

Chevron, Richmond strike \$28 million deal for refinery utility taxes

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The Chevron Richmond refinery underpaid on its utility taxes and has reached a \$28 million settlement with the city of Richmond to make up for what it owes.

The oil company will pay \$13 million now, City Attorney Randy Riddle said; the remaining \$15 million will be issued over the next three fiscal years.

The deal includes \$3 million earmarked for a 0.6-mile public path at the refinery that would close a gap in the San Francisco Bay Trail between Point Molate and the San Pablo Peninsula, City Manager Bill Lindsay said. The city will continue to hunt for other trail funding, he added.

"We thought the settlement was fair in terms of dealing with the litigation risk. It brings in money now at a time when money is very tight," Lindsay said.

The first settlement payment will be funneled into the 2009-10 budget, a year when city leaders anticipate losses in property tax, sales tax and other revenue as the recession deepens.

The settlement grew out of a dispute over how much Chevron paid in utility taxes. For two decades, the refinery paid its utility taxes based on a flat-rate method known as a "cap," which averaged about \$14 million a year. In 2006, the oil company switched to paying an actual rate, which varies depending on the amount of energy that's used.

The change translated into a \$4 million annual reduction in what the refinery paid, city officials estimated. They weren't sure if what Chevron was paying was accurate

because the refinery, which generates some of its own power, does not publicly disclose its energy production or usage information.

In late 2006, the city hired a law firm to obtain and analyze the refinery's data and verify if the utility tax payments were accurate. Both parties signed a confidentiality agreement to keep the data private because Chevron was concerned about releasing trade secrets.

The audit spanned 2006 to 2008, and concluded last year. The two sides negotiated a settlement, which the City Council approved in closed session Tuesday night.

Chevron has reverted to calculating its utility tax using the flat-rate method, Lindsay said.

Refinery General Manager Mike Coyle said in a prepared statement that the settlement "allows us to resolve one of the outstanding issues we've had with the city while also helping us to maintain financial and economic predictability going forward."

Meanwhile, Bay Trail supporters applauded the city for securing funding for the walking and bicycling path in the utility tax settlement.

Trails for Richmond Action Committee and others had lobbied the State Lands Commission to require that Chevron provide trail construction money as part of its 30-year lease of state tidelands where oil tankers moor. State commissioners in January granted the lease with a commitment from Chevron to provide land north and south of Interstate 580; it did not require construction funding.

Design and construction is an estimated \$11 million, said Bruce Beyaert, head of the Trails for Richmond Action Committee.

In a statement issued Wednesday, Chevron pegged its Bay Trail commitment at \$12.5 million, which includes the \$3 million from the utility tax settlement and \$7.5 million worth of land. Spokesman Brent Tippen said the company reached those land values using its assessors.

But Beyaert said Chevron's figures are heavily inflated and amount to "smoke and mirrors." A 2001 joint trail study found the easement south of I-580 worth \$280,000, not the \$3 million figure Chevron gives, Beyaert said. And the land north of I-580 was at one point under discussion to be given for free under an East Bay rail to trails project and is not worth the \$4.5 million Chevron says, he added.

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