

File No. 160542

Committee Item No. 4

Board Item No. 46

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date June 29, 2016

Board of Supervisors Meeting

Date 7/12/19

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/>            | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report        |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Youth Commission Report                      |
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| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Budget                                 |
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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Contract/Agreement                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Form 126 – Ethics Commission                 |
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Completed by: Linda Wong Date June 24, 2016  
Completed by: Linda Wong Date 7/7/16

1 [Cost Reimbursement Agreement - ExxonMobil Corporation - Management of Residual  
2 Petroleum Hydrocarbons - Wharf J10 - \$5,000,000]

3 **Resolution approving the Cost Reimbursement Agreement between the Port and**  
4 **ExxonMobil Corporation for the management of residual petroleum hydrocarbons on**  
5 **City property in the area known as Wharf J10 in Fisherman's Wharf, for a term of 20**  
6 **years or reimbursement of \$5,000,000 increased by 3% annually, whichever comes**  
7 **first.**

8  
9 WHEREAS, The California Regional Water Quality Control Board for the San Francisco  
10 Bay Region ("Water Board") is the lead regulatory agency having oversight of the  
11 environmental site investigation and remedial action at the former Mobil Oil fuel terminal,  
12 located at 440 Jefferson Street, within the block bounded by Leavenworth, Jefferson, and  
13 Hyde Streets, and San Francisco Bay known as Wharf J10; and

14 WHEREAS, On March 8, 2006, the Water Board issued Order R2-2006-0020 ("Order")  
15 to address the presence of petroleum hydrocarbons in soil and groundwater near Wharf J10  
16 naming ExxonMobil (the successor in interest of Mobil Oil) as the primarily responsible party  
17 and the City as a secondarily responsible party; and

18 WHEREAS, Wharf J10 is under the jurisdiction and control of the Port of San  
19 Francisco; and

20 WHEREAS, ExxonMobil has completed site investigation and remediation to treat and  
21 remove petroleum contamination from subsurface soil, Bay sediments, and groundwater in  
22 compliance with the Order; and

23 WHEREAS, ExxonMobil has demonstrated to the satisfaction of the Water Board that  
24 any remaining residual petroleum contamination can be safely managed through  
25

1 implementation of risk management measures under an approved Risk Management Plan  
2 (“RMP”); and

3 WHEREAS, Compliance with the RMP will increase the cost of any future projects by  
4 the Port, its tenants or others that disturb the soil in the area covered by the RMP; and

5 WHEREAS, The Order requires ExxonMobil to take long-term financial responsibility  
6 for such costs; and

7 WHEREAS, The proposed Cost Reimbursement Agreement (“Agreement”) provides a  
8 process for obtaining reimbursement from ExxonMobil for costs incurred to comply with the  
9 RMP for a term of 20 years or reimbursement of five million dollars (\$5,000,000) (increased  
10 annually by 3%) whichever occurs first, subject to good faith negotiations to extend the term  
11 once it expires; and

12 WHEREAS, The Agreement does not release ExxonMobil from liability or preclude the  
13 City from seeking judicial remedies; and

14 WHEREAS, On April 26, 2016, the San Francisco Port Commission, by its Resolution  
15 No. 16-19, approved the Agreement; and

16 WHEREAS, A copy of the Agreement is on file with the Clerk of the Board of  
17 Supervisors in File No. 160542; and

18 WHEREAS, Charter, Section 9.118 requires Board of Supervisors approval for  
19 contracts with a term of ten or more years; now, therefore, be it

20 RESOLVED, That the San Francisco Board of Supervisors hereby approves the  
21 Agreement between the Port and ExxonMobil Corporation in the form approved by the City  
22 Attorney’s Office; and, be it

23 FURTHER RESOLVED, That the Board of Supervisors authorizes the Port’s Executive  
24 Director to enter into any additions, amendments or other modifications to the Agreement  
25 (including, without limitation, preparation and attachment of, or changes to, any or all of the

1 exhibits and ancillary agreements) that the Port's Executive Director, in consultation with the  
2 City Attorney, determines when taken as a whole, are in the best interest of the Port and City,  
3 do not materially increase the obligations or liabilities of the Port or City or materially decrease  
4 the public benefits accruing to the Port or City, and are necessary or advisable to complete  
5 the transactions contemplated and effectuate the purpose and intent of this Resolution, such  
6 determination to be conclusively evidenced by the execution and delivery by the Port's  
7 Executive Director of any such documents; and, be it

8           FURTHER RESOLVED, That within thirty (30) day of the Agreement being fully  
9 executed by all parties, the Port shall provide the Agreement to the Clerk of the Board for  
10 inclusion into the official file.

<b>Item 4</b> <b>File 16-0542</b>	<b>Department:</b> Port Commission (Port)
<b>EXECUTIVE SUMMARY</b>	
<b>Legislative Objectives</b>	
<ul style="list-style-type: none"> <li>• Approval of Resolution 16-0542 would establish a Cost Reimbursement Agreement between the Port and ExxonMobil Corporation for the management of residual petroleum hydrocarbons on City property in the area known as Wharf J10.</li> </ul>	
<b>Key Points</b>	
<ul style="list-style-type: none"> <li>• Beginning over 100 years ago, General Petroleum Corporation and Mobil Oil, predecessors to ExxonMobil Oil Corporation, operated a fuel storage and distribution facility in the area known as Wharf J10, located at 440 Jefferson Street, within the block bounded by Leavenworth, Jefferson and Hyde Streets, and the San Francisco Bay.</li> <li>• The historic operations resulted in petroleum hydrocarbon contamination in soil and groundwater beneath the former fuel terminal footprint and surrounding property.</li> <li>• After ExxonMobil failed to meet initial deadlines to remediate the pollution, the San Francisco Bay Regional Water Quality Control Board issued a cleanup Order to ExxonMobil and the Port of San Francisco in 2008. ExxonMobil completed site investigation, remediation, and risk assessment by 2011.</li> <li>• The Order required ExxonMobil and the Port to develop a Risk Management Plan (RMP) to ensure that residual contamination could be safely managed on-site.</li> <li>• As a result of the Order, the Port, tenants within the RMP area, or their agents may incur additional costs to maintain existing, or construct new, facilities in order to comply with the RMP. Such costs may include the professional services of a Certified Industrial Hygienist to evaluate and specify project-specific worker health and safety protections, additional air monitoring and protective equipment, and designing and implementing construction to avoid impact to the permeable reactive barrier (PRB) that was implemented to bind the residual hydrocarbons. To address the potential costs, the Port and ExxonMobil Corporation propose to establish a Cost Reimbursement Agreement.</li> </ul>	
<b>Fiscal Impact</b>	
<ul style="list-style-type: none"> <li>• There is no fiscal impact to the City and County of San Francisco. ExxonMobil will reimburse the Port or Port's tenants for costs incurred to comply with the Risk Management Plan (RMP).</li> </ul>	
<b>Recommendation</b>	
<ul style="list-style-type: none"> <li>• Approve the proposed resolution.</li> </ul>	

**MANDATE STATEMENT**

Charter Section 9.118 (b) of the Municipal Code states that with the exception of construction contracts entered into by the City and County, any other contracts or agreements entered into by a department, board, or commission, having a term in excess of ten years, or requiring anticipated expenditures by the City and County of \$10,000,000, or the modification or amendments to such contract or agreement having an impact of more than \$500,000 shall be subject to approval of the Board of Supervisors by resolution.

**BACKGROUND**

Beginning over 100 years ago, General Petroleum Corporation and Mobil Oil, predecessors to ExxonMobil Oil Corporation, operated a fuel storage and distribution facility in the area known as Wharf J10, located at 440 Jefferson Street, within the block bounded by Leavenworth, Jefferson and Hyde Streets, and the San Francisco Bay. The operations resulted in petroleum hydrocarbon contamination in soil and groundwater beneath the former fuel terminal footprint and surrounding property.

In 2007, the Port demolished and removed Wharf J10 and the overlying fish processing building due to structural instability. Removal of the wharf revealed visible petroleum seepage from the shoreline into the Bay. After ExxonMobil failed to meet initial deadlines to remediate the pollution, the San Francisco Bay Regional Water Quality Control Board issued a cleanup Order to ExxonMobil and the Port of San Francisco in 2008. Subsequently, dissatisfied with ExxonMobil's progress toward completing investigation and cleanup of petroleum contamination, the City and County of San Francisco filed suit against ExxonMobil to compel compliance with the Regional Water Quality Control Board Order. Over the following years, ExxonMobil conducted site investigation, interim remediation, and risk assessment, culminating in a major remedial action in 2011. This final remedial action removed 1,239 tons of petroleum-contaminated fill along the shoreline, replaced it with clean engineered back fill, and covered the new shoreline slope with a layer of permeable material that chemically binds with petroleum hydrocarbons and riprap for slope stabilization and protection from erosion. The City and County of San Francisco settled its suit with ExxonMobil in 2012.

The cleanup removed contamination from the site and eliminated risk that any remaining residual petroleum hydrocarbons could migrate. In compliance with the San Francisco Bay Regional Water Quality Control Board Order, ExxonMobil assessed potential risk to human health and the environment due to the presence of residual petroleum hydrocarbons and found 1) no significant risk to Bay water quality or aquatic life or to current or future site occupants, and 2) potential health risk to workers exposed directly to groundwater or vapor in a below-grade trench, such as plumbers working in a utility trench deep enough to reach saturated soil or groundwater.

The Order also required ExxonMobil and the Port to develop a Risk Management Plan (RMP) to ensure that residual contamination could be safely managed on-site. The RMP requires notification about site conditions to any Port staff, tenant, or contractor undertaking subsurface work within the site, and implementation of appropriate health and safety and

waste management measures during such work. It also imposes additional monitoring and reporting requirements related to facilities maintenance or new construction.

As a result of the Order, the Port, tenants within the RMP area, or their agents may incur additional costs to maintain existing, or construct new, facilities within the site in order to comply with the RMP. Such costs may include the professional services of a Certified Industrial Hygienist to evaluate and specify project-specific worker health and safety protections, additional air monitoring and protective equipment, and designing and implementing construction to avoid impact to the permeable reactive barrier (PRB) that was implemented to bind the residual hydrocarbons. To address the potential costs, the Port and ExxonMobil Corporation propose to establish a Cost Reimbursement Agreement.

In 2006, the City and County of San Francisco executed a similar agreement with four oil companies that had formerly operated fuel terminals in the Mission Bay area to reimburse the City for costs incurred due to the presence of residual petroleum hydrocarbons left in place beneath approximately 12.4 acres of land in Mission Bay.

#### **DETAILS OF PROPOSED LEGISLATION**

Approval of Resolution 16-0542 would approve a Cost Reimbursement Agreement between the Port and ExxonMobil Corporation for the management of residual petroleum hydrocarbons on Port property in the area known as Wharf J10.

Port staff, in consultation with the City Attorney's Office, negotiated the proposed Cost Reimbursement Agreement with ExxonMobil to provide a process for ExxonMobil to reimburse the Port's or Port's tenants' costs incurred to comply with the Risk Management Plan (RMP) to ensure that petroleum contaminants can be appropriately managed at Wharf J10. The San Francisco Bay Regional Water Quality Control Board requires establishment of such an agreement and this is the last task specified by the Order that remains to be completed.

The Cost Reimbursement Agreement would apply only to a portion of the former fuel terminal footprint: approximately 130' (along the shoreline) by 160', a total area of approximately 20,800 square feet. The reimbursement total was calculated in part by estimating the cost of re-building a wharf of similar dimension to the former Wharf J10 (130' by 40' within the RMP area) at that location.

The provisions of the proposed Cost Reimbursement Agreement between ExxonMobil and the Port are below:

<b>Parties:</b>	The Agreement establishes a process through which the Port or Port tenants located within the RMP Area may seek reimbursement from ExxonMobil for reimbursable costs.
<b>Term:</b>	The term is the earlier of 20 years from the Effective Date or when ExxonMobil has reimbursed the total maximum reimbursable amount, known as the Reimbursement Cap. The Agreement specifies that upon its expiration the Port and ExxonMobil will negotiate in good faith to extend the Agreement or enter into a new one that fulfills the same purpose of providing financial responsibility for long-term management of residual petroleum hydrocarbons to be managed in place.
<b>Reimbursement Cap:</b>	The Reimbursement Cap is \$5 million over the 20-year term, increased by 3% annually. Therefore, at the end of the 20-year term the cap will have increased to \$8.7 million.
<b>Reimbursable Costs:</b>	Reimbursable Costs are increased costs and expenses incurred by Port or Port tenants related to management of residual petroleum present within the RMP Area that (a) would not otherwise be incurred in the absence of residual petroleum; and (b) are required to be incurred to comply with the RMP.
<b>Pre-Authorization of Work:</b>	The Agreement sets forth a process for pre-approval of Port or Port tenant work and for reimbursement of costs by ExxonMobil. Except for emergency work, the Port or Port tenant will request pre-authorization of reimbursable costs greater than \$10,000 by submitting a scope of work and cost estimate to ExxonMobil.
<b>Reimbursement:</b>	ExxonMobil is responsible for any costs and expenses incurred by Port or Port tenant for which the Port or tenant seeks reimbursement provided that such costs are Reimbursable Costs as defined by the Agreement; do not exceed the scope of work required by the RMP; are incurred in accordance with the terms of the Agreement; and were not disputed by ExxonMobil with said dispute resolved or adjudicated in favor of ExxonMobil.
<b>Dispute Resolution:</b>	The Agreement provides for mediation of disputes by a jointly designated mediator and with mediation costs split equally between the Port or Port tenant and ExxonMobil.
<b>No Release:</b>	The Agreement does not release ExxonMobil from liability or preclude the Port from seeking judicial remedies with respect to residual petroleum on Port property.

Source: Port Commission Memoranda



**FISCAL IMPACT**

There is no fiscal impact to the City and County of San Francisco. ExxonMobil will reimburse the Port and the Port's tenants for the costs incurred to comply with the Risk Management Plan (RMP).

**RECOMMENDATION**

Approve the proposed resolution.



**Cost Reimbursement Agreement between City and County of San Francisco, acting by and through the San Francisco Port Commission and ExxonMobil Oil Corporation, a New York corporation**

for

**Management of Residual Petroleum Hydrocarbons on Port Property in certain areas of the Former Mobil Bulk Terminal 04-394/Wharf J10**

This Cost Reimbursement Agreement ("Agreement") is entered into this \_\_\_\_ day of \_\_\_\_\_, 2016 ("Effective Date"), between City and County of San Francisco, acting by and through the San Francisco Port Commission ("Port") and ExxonMobil Oil Corporation, a New York corporation ("ExxonMobil"). The Port and ExxonMobil are sometimes hereinafter be referred to individually as a "Party" and collectively as the "Parties".

**RECITALS**

A. In 2006, the California Regional Water Quality Control Board for the San Francisco Bay Region (the "Water Board") issued Site Cleanup Requirements for ExxonMobil and the Port of San Francisco for the Former Mobil Bulk Terminal 04-394 (Wharf J10) in Order No. R2-2006-0020 (the "Order").

B. The Order names ExxonMobil as the "primary discharger" and responsible party for the requirements of the Order. The Order names the Port as a "secondary discharger".

C. Between 1986 and 2013 ExxonMobil conducted investigations and remediation of petroleum in soil and groundwater under Water Board oversight and subject to Water Board approval. Remedial actions included excavation and removal of an approximately 0.12-acre area of the shoreline and installation of an organoclay permeable reactive barrier beneath clean fill and a new riprap embankment in 2011.

D. Between 2011 and 2013 ExxonMobil continued visual monitoring of the shoreline for evidence of petroleum seepage from the site and groundwater monitoring for dissolved and/or separate-phase petroleum hydrocarbons in groundwater beneath the site. Monitoring indicated significantly improved environmental conditions following the corrective action described above. Visual monitoring ceased in 2012 and groundwater sampling and analysis ceased in the fourth quarter of 2013 with Water Board approval.

E. In 2014, ExxonMobil completed an Environmental Risk Assessment that evaluated the potential human health and ecological risks associated with residual petroleum hydrocarbons remaining in the soil and groundwater beneath the site. The risk assessment concluded that the only potentially significant risk would be to construction workers exposed to petroleum in soil and benzene in vapor within a construction trench. The Water Board approved the risk assessment on September 11, 2014.

F. The Order requires the “discharger,” referring collectively to ExxonMobil and the Port, to develop and implement a Risk Management Plan (“RMP”) that specifies long term management measures to protect human health and the environment, and prevent nuisance conditions related to the ongoing presence of residual petroleum in the subsurface. The Order additionally requires that the RMP describe how the discharger will assume long term financial responsibility to safely manage any hydrocarbon contamination that is allowed to be left in place. ExxonMobil and the Port developed a mutually-agreed upon RMP, which was approved by the Water Board on April 22, 2016.

G. This Agreement provides for a process for the Port and its tenants to manage and seek cost reimbursement from ExxonMobil in the event the Port or its tenants encounter Residual Petroleum Hydrocarbon (defined hereinafter) while conducting maintenance or construction activities on Port Property within the RMP area.

NOW THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS AND PROMISES CONTAINED HEREIN, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. Residual Contamination. The Parties acknowledge that the Water Board has authorized some petroleum hydrocarbons subject to the requirements of the Order to be managed in place on Port Property (“Residual Petroleum Hydrocarbon”). By entering into this Agreement, the Parties intend to allocate future costs related to the management of the Residual Petroleum Hydrocarbons.

2. Reimbursable Costs. ExxonMobil shall be responsible for reimbursing the Port or the Port’s designated agent or contractor (collectively, “Port”) and Port’s tenants, licensees or other authorized users of Port Property or their agents or contractors (collectively, “Port’s Tenants”) for reasonable increased costs and expenses incurred by Port or Port’s Tenants related to management of the Residual Petroleum Hydrocarbons that: 1) would not be incurred in the absence of the Residual Petroleum Hydrocarbons being left on Port Property; and 2) that are incurred when undertaking maintenance or construction activities on Port Property, including but not limited to costs incurred to design and complete construction in a manner that protects or restores the integrity of the permeable reactive barrier (“Reimbursable Costs”).

The Parties acknowledge that the management of the Residual Petroleum Hydrocarbons may necessitate some actions involving the investigation and remediation of Residual Petroleum Hydrocarbons. For purposes of this Agreement, “investigation” means, when used with reference to the Residual Petroleum Hydrocarbons, sampling, testing and other actions undertaken to determine the nature and extent of petroleum hydrocarbons. “Remediation” means, when used with reference to the Residual Petroleum Hydrocarbons, the cleanup, removal, containment, treatment, stabilization or monitoring of petroleum hydrocarbons.

3. RMP Requirements. ExxonMobil and Port agree that the following management measures described in the RMP are appropriate measures for management of the Residual Petroleum Hydrocarbons on Port Property:

a. Requirement for special notice to the Port, City and County of San Francisco Department of Public Health (DPH) and/or ExxonMobil prior to working in the “RMP

Area" as defined in the Risk Management Plan (AME 4/11/16, Figure 4). *Exhibit A* of this Agreement shows the RMP Area.

b. Additional worker safety training, monitoring, and protective equipment required because of the Residual Petroleum Hydrocarbons (RMP Section 3.7).

c. Additional conditions imposed on handling and/or disposal of soil or groundwater due to presence of Residual Petroleum Hydrocarbons or classification as special or hazardous waste due to concentration of Residual Petroleum Hydrocarbons (RMP Section 3.4).

e. Professional services required to assess potential impact of maintenance or construction activities on Residual Petroleum Hydrocarbons or the permeable reactive barrier and development and implementation of any special design, construction, or engineering controls required because of the Residual Petroleum Hydrocarbons (RMP Section 3.4).

f. Use of back fill that would not have been required if the soil had not contained Residual Petroleum Hydrocarbons and otherwise could have been reused in accordance with the RMP (RMP Section 3.4.3).

g. Storage, treatment and disposal measures for soil or groundwater that would not be required but for the presence of Residual Petroleum Hydrocarbons.

h. Response to unknown conditions related to Residual Petroleum Hydrocarbons (RMP Section 3.4.6).

4. RMP Compliance. In addition to any other applicable RMP measures, Port will implement the RMP measures listed in Section 3, above, as applicable to the particular activity, when conducting construction and maintenance activities in the RMP Area. Port's obligation to implement the RMP measures listed in Section 3 of the RMP, are enforceable by the DPH and Water Board. Nothing in this Agreement shall give rise to any claim against Port by ExxonMobil or any other person for any alleged failure of Port to implement the RMP measures.

Port will require compliance with the requirements of Section 3 of the RMP as a condition of issuing a building or encroachment permit to a Port Tenant for construction and maintenance activities that disturb the ground surface or subsurface in the RMP Area where such regulatory permit is required. Port will advise permittees of this Agreement and the ability for reimbursement of Reimbursable Costs as provided under Section 14.

5. Notice. Except for emergencies, Port will provide a notice to ExxonMobil at least sixty (60) calendar days in advance of any maintenance or construction work for which Port intends to seek reimbursement under this Agreement. Where Port is required to perform work on an emergency basis (for example, but not limited to, such incidents as a water line or sewer line leak, fire or natural disaster, or discovery of a health, public safety or environmental hazard that requires work in the RMP Area), Port will provide a notice to ExxonMobil as soon as possible after commencement of the emergency work. In either case, failure of Port to provide notice

under this Section does not relieve ExxonMobil of responsibility for payment of Reimbursable Costs.

6. On-site Representative. For any maintenance or construction work for which Port intends to seek reimbursement under this Agreement, ExxonMobil may have a representative ("Representative") on-site during any subsurface work undertaken by Port for the purpose of observing such work.

a. ExxonMobil agrees that its Representative shall not interfere with activities of Port, shall follow all instructions of Port, and shall comply with all applicable laws, including worker safety requirements, and observe all safety procedures of Port. Further, Port may exercise its reasonable discretion in consideration of the nature of the site and activities to limit the areas of the site that the Representative may access, limit the number of Representatives that are allowed on site at any one time, and to require advance notice from ExxonMobil of its intent to have Representatives on site.

b. ExxonMobil agrees to indemnify, hold harmless and defend Port, without cost to the Port, its officers, agents and employees, from and against any and all claims, judgments, losses, costs, damages, penalties, fines or liabilities including, without limitation, interest and reasonable attorneys' fees of whatever kind to the extent arising in any manner out of (i) any injury to or death of any person or damage to or destruction of any property occurring in, on, under or about the Port Property, or any part thereof, whether to the person or property of ExxonMobil or its Representative, resulting from the Representative's access and/or observation on the Port Property; (ii) any failure by the Representative or ExxonMobil to observe or perform any of the terms, covenants or conditions of Section 6(a), above; or (iii) the unauthorized access on or interference with any activities on the Port Property by ExxonMobil's Representative.

Failure of ExxonMobil to have a Representative does not relieve ExxonMobil of responsibility for payment of Reimbursable Costs.

7. Contracting Procedure. With respect to maintenance or construction work for which Port may seek reimbursement under this Agreement, Port shall award contracts for work (including work to be performed by City employees) in accordance with the applicable procedures set forth in Chapter 6 of the City's Administrative Code or such successor code that may be adopted by the City, including provisions for prevailing wages. Port will be deemed to have complied with this Section 7 if (i) Port has awarded a contract in accordance with the applicable procedures as set forth in Chapter 6 of the City's Administrative Code or successor code or (ii) Port has incurred expenses itself as a result of work performed by Port employees in accordance with the applicable procedures as set forth in Chapter 6 of the City's Administrative Code or successor code.

8. Reimbursement. ExxonMobil is responsible for any costs and expenses incurred by Port for which Port seeks reimbursement that are Reimbursable Costs, that do not exceed the scope of work required by the RMP, and that are incurred by Port in accordance with the terms of this Agreement, and that were not disputed by ExxonMobil in accordance with this Agreement with said dispute resolved or adjudicated in favor of ExxonMobil. Costs and expenses incurred by

Port to implement the RMP measures set forth in Section 3, above, and pursuant to a contract awarded by Port or performed by Port in accordance with Section 7, above, are presumed to be Reimbursable Costs. ExxonMobil may dispute or mediate costs and expenses for which Port seeks reimbursement only on the basis that the work performed exceeds the scope of work required by the RMP measures in Section 3 and/or are not Reimbursable Costs as defined in Section 2 and/or for the reasons articulated during the process provided for in Section 9. Port may also seek reimbursement of reasonable administrative expenses, including overhead and staff costs, including legal staff, necessary to process requests for reimbursement that meet the definition of Reimbursable Cost in accordance with this Agreement, provided that said administrative expenses shall not exceed seven percent (7%) of any such claim for Reimbursable Costs.

9. Pre-authorization. Except for emergency work, Port agrees to request pre-authorization of Reimbursable Costs from ExxonMobil prior to commencing maintenance or construction work that Port reasonably believes will result in a Reimbursable Cost in excess of ten thousand dollars (\$10,000) and less than fifty thousand dollars (\$50,000) in accordance with the following procedures: Port shall submit a scope of work and cost estimate to ExxonMobil. Within thirty (30) calendar days, ExxonMobil shall approve or disapprove the request in writing. In the event that ExxonMobil disapproves the request in whole or part, ExxonMobil shall specify in writing the basis for disapproving the request and shall provide detailed recommendations to Port as to how Port could modify its request to qualify as a Reimbursable Cost. Port may at its option, submit a revised pre-authorization request, in accordance with the procedure specified above, in the event that ExxonMobil disapproves all or any portion of a pre-authorization request. Within thirty (30) calendar days, ExxonMobil shall approve or disapprove the revised pre-authorization request in writing specifying in detail the basis for any disapproval of the request. Failure of ExxonMobil to respond in writing, specifying in detail the basis for any disapproval of a pre-authorization request, within thirty (30) calendar days of a pre-authorization request or revised pre-authorization request shall be deemed approval of the pre-authorization request. For maintenance or construction work that Port reasonably believes will result in a Reimbursable Cost in excess of fifty thousand dollars (\$50,000), pre-authorization process outlined in this section will apply but with the a sixty (60) calendar day window for review and response by ExxonMobil.

10. Reimbursement Process. To obtain reimbursement from ExxonMobil for Reimbursable Costs, Port will provide ExxonMobil with an itemized invoice and all supporting documentation for any costs and expenses for which Port seeks reimbursement (hereinafter referred to as the "Reimbursement Request") and the name and address of Port's designated representative for receipt of any reimbursement check. ExxonMobil shall review the Reimbursement Request and within sixty (60) calendar days from the date of receipt approve or disapprove, in whole or part, the Reimbursement Request and, to the extent approved, forward a reimbursement check to the designated representative. In the event ExxonMobil disapproves any portion of the Reimbursement Request, ExxonMobil shall provide Port with a notice of dispute in writing containing a reasonably detailed rationale for disapproving any disputed portion of the Reimbursement Request. A Reimbursement Request that is consistent with an approved pre-authorization request and supported by an itemized invoice, and, as applicable, supporting documentation, shall not be subject to dispute on any grounds other than those asserted by ExxonMobil during the process described in the preceding Section 9. All undisputed portions of

a Reimbursement Request are due and payable within 60 calendar (60) days of receipt by ExxonMobil. Port may charge ExxonMobil interest on late payments on undisputed invoices at the rate of six percent (6%) per annum.

11. Recourse. If ExxonMobil fails to pay within sixty (60) calendar days of receipt of the invoice by ExxonMobil (unless disputed pursuant to Section 12, below), with interest, Port shall have the right to seek immediate judicial relief, without obligation for further notice to ExxonMobil.

12. Disputes. In the event of a dispute over an invoice, the Parties will first attempt to resolve disputes informally. If the dispute cannot be resolved informally within thirty (30) calendar days of the notice of dispute, any party may submit the dispute to mediation, pursuant to the following procedures: The Party seeking mediation shall provide the other Parties with a notice of demand for mediation. Within thirty (30) calendar days of notice of demand for mediation, the City and, collectively, ExxonMobil, shall jointly designate a mediator and the expenses of said mediation shall be borne fifty percent (50%) Port and fifty percent (50%) by ExxonMobil. In the event the Parties fail to agree on a mediator, the Parties are not bound to mediate the matter and may seek judicial relief. The mediation shall be conducted within sixty (60) calendar days of the demand, unless otherwise agreed by the Parties. Any Party may commence a lawsuit over the dispute after one (1) calendar day of mediation, unless otherwise agreed by the Parties.

13. Term. This Agreement shall commence on the Effective Date and shall expire on the earlier of: (i) the date twenty (20) years from the Effective Date or (ii) the date when ExxonMobil has reimbursed Port or Port's Tenants for an amount exceeding the Reimbursement Cap, as defined below (the "Expiration Date"). For purposes of this Agreement, the Reimbursement Cap means five million dollars (\$5,000,000) in costs reimbursed pursuant to this Agreement, as adjusted herein ("Reimbursement Cap"). Commencing on the first anniversary of the Effective Date of this Agreement, or if that date is not the first day of the month, then on the first day of the month following that date, and on each anniversary of such date thereafter (the "Anniversary Date"), the Reimbursement Cap shall be increased by three percent (3%).

If the Expiration Date is determined under (i) above, Port may submit Reimbursement Requests in accordance with the procedures set forth in this Agreement for costs incurred during the term until the date six (6) months after the Expiration Date. Upon expiration of this Agreement, the Parties will negotiate in good faith to extend this Agreement or enter a new agreement which fulfills the purposes of this Agreement and the long term management measures specified in the RMP and the Order.

In the event that Port makes a claim for costs after the expiration of this Agreement that would otherwise have been covered by this Agreement, ExxonMobil hereby agrees that it will not raise as a defense to such claim a defense based on the doctrine of laches or the expiration of a statute of limitations; provided however that this waiver shall not serve to revive any claim that has expired as of the Effective Date due to the running of any statute of limitations, and any applicable statute of limitations tolled during the term of the Agreement will begin to run again upon the termination of this Agreement. This Section 13 will survive the expiration or earlier termination of this Agreement.



14. Port Tenants. Port Tenants may seek reimbursement for Reimbursable Costs using the same process and procedures and subject to the same conditions and limitations specified in this Agreement, except that, in lieu of the requirements described in Section 7, Port Tenants must obtain pre-authorization for all work under the procedures described in Section 9 without regard to the amount of Reimbursable Costs. In cases where work is required on an emergency basis, Port Tenants will seek authorization as soon possible after commencement of the emergency work.

15. Recordation. Concurrently with the execution of this Agreement, the Parties agree to execute and record in the Official Records of the City and County of San Francisco a Memorandum of Agreement in the form attached hereto as *Exhibit B* and incorporated herein by this reference.

16. Notice. Any notice or other communication required or permitted to be given under this Agreement shall be in writing, and may be served by personal delivery, by sending the notice by overnight courier service, addressed to the party to be notified, or by depositing the notice in the United States mail, addressed to the party to be notified, postage prepaid, and registered or certified with a return receipt requested. Any notice or other communication served in the manner hereinabove described shall be deemed to have been given and received upon the date of delivery to the addressee or refusal by the addressee to accept delivery. Alternatively, any notice or other communication required or permitted to be given under this Agreement may be served by facsimile and, in such event, shall be deemed to have been given and received upon the date of delivery to the addressee by facsimile provided that a copy of any such notice or communication is also sent by overnight courier service, addressed to the Party to be so notified. For purposes of notice, the addresses and facsimile numbers of the Parties shall be as follows:

To: ExxonMobil: ExxonMobil Environmental Services  
Project Manager: Jennifer C. Sedlachek  
4096 Piedmont Avenue #194  
Oakland, CA 94611  
Phone: 510.547.8196

To: Port: Port of San Francisco  
Chief Harbor Engineer  
Pier I  
San Francisco, CA 94111  
Phone: (415) 274-0400  
Fax: (415) 274-0528

With a copy to: Port General Counsel at the same address

The Parties may modify the addresses and/or names of representatives set forth in this Section 19 by providing notice thereof in accordance with the provisions hereof.

17. Admissions. Each Party acknowledges and agrees that this Agreement involves a compromise settlement of certain claims and disputes between Port and ExxonMobil, and that the agreements, covenants, provisions, terms and conditions in this Agreement shall not constitute or be deemed to be an admission of any liability or responsibility whatsoever on the part of any Party. This Agreement shall not be admissible as evidence in any action except an action to interpret or enforce this Agreement, including any amendments and modifications thereto.

18. Prior Agreements. Except for the Access Agreement and the 2012 Settlement Agreement and Release between the City and ExxonMobil settling Superior Court Case No. CGC-09-489792 (the state court action) and Case No C-08-03490 (the federal court action), (i) this Agreement supersedes any and all other prior agreements and understandings, either oral or in writing, between the Parties with respect to the subject matter of this Agreement, and no other prior agreement, statement, or promise relating to the subject matter of this Agreement which is not contained herein shall be valid and binding; and (ii) each Party acknowledges and agrees that upon execution of this Agreement by the Parties this Agreement shall constitute the entire agreement between Port and ExxonMobil concerning the subject matter of this Agreement.

19. Counterparts. This Agreement may be executed in multiple originals or counterparts, each of which shall be deemed an original for all purposes, but all such multiple originals or counterparts together shall constitute one and the same instrument. Facsimile copies of the Parties signatures to this Agreement shall be considered originals for all purposes.

20. Governing Law. This Agreement shall be governed by, interpreted, construed, and enforced in accordance with the laws of the State of California without regard to the principles of conflicts of law thereof.

21. Interpretation. The Parties acknowledge and agree that this Agreement is the result of negotiations, that they have each been represented by legal counsel in such negotiations, and each Party and its legal counsel have participated fully in the review and revision of this Agreement. The Parties further acknowledge and agree that the provisions of this Agreement shall be construed and enforced in accordance with their fair meaning, and any rule of construction to the effect that ambiguities are to be resolved against the drafting Party shall not apply in interpreting this Agreement. The captions and headings contained herein are for convenience only, and shall not affect the meaning or interpretation of this Agreement.

22. Severability. The Parties acknowledge and agree that if any agreement, covenant, provision, term or condition in this Agreement is invalid, illegal or incapable of being enforced under any applicable rule or law of either the State of California or the United States of America by a court of competent jurisdiction, such agreement, covenant, provision, term or condition shall be ineffective only to the extent of such invalidity, illegality or unenforceability and all other agreements, covenants, provisions, terms and conditions in this Agreement shall nevertheless remain in full force and effect; provided that the elimination or invalidity of such agreement, covenant, provision, term or condition does not materially alter the intent of the Agreement or the consideration received by any Party.

23. Cooperation Clause. The Parties shall reasonably cooperate to effectuate the purposes and intent of this Agreement.

24. Third Party Beneficiaries. Except as explicitly provided herein for Port Tenants, nothing in this Agreement, whether expressed or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any person other than the Parties and their respective successors and assigns, if any, nor shall any agreements, covenants, provisions, terms or conditions in this Agreement give any third parties any right of subrogation or action against the Parties.

25. Voluntary Execution of Agreement. Each Party represents and warrants that it consulted with and was represented by legal counsel throughout all aspects of this Agreement, that it has read the Agreement and understands the terms and conditions thereof, and that it has executed this Agreement voluntarily and without fraud, duress, and undue influence.

26. Authority. Each person signing this Agreement represents that he or she has the authority to do so on behalf of the Party for whom he or she is signing.

27. No Release of Claims. Nothing in this Agreement shall be deemed either a specific or general release of claims that any Party may have against any other Party to this Agreement with respect to Residual Petroleum Hydrocarbons on Port Property.

28. Successors and Assigns. This Agreement is binding upon and will inure to the benefit of the successors and assigns of Port and ExxonMobil. Where the term "Port" or "ExxonMobil" is used in this Agreement, it means and includes their respective successors and assigns.

29. Recitals. The Parties hereby agree that the recitals in this Agreement are true and correct and incorporated herein by this reference.

[REMAINDER OF PAGE LEFT BLANK]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on the date set forth next to their respective signatures below.

**EXXONMOBIL OIL CORPORATION, A NEW YORK CORPORATION**

By: Andrew Hanover  
ANDREW HANOVER - US PROJECT EXECUTION MGR

Its: ATTORNEY-IN-FACT

Date: 4/25/2016

**PORT:**

**CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation, operating by and through the SAN FRANCISCO PORT  
COMMISSION**

By: \_\_\_\_\_  
Elaine Forbes  
Port Interim Executive Director

Date: \_\_\_\_\_

Approved as to Form:  
Dennis J. Herrera  
City Attorney

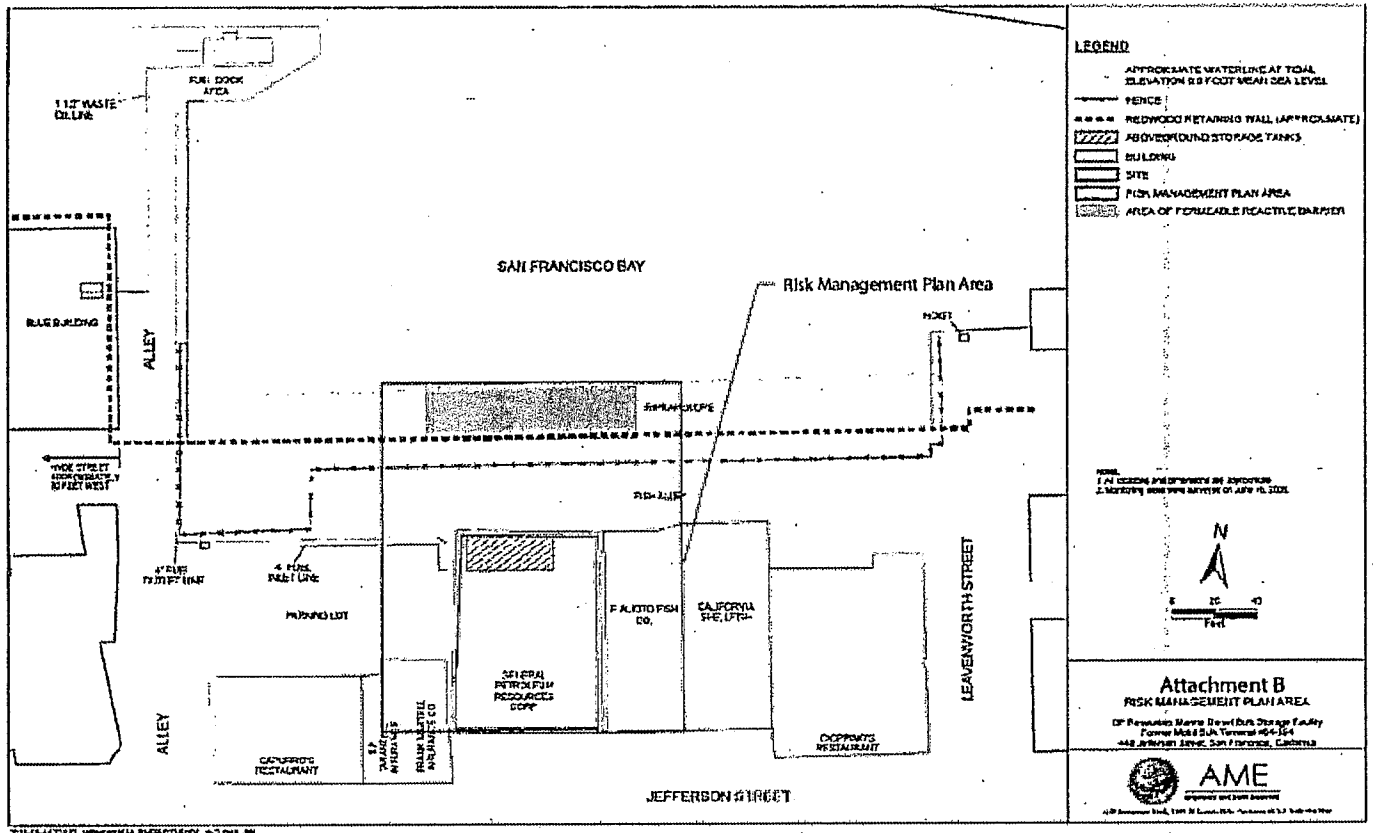
By \_\_\_\_\_  
Rona H. Sandler  
Deputy City Attorney

PORT Commission Resolution No. \_\_\_\_\_

Board of Supervisors Resolution No. \_\_\_\_\_

Attachment B: Risk Management Plan

Exhibit A:



**EXHIBIT B**

**FORM MEMORANDUM OF AGREEMENT**

RECORDING REQUESTED BY, AND  
WHEN RECORDED, MAIL TO:

CITY AND COUNTY OF SAN FRANCISCO  
San Francisco Port Commission  
Attn: Port General Counsel  
Port of San Francisco  
1 Pier  
San Francisco, Ca 94111

FOR RECORDER'S USE ONLY

**MEMORANDUM OF AGREEMENT**

This Memorandum of Agreement ("Memorandum"), dated for reference purposes as of \_\_\_\_\_, 2016, is by and between ExxonMobil Oil Corporation, a New York corporation ("ExxonMobil") and the City and County of San Francisco, acting by and through the San Francisco Port Commission ("Port"). The Port and ExxonMobil will sometimes hereinafter be referred to individually as a "Party" and collectively as the "Parties".

**Recitals**

A. Concurrently herewith, Port and ExxonMobil have entered into that certain Cost Reimbursement Agreement ("Agreement"), dated as of \_\_\_\_\_, 2016 ("Effective Date"), pursuant to which ExxonMobil and Port agreed to a process for Port and certain designees of Port to manage and seek cost reimbursement from ExxonMobil in the event the Port or its designees encounter Residual Petroleum Hydrocarbons on Port property in the Risk Management Plan Area ("RMP Area") under the San Francisco Bay Regional Water Quality Control Board ("Board") Order No. R2-2005-0028 ("Order") while conducting maintenance and construction activities. Except as otherwise defined in this Memorandum, capitalized terms shall have the meanings given them in the Agreement.

B. Port and ExxonMobil desire to execute this Memorandum to provide constructive notice of both Port's and ExxonMobil's rights and obligations under the Agreement to all third parties.

~~NOW THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND ADEQUACY OF WHICH ARE HEREBY ACKNOWLEDGED, THE PARTIES AGREE AS FOLLOWS:~~

I. General Terms and Conditions of the Agreement. Pursuant to the terms and conditions set forth in the Agreement, ExxonMobil agrees to be responsible for reimbursing Port for specified costs incurred by Port and its designees including certain Port tenants related to the management of Residual Petroleum Hydrocarbons while conducting maintenance and construction activities in the RMP Area. Subject to the terms and conditions set forth in the Agreement, the Parties agree that the management measures set forth in the Risk Management

Plan and amended from time to time, are appropriate measures for management of the Residual Petroleum Hydrocarbons in the RMP Area.

2. Term. Unless otherwise explicitly provided in the Agreement, the Agreement shall commence on the Effective Date and shall expire on the earlier of: (i) the date twenty (20) years from the effective date or (ii) the date when ExxonMobil has reimbursed Port for an amount exceeding Five Million dollars (\$5,000,000) increased by three percent (3%) annually.

If the Expiration Date is determined under (i) above, the Port may submit Reimbursement Requests in accordance with the procedures set forth in the Agreement for costs incurred during the term until the date six (6) months after the expiration date. Upon expiration of the Agreement, the Parties will negotiate in good faith to extend the Agreement or enter a new agreement which fulfills the purposes of the Agreement and the long term management measures specified in the Port RMP and the Order.

In the event that Port makes a claim for costs after the expiration of the Agreement that would otherwise have been covered by the Agreement, ExxonMobil hereby agrees that it will not raise as a defense to such claim a defense based on the doctrine of laches or the expiration of a statute of limitations; provided however that this waiver shall not serve to revive any claim that has expired as of the Effective Date due to the running of any statute of limitations.

3. Successors and Assigns. This Memorandum and the Agreement is binding upon and shall inure to the benefit of the successors and assigns of the Port and the individual members of ExxonMobil.


4. Inconsistency. To the extent of any inconsistency between the terms and conditions this Memorandum and the Agreement, the terms and conditions of the Agreement will control.

5. Recitals. The Parties hereby agree that the recitals in this Memorandum are incorporated herein by this reference.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the Parties have caused this Memorandum to be executed on the date set forth next to their respective signatures below.

**EXXONMOBIL OIL CORPORATION, A NEW YORK CORPORATION**

By:   
ANDREW HAWORTH

Its: ATTORNEY-IN-FACT

Date: 4/25/2016

**PORT:**

**CITY AND COUNTY OF SAN FRANCISCO,**  
a municipal corporation, operating by and through the SAN FRANCISCO PORT  
COMMISSION

By: \_\_\_\_\_  
Elaine Forbes  
Port Interim Executive Director

Date: \_\_\_\_\_

Approved as to Form:

Dennis J. Herrera  
City Attorney

By \_\_\_\_\_  
Rona H. Sandler  
Deputy City Attorney

Port Commission Resolution No. \_\_\_\_\_  
Board of Supervisors Resolution No. \_\_\_\_\_



**MEMORANDUM**

April 21, 2016

**TO:** MEMBERS, PORT COMMISSION  
Hon. Willie Adams, President  
Hon. Kimberly Brandon, Vice President  
Hon. Leslie Katz  
Hon. Eleni Kounalakis  
Hon. Doreen Woo Ho

**FROM:** Elaine Forbes  
Interim Executive Director

**SUBJECT:** Approval of Cost Reimbursement Agreement between the City and County of San Francisco and ExxonMobil Oil Corporation for Management of Residual Petroleum Hydrocarbons on City Property within the block bounded by Jefferson, Hyde, and Leavenworth Streets, and San Francisco Bay.

**DIRECTOR'S RECOMMENDATION:** Approve Resolution

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**Executive Summary**

Beginning over 100 years ago, General Petroleum Corporation and Mobil Oil, both predecessors to ExxonMobil Oil Corporation ("ExxonMobil"), operated a fuel storage and distribution facility in the area known as Wharf J10. The historic operations resulted in petroleum hydrocarbon contamination in soil and groundwater beneath the former fuel terminal footprint and surrounding property. The San Francisco Bay Regional Water Quality Control Board ("Water Board") issued a cleanup order to ExxonMobil and the Port of San Francisco in 2008. ExxonMobil has completed site investigation, remediation, and risk assessment such that the Water Board has determined that petroleum hydrocarbons have been substantially treated or removed and that remaining residual petroleum hydrocarbons can be safely managed on-site by implementing appropriate risk management measures.

ExxonMobil Corporation and the Port of San Francisco have negotiated a Cost Reimbursement Agreement through which ExxonMobil would reimburse the Port or Port tenants for additional costs incurred in order to implement risk management measures during maintenance or construction within a specified area where residual petroleum

**THIS PRINT COVERS CALENDAR ITEM NO. 12C**

hydrocarbons and/or material placed for remediation of petroleum hydrocarbons remain in the subsurface. The Cost Reimbursement Agreement establishes conditions and procedures under which reimbursement would occur during a term of up to 20 years and a maximum reimbursement amount of \$5 Million with annual increases of 3% annually for inflation. Port staff recommends that the Port Commission approve the proposed Cost Reimbursement Agreement, subject to Board of Supervisors' approval.

### **Strategic Objective**

Execution of the Cost Reimbursement Agreement would support the Port Strategic Plan objective of Stability by establishing a funding solution to address potential future capital costs to construct within the area where risk management measures are required.

### **History**

This staff report pertains to the block bounded by Jefferson, Hyde, and Leavenworth Streets, and San Francisco Bay (See Attachment), including a portion of that area historically occupied by a fuel storage and distribution terminal, referred to as "Former Mobil Bulk Terminal 04-394" (See Attachment B). General Petroleum leased and began fueling operations at the former Mobil fuel terminal site in 1913. General Petroleum was purchased by Mobil Oil in the 1940s. Mobil Oil operated the fuel terminal, including above ground diesel storage tanks and an underground gasoline storage tank and appurtenant underground pipelines in the subject block until 1989. Until 2007, the shoreline between Leavenworth and Hyde was covered by a pile-supported wharf, "Wharf J10", and overlying fish processing building.

### **Regulatory Background and Site Cleanup**

In 1986 petroleum contamination in soil and groundwater beneath the Wharf J10 Area was discovered during removal of an underground gasoline storage tank, and the Site became subject to regulation by the City and County of San Francisco Department of Public Health's Bureau of Environmental Health Management (DPH). Mobil Oil began investigating the nature and extent of petroleum contamination in accordance with DPH requirements. In 1994 the Port and Mobil Oil executed an access agreement that authorized Mobil Oil to investigate and remediate contamination in the area and committed Mobil Oil to remediate contamination to the point that cleanup was deemed complete by the appropriate regulatory agency. In 1999, the Water Board assumed regulatory oversight of Mobil's investigation, risk assessment, and remedial action planning at the Former Mobil Terminal site.

In 2002, the Port discovered separate-phase petroleum, indicative of significant contamination, along the shoreline near Wharf J10, and reported its findings to the Water Board and tenants in the vicinity. In 2006, the Water Board, dissatisfied with the pace of Mobil's progress under a voluntary approach, issued a Clean-up Order<sup>1</sup> ("the Order") to ExxonMobil, as the party primarily responsible for discharge of pollutants, and

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<sup>1</sup> "Site Cleanup Requirements - Order No. R2-2006-0020, Former Mobil Bulk Terminal No. 04-394, 440 Jefferson Street, City and County of San Francisco", adopted March 8, 2006

the Port, as the property owner. The Order required ExxonMobil to take specified steps to complete investigation and remediation of petroleum contamination within a specified schedule.

In 2007, the Port demolished and removed Wharf J10 and the overlying fish processing building due to structural instability. Removal of the wharf that had covered the shoreline revealed visible petroleum seepage from the shoreline into the Bay. In 2008, after ExxonMobil had failed to meet deadlines specified by the Water Board Order, the City and County of San Francisco sued ExxonMobil in effort to enforce the requirements of the Order.

Between 2007 and 2011, ExxonMobil continued investigation, interim remedial action, and planning and permitting the anticipated permanent remedial action. In 2011, ExxonMobil implemented the subject remedial action, removing 1,239 tons of petroleum-contaminated fill along the shoreline, replacing it with clean engineered back fill, and covering the new shoreline slope with a layer of permeable material that chemically binds with petroleum hydrocarbons (referred to as a "permeable reactive barrier" or PRB), and rip rap for slope stabilization and protection from erosion. The PRB prevents migration of any residual petroleum hydrocarbons that may remain in soil or groundwater beneath the upland portions of the site toward the Bay. This cleanup action removed the petroleum contamination at the Site to the extent reasonably achievable, and removed the contaminated soil that had been the source of petroleum discharge to groundwater and the Bay. Two years of subsequent monitoring found negligible concentrations of petroleum in groundwater and no evidence of continued petroleum discharge to the Bay.

The City and County of San Francisco settled its suit with ExxonMobil in 2012.

### **Future Costs of Contamination**

Although the cleanup substantially removed petroleum contamination from the Site and virtually eliminated risk that any remaining residual petroleum hydrocarbons could migrate, some residual contamination may remain in soil and/or groundwater beneath upland portions of the Site. In compliance with the Water Board Order, ExxonMobil assessed potential risk to human health and the environment due to presence of residual petroleum hydrocarbons and found no significant risk to Bay water quality or aquatic life or to current or future Site occupants. However, the risk assessment did find potential health risk to workers exposed directly to groundwater or vapor in a below-grade trench, such as plumbers working in a utility trench deep enough to reach saturated soil or groundwater.

The Order also required ExxonMobil and the Port to develop a Risk Management Plan (RMP) to ensure that residual contamination could be safely managed on-site. The RMP requires notification about Site conditions to any Port staff, tenant, or contractor undertaking subsurface work within the Site, and implementation of appropriate health and safety and waste management measures during such work. The RMP imposes additional monitoring and reporting requirements related to facilities maintenance or new construction. The RMP specifies that if new construction is planned within the Site,

it must be designed and constructed in a manner that protects the PRB that was placed over the new shoreline fill and beneath the riprap surface. The RMP also requires the Port to maintain some form of durable cover, such as pavement or building, over soil within the Site and prohibits use of groundwater for drinking water supply.

The Port, tenants within the RMP area, or their agents may incur additional costs to maintain existing or construct new facilities within the Site in order to comply with the RMP. Such costs include but may not be limited to professional services of a Certified Industrial Hygienist to evaluate and specify project-specific worker health and safety protections, additional air monitoring and protective equipment, and designing and implementing construction to avoid impact to the PRB.

### **Cost Reimbursement Agreement**

Port staff, in consultation with City Attorney's Office, has negotiated the proposed Agreement with ExxonMobil that provides a process for ExxonMobil to reimburse Port's or tenants' costs incurred to comply with the RMP. The Water Board requires establishment of such an agreement and is the last task specified by the Order that remains to be completed.

The proposed Cost Reimbursement Agreement ("Agreement") would apply only to a portion of the former fuel terminal footprint: approximately 130' (along the shoreline) by 160', a total area of approximately 20,800 square feet. This is the location of the residual contamination and is identified as the "Risk Management Plan Area" (RMP Area) in Attachment B. In 2006, the City and County of San Francisco executed a similar agreement with four oil companies who had formerly operated fuel terminals in the Mission Bay area to reimburse the City for costs incurred due to the presence of residual petroleum hydrocarbons left in place beneath approximately 12.4 acres of land in Mission Bay.

Following are the primary terms of the proposed Agreement:

<b>Parties:</b>	The Agreement establishes a process through which the Port or Port Tenants located within the RMP Area may seek reimbursement from ExxonMobil for Reimbursable Costs.
<b>Term:</b>	The term is the earlier of 20 years from the Effective Date or when ExxonMobil has reimbursed the total maximum reimbursable amount (Reimbursement Cap). The Agreement specifies that upon its expiration the Port and ExxonMobil will negotiate in good faith to extend the Agreement or enter into a new one that fulfills the same purpose of providing financial responsibility for long term management of residual petroleum hydrocarbons to be managed in place.
<b>Reimbursement Cap</b>	The Reimbursement Cap is \$5 Million, increased annually by 3%.

<b>Reimbursable Costs:</b>	Reimbursable Costs are increased costs and expenses incurred by Port or Port Tenants related to management of residual petroleum present within the RMP Area that would not be incurred in absence of residual petroleum left on Port property and are required to comply with the RMP.
<b>Pre-Authorization of Work:</b>	Except for emergency work, the Port or Port Tenant will request pre-authorization of reimbursable costs greater than \$10,000 by submitting a scope of work and cost estimate to ExxonMobil.
<b>Reimbursement:</b>	The Agreement sets forth a process for pre-approval of Port or Port Tenant work and for reimbursement of costs by ExxonMobil.
<b>Dispute Resolution</b>	The Agreement provides for mediation of disputes by a jointly designated mediator and with mediation costs split equally between the Port or Port Tenant and ExxonMobil.
<b>No Release:</b>	The Agreement does not release ExxonMobil from liability or preclude the Port from seeking judicial remedies with respect to residual petroleum on Port property.

### **Board of Supervisors and City Approvals**

The Agreement with ExxonMobil will require approval from the Board of Supervisors because the term is 20 years. City Charter Section 9.118 requires Board of Supervisors' approval of agreements having a term of ten years or more.

### **CEQA**

The Water Board found ExxonMobil's investigation and remediation activities at the Site to be categorically exempt from the requirement for further environmental review under the California Environmental Quality Act. Execution of the Agreement would not constitute a "project" under CEQA.

### **Climate Action**

Climate change and sea level rise will not impact the effectiveness of the remedial action, the costs that the Port or Port Tenants may incur due to presence of residual petroleum hydrocarbons, or any terms of the Agreement. The Agreement will not affect or support the Port's climate action goals.

### **Recommendation**

Port staff recommends approval of the Cost Reimbursement Agreement between the City and County of San Francisco and ExxonMobil for Management of Residual Petroleum Hydrocarbons on Port Property within a portion of the Former Mobil Bulk Terminal 04-394/Wharf J10 area.

Prepared by: Carol Bach, Environmental & Regulatory Affairs Manager  
Planning & Development

For: Byron Rhett, Deputy Director  
Planning & Development

Attachments

A: Site Location Map

B: Risk Management Plan Area

**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 16-19**

- WHEREAS, Charter Section 3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and
- WHEREAS, the California Regional Water Quality Control Board, San Francisco Bay Region ("Water Board") has regulatory authority to oversee environmental site investigation and remedial action within the Port area of the City and County of San Francisco; and
- WHEREAS, On March 8, 2006 the Water Board issued Site Cleanup Requirements - Order No. R2-2006-0020 (the "Order"); to ExxonMobil Oil Corporation and the Port of San Francisco; and
- WHEREAS, ExxonMobil has completed site investigation, remedial action planning, and execution of remedial action to treat and remove petroleum contamination in subsurface soil and groundwater under Water Board oversight and in compliance with the Order; and
- WHEREAS, ExxonMobil has assessed the potential human health and environmental risk assessment and demonstrated to the satisfaction of the Port of San Francisco and the Water Board that any remaining residual petroleum can be safely managed through implementation of risk management measures under an approved Risk Management Plan ("RMP"); and
- WHEREAS, the final task required of ExxonMobil and the Port under the Order is establishment of a process through which ExxonMobil will take long-term financial responsibility for management of petroleum constituents that are left in place; and
- WHEREAS, Port staff and ExxonMobil have negotiated a proposed 20-year Cost Reimbursement Agreement ("Agreement") for the reimbursement of Port costs of managing residual petroleum on Port property within the area covered by the RMP; now, therefore be it
- RESOLVED that the Port Commission hereby approves the Cost Reimbursement Agreement between the City and County of San Francisco and ExxonMobil Corporation for management of residual petroleum hydrocarbons on the subject Port property as described in the Memorandum dated April 21, 2016, and, subject to approval by the Board of Supervisors, authorizes the Executive Director or her designee to take such actions (including the execution of the agreement) as she deems necessary and advisable, in consultation with the City Attorney, to

effectuate this approval and the purpose and intent of this Resolution; and, be it further

RESOLVED, that the Port Commission authorizes the Executive Director or her designee to enter into any additions, amendments or other modifications to the Agreement that the Executive Director, in consultation with the City Attorney determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the City or Port or materially decrease the benefits to the City or Port, and are necessary or advisable to complete the transactions which the Agreement contemplates and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director or her designee of the Agreement, and any such amendments thereto.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of April 26, 2016.***

Amy Quesada

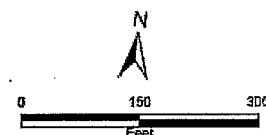
Secretary

Digitally signed by Amy Quesada  
DN: cn=Amy Quesada, o=Port of San Francisco, ou=Port  
Executive, email=amy.quesada@port.com, c=US  
Date: 2016.05.02 10:59:16 -0700



# Attachment A: Site Location Map

2303



## Attachment A SITE AERIAL MAP

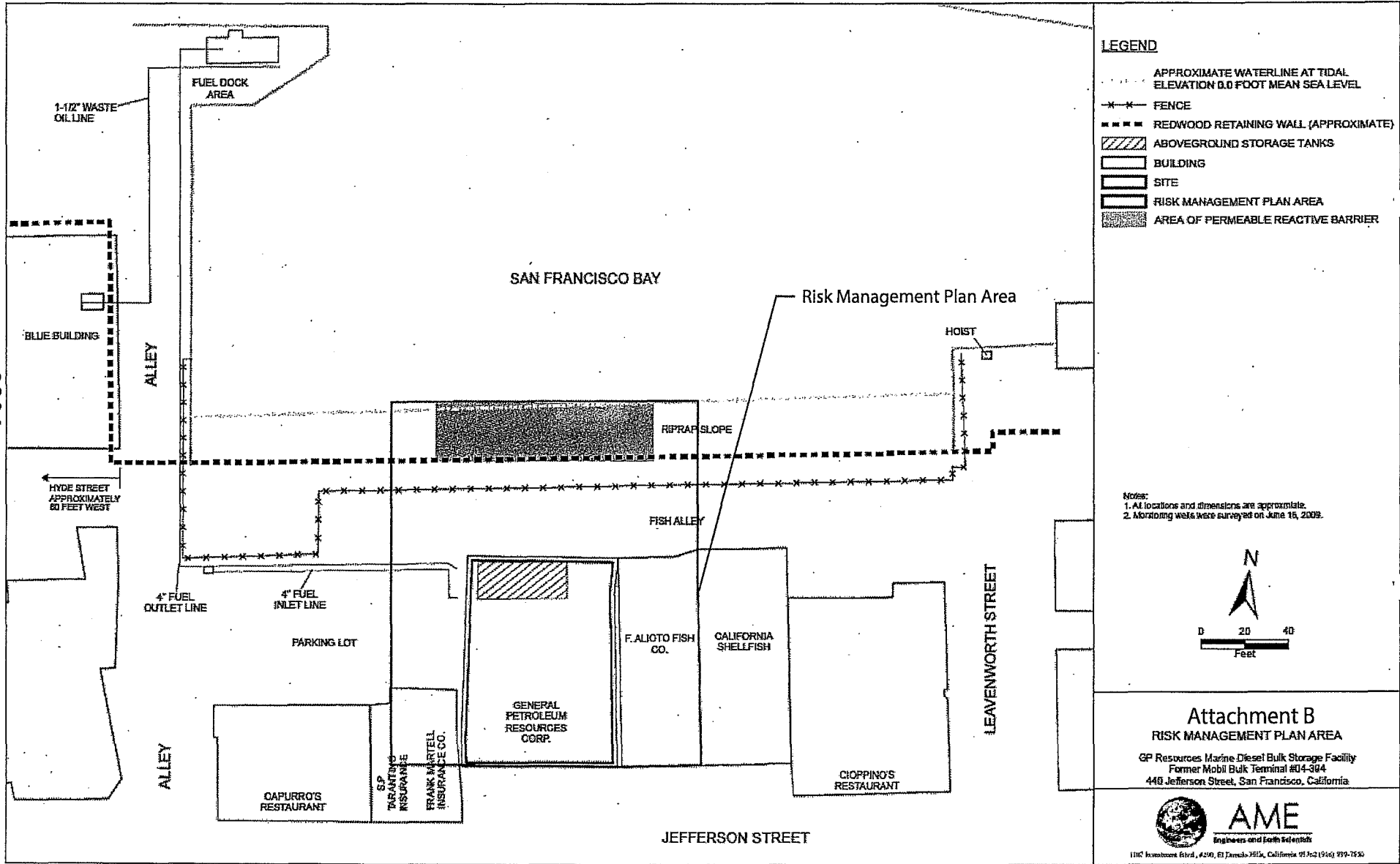
GP Resources Marine Diesel Bulk Storage Facility,  
Former Mobil Bulk Terminal #04-304  
440 Jefferson Street, San Francisco, California



**AME**  
Engineers and Earth Scientists

1500 International Blvd., #290, El Dorado Hills, California 95762 • (916) 219-2525

# Attachment B: Risk Management Plan



**LEGEND**

- APPROXIMATE WATERLINE AT TIDAL ELEVATION 0.0 FOOT MEAN SEA LEVEL
- FENCE
- REDWOOD RETAINING WALL (APPROXIMATE)
- ABOVEGROUND STORAGE TANKS
- BUILDING
- SITE
- RISK MANAGEMENT PLAN AREA
- AREA OF PERMEABLE REACTIVE BARRIER

**Notes:**

- All locations and dimensions are approximate.
- Monitoring wells were surveyed on June 16, 2009.

N

0 20 40  
Feet

**Attachment B**  
**RISK MANAGEMENT PLAN AREA**  
 GP Resources Marine Diesel Bulk Storage Facility  
 Former Mobil Bulk Terminal #04-304  
 440 Jefferson Street, San Francisco, California

 **AME**  
 Engineers and Earth Scientists  
 110C Investment Blvd., #200, El Cerrito Hills, California 94530 (925) 939-7630