonMobil will notify the City of any events that may significantly impact the schedule. Upon approval of the City, the schedule may be extended for such period of time as may be required by ExxonMobil to address significant impacts to the schedule and in a timeframe acceptable to the City so as to not jeopardize the City's funding requirements.

(b) The remaining work items (Items 1(b) (xiii)-(xvi)) will be completed within the proposed Del Amo Project completion schedule.

(c) ExxonMobil reserves the right to revise its proposed schedule and will notify the City of any significant change in schedule.

3) Funding of Work and Accounting for Costs

(a) It is understood that ExxonMobil has been expending money from the $3 million reserve on design. ExxonMobil agrees that it will not proceed with any construction activities and/or incur expenses related to construction activities without prior written authorization from the City. Any construction actvities and/or expenses related to construction activities without prior written authorization from the City will not be reimbursed by the City.

(b) The City understands that the $3 million reserve established in the Del Amo Project pursuant to the 1999 Agreement was to be ExxonMobil's total monetary contribution to the Del Amo Project. ExxonMobil has to date committed approximately $1,000,000 from funds in the $3 million reserve.

(c) ExxonMobil and the City acknowledge that pursuant to ExxonMobil's scope of work set forth in Section II.G(1) above, certain activities will be undertaken on ExxonMobil's property, and that these activities will be performed by ExxonMobil or its contractors.

(d) ExxonMobil shall provide to the City an accounting of expenditures incurred on a quarterly basis, commencing with the third quarter of 2007. ExxonMobil shall provide such accounting to the City within sixty (60) days after the end of the quarter. The City shall review any such accounting and respond with its acceptance or notice of dispute of any charges within thirty (30) days of receipt of any accounting. The City understands and agrees that the failure to accept or dispute charges within the thirty (30) day timeframe shall be deemed as acceptance by the City of the ExxonMobil expenditures.

(e) The City agrees to reimburse ExxonMobil for the first $5.5 million of expenditures, over the $3 million dollar reserve, for ExxonMobil's scope of

work. Payment shall be made within seventy-five (75) days of final acceptance by the City of the ExxonMobil expenditures.

(f) The City agrees that ExxonMobil's obligations under the 1999 Agreement, and liability for any and all costs and expenses thereunder relating to or concerning the Del Amo Project, shall in no event and under no circumstances exceed: 1) the $3 million dollar reserve; 2) the $5.5 million dollars to be expended by ExxonMobil and reimbursed by the City; and 3) such additional costs and expenses not to exceed $4 million dollars as may be incurred or expended by ExxonMobil.

4) Execution of Deed

(a) ExxonMobil will execute a "Roadway Easement and/or Right of Way" deed to the City once the actions identified as being the responsibility of ExxonMobil under the 1999 Agreement, as amended herein, have been completed.

III. The Parties agree to amend Section 5, Third Party Risk Analysis, by deleting the Section in its entirety and replacing it with a new Section 5 as follows:

5. Third Party Risk Analysis

A. A third party risk analysis has been completed which determines that raising the annual average refinery input limit to 200 TBPD, excluding external blend components, is acceptable as long as ExxonMobil complies with all of the mitigation measures contained in Exhibit A, as amended below.

B. Torrance Refinery Safety Advisor Project, Torrance Refinery Increase Report of May 5, 1999 ("Safety Advisor Report") and Actions Under The 1999 Agreement

(1) The Parties agree that the following Safety Advisor recommendations and actions under the 1999 Agreement will not be undertaken:

(a) Installation of signage at both ends of the Del Amo Extension suggesting that drivers focus on driving, even if a flaring event is in progress.

(b) Development of a common truck entrance and exit for ExxonMobil, Dow and BOC.

(c) Installation of a reinforced decorative concrete wall on the refinery perimeter.

(2) The Parties further agree that the following Safety Advisor Report recommendations and 1999 Agreement actions have been completed or addressed:

(a) ExxonMobil provided the City with an irrevocable offer to dedicate 39,700 square feet of property for the Del Amo Project under a letter agreement entered into between ExxonMobil and the City dated June 30, 1999.

(b) ExxonMobil provided the City with an unconditional, irrevocable guarantee in the amount of $3 million under a Guarantee of Payment, dated July 7, 1999, executed by ExxonMobil.

(c) ExxonMobil confirmed that no additional safety or hazard mitigation measures are required due to the construction of a pentane sphere near the Liquefied Petroleum Gases ("LPG") storage area.

(d) ExxonMobil provided the City with the Process Hazard Analysis ("PHA") for Tank 5000x1. No additional safety precautions are required for Tank 5000x1.

Except as herein amended, all of the terms, provisions and conditions of the 1999 Agreement are reaffirmed and shall remain in full force and effect.

IN WITNESS WHEREOF, this Amendment has been executed, in duplicate, by the Parties and effective as of the date first above written.

CITY OF TORRANCE,
a Municipal Corporation

_____
Frank Scotto, Mayor

ExxonMobil Oil Corporation

By: _____
Maxwell A. Ocansey
Torrance Refinery Manager
For ExxonMobil Oil Corporation

ATTEST:

_____
Sue Herbers, City Clerk

APPROVED AS TO FORM:

JOHN L. FELLOWS III
City Attorney

By: _____
Patrick Q. Sullivan
Deputy City Attorney

Attachment B

AGREEMENT BETWEEN MOBIL OIL CORPORATION
AND THE CITY OF TORRANCE

This Agreement is made and entered into as of May 11, 1999 ("Effective Date"), by and between the City of Torrance, a municipal corporation ("City") and the Mobil Oil Corporation, a New York corporation ("Mobil").

RECITALS:

A. On May 19, 1992, by City of Torrance Ordinance No. 3351, the City granted a pipeline franchise to Mobil for that portion of the M-70 pipeline running along Prairie Avenue in the City of Torrance between 190th Street and the northerly City limits.

B. Pursuant to Ordinance No. 3351, throughput of the M-70 pipeline was capped at 95 Thousand Barrels per Day ("TBPD"), and at 63.5 TBPD if the refinery's crude unit processing inputs exceeded 130 TBPD. These caps were imposed in conformity with the environmental analysis for the M-70 pipeline (Proposed M-70 Pipeline Replacement and System Optimization Project, Final Environmental Impact Report/Statement, SCH No. 89010177). The purpose of the throughput cap linked to the crude unit's processing inputs was to control air emissions from the refinery.

C. Subsequent to the M-70 EIR/EIS, Mobil undertook additional environmental analysis in connection with the reformulated fuels process (Mobil Torrance Refinery Reformulated Fuels Project, Final Environmental Impact Report, SCH No. 93011009). This subsequent environmental analysis considered air quality issues in connection with imposition of reformulated fuels requirements and concluded that no additional air quality impacts will result from sustained crude unit processing of 160 TBPD of crude input.

D. Mobil now wishes to amend Ordinance No. 3351 to increase the crude unit processing cap to 160 TBPD and institute a total refinery input limit, excluding external blending components, to 200 TBPD and apply California State Fire Marshal standards and requirements to the M-70 pipeline operation, with both changes to be consistent with existing environmental assessments and emission limits.

E. At the same time Mobil and the City wish to continue their historic cooperation with respect to the Consent Decree and with respect to other infrastructure improvements in the area of the refinery, including the City's proposed project to extend Del Amo Boulevard from Madrona Avenue to Crenshaw Boulevard (the "Del Amo Project").

AGREEMENT:

1. City's Obligations.

   A. City agrees to present to the City Council and pursue expeditious adoption of a proposed ordinance amending Ordinance No. 3351 to delete the M-70 pipeline throughput cap and the 130 TBPD annual average crude processing limit on the refinery operation. If adopted, the proposed ordinance would authorize a total maximum average annual input of crude at 160 TBPD and intermediate feedstock for a total not to exceed 200 TBPD, excluding external blend components, and provide the City the authority to approve a 10% increase in the maximum total input upon demonstration by Mobil of no degredation of the refinery environmental, health and safety performance as a result of such increase. Adequate demonstration would require the concurrence of the City Council upon the recommendation of City staff, the Torrance Fire Department, and a third party safety expert acceptable to the City. Mobil will pay the cost of the third party safety expert.

2. Mobil's Obligations With Respect to the M-70 Pipeline.

   A. The operation of the M-70 pipeline will at all times be consistent with State Fire Marshal regulations for pipelines and all other applicable government laws, rules and regulations.

3. Mobil's Obligations With Respect to Refinery Operations.

   A. Mobil will track the refinery's performance relative to environmental, health and safety activities in order to demonstrate that increasing the crude unit input limit does not lead to any degredation of performance as compared to the established operating baseline listed below:

Item	Baseline
• All fires reportable to Torrance Fire Department (Defined as all reportable fires including incidents such as burning paper and smoldering scaffold)	12
• OSHA recordables	17
• OES reportable releases	29
• Confirmed community odor complaints	40

   B. While the proposed 200 TBPD maximum average annual refinery input is based on annual averages and Critical Design Review, each refinery unit will be operated consistent with its demonstrated safety threshold. Any increase in the demonstrated safety threshold must be accomplished as outlined in the Torrance Refinery Safety Advisor Project, Torrance Refinery ("Rate Cap") Increase Report of May 5, 1999, attached as Exhibit A to this Agreement.

C. Mobil will provide a written report to the Torrance Fire Department on a quarterly basis of the refinery's performance against these baseline metrics. If it appears that a degredation of performance has occurred in any quarter, a review by a mutually agreeable third party may be required, at the discretion of the City, to assess the situation and recommend corrective actions. Mobil will pay the cost of the third party review. Further, Mobil will in a timely manner report to the Torrance Fire Department any process upset or other incident that Mobil reasonably believes may have occurred as a result of the increased refinery inputs.

4. Mobil's Obligations With Respect to the Del Amo Project.

A. Mobil will not oppose the efforts of City to extend Del Amo Blvd. from Madrona Avenue to Crenshaw Boulevard, provided all recommendations contained in the Safety Advisor's Del Amo Boulevard Extension Hazard Analysis Report of May 5, 1999, are implemented. A copy of the Safety Advisor's Del Amo Boulevard Extension Hazard Analysis Report of May 5, 1999, is attached as Exhibit B to this Agreement.

B. If the City Council adopts an ordinance amending Ordinance No. 3351, and the ordinance goes into effect without challenge, within fifteen days after the ordinance becomes effective, Mobil will provide City with an irrevocable offer to dedicate a right of way consisting of approximately 39,700 square feet of property. The irrevocable offer will be in the form attached as Exhibit C.

C. Mobil will be responsible for any soil remediation costs associated with the land dedicated by Mobil for the Del Amo Project.

D. If the City Council adopts an ordinance amending Ordinance No. 3351, and the ordinance goes into effect without challenge, within fifteen days after the ordinance becomes effective, Mobil will provide the City with a $3,000,000 irrevocable, unconditional guaranty from the Mobil Corporation, the parent company to the Mobil Oil Corporation. In the event Mobil Corporation ceases to exist, Mobil Corporation will provide a substitute guaranty in the same form from an entity of comparable financial worth acceptable to City or alternate security acceptable to the City. Payment under the guaranty, the guaranty to be in the form attached as Exhibit D, is Mobil's total contribution to the costs associated with the Del Amo Project, including but not limited to the following:

(1) Refinery modifications necessary to clear the right of way for the Del Amo Project. This includes relocation of the railroad spur, an active pipeline, and moving and raising the impacted tank dike. Mobil will not, however, be required to relocate tank 5000X1 or any refinery flare as part of the Del Amo Project.

(2) All risk mitigation, traffic control, and perimeter improvements identified in Exhibit B.

(3) Development of a common truck entrance and exit for Mobil, Dow and BOC to accommodate the Del Amo Project.

E. Funds for the work identified above will be released to City upon presentation by the City of appropriate invoices for covered expenses. In the event the City fails to commence or to complete the Del Amo Project, within two years from the Effective Date of this Agreement, any unexpended portion of the $3,000,000 guaranty will be released to the City. Nothwithstanding the above, should City at any time declare its intent to abandon or place the Del Amo Project on hold, Mobil will release all of the remaining $3,000,000 to City within thirty days of receipt of the City's written request for disbursement. Under either circumstance, $3,000,000 is the total agreed sum Mobil will be required to contribute to the City's infrastructure improvements and refinery modifications as set forth in sections 4.C.(1), (2) and (3), associated with the Del Amo Project.

F. If the City Council adopts an ordinance amending Ordinance No. 3351, as provided under paragraph 1.A. above, and the ordinance goes into effect without being challenged, Mobil will, within fifteen days of the date the ordinance becomes effective, provide City with an additional cash payment, pursuant to the following schedule:

(1) Final Council action prior to June 1, 1999- $2,000,000
(2) Final Council action prior to August 31, 1999- $1,500,000
(3) Final Council action prior to December 1, 1999-$1,000,000

5. Third Party Risk Analysis.

A third party risk analysis has been completed which determines that raising the annual average refinery input limit to 200 TBD, excluding external blend components, is acceptable as long as Mobil complies with all of the mitigation measures contained in Exhibit A.

6. Conflict of Interest.

A. No officer or employee of the City may have any financial interest, direct or indirect, in this Agreement, nor may any officer or employee participate in any decision relating to the Agreement that effects the officer or employee's financial interest or the financial interest of any corporation, partnership or association in which the officer or employee is, directly or indirectly interested, in violation of any law, rule or regulation.

B. No person may offer, give, or agree to give any officer or employee or former officer or employee, nor may any officer or employee solicit, demand, accept, or agree to accept from another person, a gratuity or an offer of employment in connection with any decision, approval,

disapproval, recommendation, preparation or any part of a program requirement or a purchase request, influencing the content of any specification or procurement standard, rendering of advice, investigation, auditing, or in any other advisory capacity in any way pertaining to any program requirement, contract or subcontract, or to any solicitation or proposal.

7. Notice.

A. All notices, requests, demands, or other communications under this Agreement will be in writing. Notice will be sufficiently given for all purposes as follows:

(1) Personal delivery. When personally delivered to the recipient: notice is effective on delivery.

(2) First Class mail. When mailed first class to the last address of the recipient known to the party giving notice: notice is effective three mail delivery days after deposit in an United States Postal Service office or mailbox.

(3) Certified mail. When mailed certified mail, return receipt requested: notice is effective on receipt, if delivery is confirmed by a return receipt.

(4) Overnight delivery. When delivered by an overnight delivery service, charges prepaid or charged to the sender's account: notice is effective on delivery, if delivery is confirmed by the delivery service.

(5) Facsimile transmission. When sent by fax to the last fax number of the recipient known to the party giving notice: notice is effective on receipt. Any notice given by fax will be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a non-business day.

Addresses for purpose of giving notice are as follows:

Mobil:	Mobil Oil Corporation Torrance Refinery 3700 West 190th Street Torrance, CA 90509-2929 Fax: (310) 212-1887
City:	City Clerk City of Torrance 3031 Torrance Boulevard Torrance, CA 90509-2970 Fax: (310) 618-2931

B. Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified, will be deemed effective as of the first date the notice was refused, unclaimed or deemed undeliverable by the postal authorities, messenger or overnight delivery service.

C. Either party may change its address or fax number by giving the other party notice of the change in any manner permitted by this Agreement.

8. Prohibition Against Assignment and Subcontracting.
This Agreement and all exhibits are binding on the heirs, successors, and assigns of the parties. The Agreement may not be assigned or subcontracted by either City or Mobil without the prior written consent of the other. The parties agree the completion of the proposed merger of Exxon and Mobil is not an assignment or subcontracting of which approval of the City is required. In such event, the resulting entity or operator of the Torrance Refinery, if other than Mobil Oil Corporation, will be obligated to perform all Mobil commitments under this Agreement.

9. Integration; Amendment.
This Agreement represents the entire understanding of City and Mobil as to those matters contained in it. No prior oral or written understanding will be of any force or effect with respect to the terms of this Agreement. The Agreement may not be modified or altered except in writing signed by both parties.

10. Interpretation.
The terms of this Agreement should be construed in accordance with the meaning of the language used and should not be construed for or against either party by reason of the authorship of this Agreement or any other rule of construction that might otherwise apply.

11. Severability.
If any part of this Agreement is found to be in conflict with applicable laws, that part will be inoperative, null and void insofar as it is in conflict with any applicable laws, but the remainder of the Agreement will remain in full force and effect.

12. Governing Law; Jurisdiction.
This Agreement will be administered and interpreted under the laws of the State of California. Jurisdiction of any litigation arising from the Agreement will be in Los Angeles County, California.

13. Waiver of Breach.
No delay or omission in the exercise of any right or remedy by a nondefaulting party on any default will impair the right or remedy or be construed as a waiver. A party's consent or approval of any act by the other party requiring the first party's consent or approval will not be deemed to waive or render unnecessary that party's consent to or approval of any subsequent act. Any waiver by either party of any default must be in writing and will not be a waiver of any other default concerning the same or any other provision of this Agreement.

14. Attorney's Fees.
In any dispute, litigation, arbitration, or other proceeding by which one party either seeks to enforce its rights under this Agreement (whether in contract, tort or both) or seeks a declaration of any rights or obligations under this Agreement, the prevailing party will be awarded reasonable attorney's fees, together with any costs and expenses, to resolve the dispute and to enforce any judgment.

15. Exhibits.
All exhibits identified in this Agreement are incorporated into the Agreement by this reference.

16. Mobil's Authority to Execute.
The person(s) executing this Agreement on behalf of Mobil warrant that (i) Mobil is duly organized and existing; (ii) they are duly authorized to execute this Agreement on behalf of Mobil; (iii) by so executing this Agreement, Mobil is formally bound to the provisions of this Agreement; and (iv) the entering into this

Agreement does not violate any provision of any other Agreement to which Mobil is bound.

City of Torrance,
a Municipal Corporation

By. _____
Dee Hardison,
Mayor

Mobil Oil Corporation,
a New York corporation

By: Harry A. McVeigh 5/6/99
Harry A. McVeigh
Mobil West Region Manager

ATTEST:

_____
Sue Herbers, City Clerk

APPROVED AS TO FORM:

JOHN L. FELLOWS III
City Attorney

By: _____
Heather K. Whitham,
Deputy City Attorney

List of Exhibits:

Exhibit A-	Torrance Refinery Safety Advisor Project, Torrance refinery ("Rate Cap") Increase Report of May 5, 1999.
Exhibit B-	Safety Advisor's Del Amo Boulevard Extension Hazard Analysis Report of May 5, 1999
Exhibit C-	Property to be Dedicated
Exhibit D-	Guaranty

Attachment C

Council Meeting of
May 11, 1999

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the Council:

SUBJECT: Recommendation of the City Manager for the City Council to Authorize an Agreement with Mobil Oil Corporation (Mobil)

RECOMMENDATION

A recommendation of the City Manager for the City Council to authorize the Mayor to execute and the City Clerk to attest to an agreement by and between the City of Torrance and Mobil Oil Corporation that would:

- Direct City staff to bring forward an ordinance to remove current input limits to the M-70 pipeline and the overall refinery;
- Require Mobil to offer an irrevocable offer to dedicate 39,700 square feet of right of way for the Del Amo Extension Project;
- Guarantee $3,000,000 to the Del Amo Extension Project for certain onsite improvements associated with the project or make those funds available to the City in the event of delay or abandonment of said project;
- Provide an additional amount of up to $2,000,000 upon adoption of the ordinance amending the M-70 pipeline franchise ordinance.

BACKGROUND

In May of 1992, the City of Torrance adopted ordinance 3351 which granted a franchise to Mobil Oil Corporation for its M-70 pipeline from the northerly City boundary, southerly along Prairie Avenue to the Mobil refinery on 190th Street. The franchise was granted with stipulations that limited the M-70 pipeline throughput to 95,000 Barrels Per Day (BPD) annual average, and to 63,500 BPD if the refinery's crude unit processing exceeded 130,000 BPD annual average.

In August of 1998, Mobil representatives contacted City staff to initiate meetings to discuss modification of throughput limits to the Torrance refinery. A team consisting of representatives from both Mobil and the City was formed to analyze Mobil's request as well as to discuss a multitude of issues, ideas and concerns with Mobil. The Team met many times over the last several months to discuss these issues; the result of those meetings is the Agreement being transmitted to Your Honorable Body this evening.

ANALYSIS

The Agreement before you tonight accomplishes several objectives for both Mobil and the City. The Agreement, if concurred with by Your Honorable Body, will enable Mobil to increase their operations while assuring that safety at the refinery and to the citizens of Torrance will not be compromised. The Agreement further assists the City in moving the Del Amo Extension Project forward as well as offers an additional one-time fee for the franchise modification. The Agreement breaks down as follows:

M-70 Pipeline Franchise Modification

The current franchise agreement as authorized in City of Torrance Ordinance No. 3351 caps the M-70 pipeline at 95 Thousand Barrels Per Day (TBPD), and at 63.5 TBPD if the refinery's crude unit processing inputs exceeds 130 TBPD. These limits were imposed to conform to the environmental analysis for the M-70 pipeline (proposed M-70 Pipeline Replacement and System Optimization Project, Final Environmental Impact Report/Statement (EIR/EIS), SCH NO. 89010177). The purpose of the throughput cap linked to the crude unit's processing inputs was to control air emissions from the refinery.

Since the original EIR/EIS, Mobil has undertaken additional environmental analysis in connection with the reformulated fuels process (Mobil Torrance Refinery Reformulated Fuels Project, Final Environmental Impact Report, SCH No. 90311009). This environmental analysis considered air quality issues in connection with imposition of reformulated fuels requirements and concluded that no additional air quality impacts would be present if the crude unit-processing cap was increased to 160 TBPD.

The M-70 pipeline was designed to handle a greater throughput than was authorized by the City's franchise ordinance. The Air Quality Management District (AQMD) capped the throughput based on emission limits; those limits have been raised by the AQMD upon further study, part of which is a result of the reformulated fuels program.

If Your Honorable Body concurs with the Agreement, staff will draft an amendment to Ordinance No. 3351 deleting the M-70 pipeline throughput cap. The proposed ordinance will authorize a maximum average annual crude input processing limit of 160 TBPD, and a total maximum average annual refinery input of 200 TBPD, excluding external blend components. Further, the Agreement gives the City the authority to approve a 10% increase to the maximum total input upon demonstration by Mobil of no degradation of the refinery environmental, health and safety performance as a result of such increase. Adequate demonstration would require the concurrence of the City Council upon the recommendation of City staff, the Torrance Fire Department, and a third party safety expert acceptable to the City. Mobil will pay the cost of the third party expert. The proposed ordinance amendments would comply with the AQMD's current level of environmental review.

Finally, the throughput for the M-70 pipeline will at all times be consistent with the State Fire Marshal regulations for pipelines and all other government laws, rules and regulations.

Refinery Safety

Mobil and City staff have built into this Agreement assurances that safety will not be compromised due to the increase in operations at the refinery. To that end, an independent study was done by the Safety Advisor to ascertain whether the increase would degrade operations. It has been determined that the increased input would not degrade operations with the implementation of certain mitigation measures. Mobil has agreed to implement those mitigation measures.

To further ensure that operations would continue without an increase in incidents, the Agreement includes benchmarks for reportable incidents. If those benchmarks are exceeded, a review by a mutually agreeable third party will be triggered to assess the situation and recommend corrective actions. Mobil would incur the cost of the review by the third party. Also, all upsets and/or incidents must be reported to the Fire Department in a timely manner.

Finally, Mobil will submit quarterly reports of the Torrance Refinery's performance against the baseline metrics set forth in the agreement to the Fire Department for review. If a degradation of performance has occurred in any quarter, a review by a mutually agreeable third party may be required, at the discretion of the City, to assess the situation and recommend corrective actions. Mobil will incur the costs of the review by the third party.

Del Amo Project

The City has applied for funds as part of the Metropolitan Transit Authority (MTA) 'Call for Projects' for the Del Amo Boulevard extension. This extension, if completed, would link Del Amo Boulevard from Crenshaw to Prairie. The project is estimated to cost $18,000,000. The MTA requires a 30% match for projects, making the City's portion $6,300,000. Mobil will contribute $3,000,000 in cash for this project as part of the agreement. Mobil will also offer the City an irrevocable offer to dedicate the right of way needed to accomplish the Del Amo extension. The value of the 39,700 square foot right of way parcel is $400,000, making the total value $3,400,000. This contribution from Mobil will assist in reducing the City's required overall match to $2,900,000. Mobil is also responsible for any soil remediation associated with land dedicated by Mobil for the project.

The 39,700 square feet of right of way being offered by Mobil represents the portion of land required for the Del Amo extension project from Mobil. An additional 170,200 square feet of right of way needs to be acquired for the project. Further, to move forward with the extension project, scoping sessions along the project corridor will be needed. Finally, there are additional requirements for environmental assessments associated with the project that would end with review and necessary approvals by the City Council.

Any funds not expended for the Del Amo Extension Project would be made available to the City for other uses. The Agreement further outlines that if the extension project was placed on hold or abandoned by the City, the funds would remain available to the City for other uses.

M-70 Franchise Amendment

Mobil has agreed to provide the City with additional remuneration for modification to the existing franchise agreement. The existing franchise pays the City $26,657.96. Mobil has agreed to an additional one-time payment for the modification to the franchise. The value of this payment is up to $2,000,000 based on the following schedule:

Final Council action by June 1, 1999	$2,000,000
Final Council action by August 31, 1999	$1,500,000
Final Council action by December 1, 1999	$1,000,000

If the Council concurs with tonight's recommendation, an ordinance amending Ordinance No. 3351 will be prepared and forwarded to Your Honorable Body. Due to the timing issues associated with Mobil's request, the ordinance will be forwarded for first reading at the May 18, 1999 City Council meeting. The second reading will be scheduled for May 25, 1999.

Respectfully submitted,

LeROY J. JACKSON
CITY MANAGER

By: Brian K. Sunshine
Brian K. Sunshine
Assistant to the City Manager

CONCUR:

LeRoy J. Jackson
City Manager

Attachments: 1. Agreement w/exhibits