File #: HD-19-006, Version: 1

DATE: 12/10/2018

TO: Board of Harbor Commissioners

FROM: Eamonn Killeen, Director of Real Estate

SUBJECT: Carson Cogeneration Company
Conversion, Consent, and Tenth Amendment to Agreement HD-3253

Executive Summary
Carson Cogeneration Company, a Delaware corporation and subsidiary of Andeavor, occupies approximately 5.57 acres of land and 6.05 acres of submerged land at 620 Pier T Avenue and Berths T120-121 under Pier T Tanker Terminal Agreement HD-3253 (Agreement) for a liquid bulk petroleum terminal.

On August 5, 2018, Carson Cogeneration Company converted to Carson Cogeneration LLC, a Delaware limited liability company.

Additionally, the Agreement is currently guaranteed by Andeavor, a Delaware corporation. On October 1, 2018, Marathon Petroleum Corporation (Marathon) acquired all outstanding shares of Andeavor. As of that date, Andeavor ceased to be publicly traded, merged with other Marathon entities, and is now a wholly owned subsidiary of Marathon.

In consideration thereof, this proposed Conversion, Consent, and Tenth Amendment to Agreement provides for the Port’s consent to the conversion from Carson Cogeneration Company to Carson Corporation LLC, and a substitute guaranty by Marathon, unconditionally guaranteeing the obligations of Carson Cogeneration LLC under the Agreement.

Key Points
-The Agreement allows for a liquid bulk petroleum terminal.
-Carson Cogeneration Company converted from a corporation to a limited liability company.
-Marathon acquired Andeavor.
-This proposed Conversion, Consent, and Tenth Amendment to Agreement provides for the Port’s consent to the conversion and provides for a new substitute guaranty with Marathon.

Recommendation
This item requests the Board of Harbor Commissioners’ approval of a Conversion by Carson Cogeneration Company to Carson Cogeneration LLC, consent, and Tenth Amendment to Pier T Tanker Terminal Agreement HD-3253 for approximately 11.62 acres of land and submerged land located at 620 Pier T Avenue, causing Marathon to execute and deliver a substitute guaranty, unconditionally guaranteeing Carson Cogeneration LLC’s obligations under the Agreement, make the determination that the action is categorically exempt pursuant to the California Environmental Quality Act, and adopt the authorizing Ordinance.
Financial Impact
The proposed Conversion, Consent, and Tenth Amendment has no fiscal impact to the Port.

Background
The Agreement was originally entered into with Atlantic Richfield Company (ARCO) on October 24, 1980. Carson Cogeneration Company is successor lessee to BP West Coast Products LLC and ARCO.

Tesoro Corporation executed a guaranty on behalf of Carson Cogeneration Company as part of the October 10, 2013 assignment from BP West Coast Products LLC to Carson Cogeneration Company. Tesoro Corporation changed its name to Andeavor on August 1, 2017.

Effective August 5, 2018, Carson Cogeneration Company converted to Carson Cogeneration LLC. Subsequently on October 1, 2018, Marathon closed the transaction in which it acquired all of the outstanding shares of Andeavor. Also occurring on October 1, 2018, pursuant to multiple merger activities and entity name changes, Andeavor ultimately merged with and into Andeavor LLC, a Delaware limited liability company and wholly owned subsidiary of Marathon.

Detailed Discussion of Current Issues
Port staff, Tesoro, and Marathon have reached agreement to replace the existing guaranty with a substitute guaranty executed by Marathon.

Upon the Port’s execution of this proposed Conversion, Consent, and Tenth Amendment to Agreement, the Port consents to Carson Cogeneration Company’s conversion from a corporation to a limited liability company, and the guaranty originally executed by Tesoro Corporation shall be superseded with the express knowledge that:

1) The substitute guaranty has the same effective date as the original guaranty dated July 29, 2013, executed by Tesoro Corporation;

2) The substitute guaranty shall have no less force and effect than if signed prior to, and as a condition precedent to execution of the Agreement dated October 24, 1980; and

3) The rights of the Port under the substitute guaranty shall be no less than those set forth in the original guaranty dated July 29, 2013.

All other terms and conditions of the Agreement shall remain the same.