

Meeting Date: 08/25/21  
Lease Number.: 9000  
Staff: R. Lee

# Staff Report 36

## **LESSEE/ASSIGNOR:**

---

EnergySource, LLC

## **ASSIGNEE:**

---

Hudson Ranch I Holdings LLC

## **PROPOSED ACTION:**

---

Assignment of a Geothermal Resources Lease

## **AREA, LAND TYPE, AND LOCATION:**

Approximately 40 acres of State sovereign land, Assessor's Parcel Number 020-010-030-000, located within the Southeast ¼ of the Southeast ¼ of Section 14, Township 11 South, Range 13 East, San Bernardino Baseline & Meridian, near the southeast shore of the Salton Sea geothermal field, Imperial County, as described in Exhibit A and shown on Exhibit B.

## **AUTHORIZED USE:**

Geothermal resources development lease, under a proposed geothermal unit.

## **TERM:**

The existing lease term is for 10 years, from September 1, 2012, through August 31, 2022; and for so long thereafter as geothermal resources are being or capable of being produced or utilized in commercial quantities from the leased land or a unit in which the leased land participates. The lease will expire on August 31, 2022, if not committed to a geothermal unit or otherwise developed.

## **SPECIFIC ASSIGNMENT PROVISIONS:**

The assignment is made upon the express condition that Assignee shall be bound by the terms of said lease to the same extent as if such Assignee were the original

Lessee, any conditions in any assignment agreement to the contrary notwithstanding.

## **STAFF ANALYSIS AND RECOMMENDATION:**

---

The Commission acquired the subject leased land from the Imperial Irrigation District in 1956 in exchange for a parcel of sovereign land along the Colorado River. The leased land has historical significance with respect to the Commission's geothermal program, as it was the site of the Commission's very first geothermal prospecting permit issued more than 5 decades ago. The subject 40-acre land at the Salton Sea geothermal field qualified for leasing by competitive bidding in 2012 because two different companies expressed interest in leasing it from the Commission at the time.

Following a competitive lease sale on July 10, 2012, the lease was awarded to the Assignor, which submitted the highest bid ([Item C81, August 14, 2012](#)). The parcel's relatively small size precludes its independent development and therefore it is intended to be included with adjacent lands as a geothermal unit. This lease, which was for a primary term of 10 years commencing September 1, 2012, and for so long thereafter as geothermal resources are being produced or utilized, or are capable of being produced or utilized, in commercial quantities from the leased land or lands that are unitized, will expire on August 31, 2022, if not committed to a geothermal unit or otherwise developed.

The Assignor applied for an assignment of its entire interest in Lease No. 9000 to Hudson Ranch I Holdings LLC (Assignee). The Assignor and Assignee entered into a specific Equity and Asset Purchase and Sale Agreement on or about September 17, 2020, pursuant to which the Assignor agreed to sell, transfer and assign, and the Assignee agreed to purchase, acquire, and assume the entire right, title, and interest of the Assignor in the lease. The Assignee informed staff that it plans to commit the lease to a geothermal unit following the Commission's approval of the assignment, and prior to August 31, 2022.

The Assignee is a limited liability company that was formed on April 26, 2010, by the Assignor, to hold the interests of Hudson Ranch Power I, LLC (HRP). HRP is a limited liability company that was incorporated on May 12, 2006, by Assignor to develop, construct, and operate a 49.9-megawatt geothermal power generation plant known as the John L. Featherstone Plant (JLF Plant) located in the Salton Sea geothermal field. Site construction on the JLF Plant began in May 2010 and the power plant was placed in service on March 26, 2012 - the plant remains in operation. The Assignee received the full ownership interest in HRP from the Assignor on May 13, 2010, as part of a larger financing transaction. At the same time,

GeoGlobal U.S. EnergySource LLC (GGE) became a member of the Assignee. The Assignee was then jointly owned by EnergySource and GGE and is governed by a management committee with equal representation from each of the owners. This assignment is part of a proposed agreement to transfer the plant from Assignor and GGE to the Assignee. The Assignor and Assignee are both led by the same leadership group.

**AUTHORITY:**

Public Resources Code sections 6804 and 6925; Paragraph 36(a) of Lease No. 9000.

**PUBLIC TRUST AND STATE'S BEST INTERESTS:**

The proposed assignment would transfer all lease obligations to the Assignee, which plans to commit the leased land to an existing producing geothermal unit before the lease term ends on August 31, 2022. If the leased land is successfully included within a producing geothermal unit before the end of its primary term, then the lease will not expire until production ceases, which is not anticipated in the foreseeable future. Due to the parcel's small size that precludes independent drilling and development, inclusion within a producing geothermal unit is required to prevent expiration of the lease.

Geothermal operations do not involve the production or burning of fossil fuels and help the State responsibly transition from dependency on fossil fuel development and embrace a clean energy future. The proposed lease assignment will help the State achieve its ambitious greenhouse gas emission reduction target of 40 percent below 1990 levels by 2030 (SB 32, 2016) and renewable energy procurement targets of 60 percent by 2030 and 100 percent by 2045 (SB 100, 2018).

For all the reasons above, Commission staff believe the assignment of this lease will not substantially interfere with the Public Trust needs at this location, at this time, and the foreseeable term of the lease; is consistent with the common law Public Trust Doctrine; and is in the best interests of the State.

**OTHER PERTINENT INFORMATION:**

---

1. Approval or denial of the assignment is a discretionary action by the Commission. Each time the Commission approves or rejects a use of sovereign land, it exercises legislatively delegated authority and responsibility as trustee of the State's Public Trust lands as authorized by law. Upon expiration or termination of the Lease, the Lessee has no right to a new lease or to renewal of any previous Lease.

2. This action is consistent with paragraph 1b of the “*Leading Climate Activism Needs*” Strategic Focus Area of the Commission’s 2021-2025 Strategic Plan: Proactively address climate change by leveraging the lands and resources under its jurisdiction to (b) seek and facilitate carbon neutral, renewable energy revenue-generation activities.
3. Assignment of a lease is not a project as defined by the California Environmental Quality Act because it is an administrative action that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, section 15378, subdivision (b)(5).

## **EXHIBITS:**

---

- A. Land Description
- B. Site and Location Map
- C. Executed Assignment Approval Form

## **RECOMMENDED ACTION:**

---

It is recommended that the Commission:

### **STATE’S BEST INTERESTS:**

Find that proposed geothermal resources lease assignment is in the best interests of the State.

### **AUTHORIZATION:**

1. Authorize the assignment of Lease No. 9000, a Geothermal Resources Lease, of 40 acres of State sovereign land near the southeast shore of the Salton Sea geothermal field, as described in Exhibit A, Land Description, and as shown on Exhibit B, Site and Location Map (for reference purposes only) attached and by this reference made a part hereof, from EnergySource, LLC to Hudson Ranch I Holdings LLC, effective August 25, 2021.
2. Authorize the Executive Officer or her designee to execute any documents necessary to implement this assignment.

**EXHIBIT A**

**PRC 9000**

**LAND DESCRIPTION**

A parcel of State sovereign land in Imperial County, State of California, acquired from the Imperial Irrigation District under sovereign land exchange SLL 10, dated December 6, 1956, and located southeast of Salton Sea near the town of Niland, more particularly described as follows:

The southeast  $\frac{1}{4}$  of the southeast  $\frac{1}{4}$  of Section 14, Township 11 South, Range 13 East, San Bernardino Meridian, as shown on that Official Township Survey Plat approved August 21, 1856.

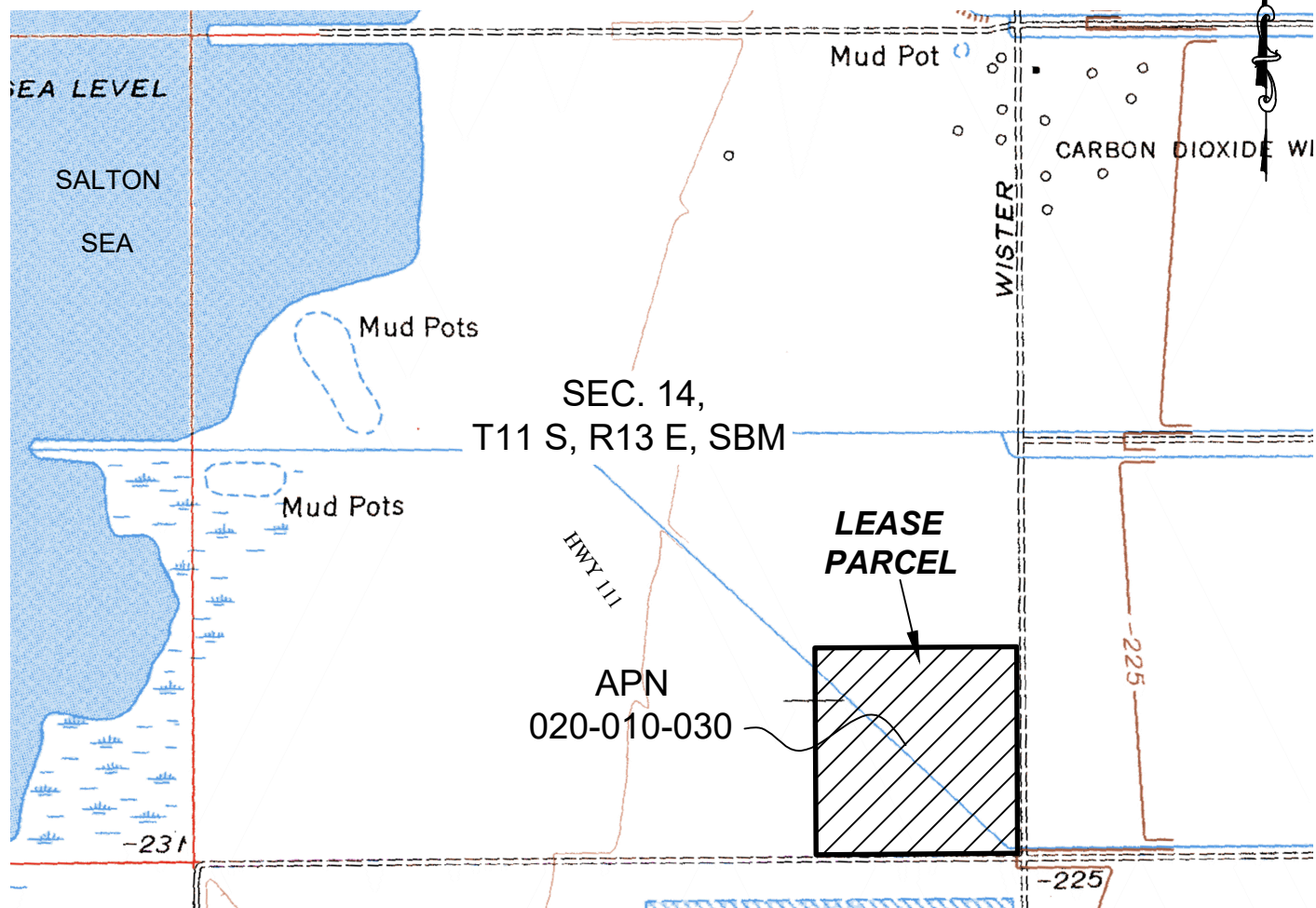
**END OF DESCRIPTION**

Prepared 06/23/2021 by the California State Lands Commission Boundary Unit.



NO SCALE

## SITE



SE  $\frac{1}{4}$  OF SE  $\frac{1}{4}$  OF SECTION 14, TOWNSHIP 11 SOUTH, RANGE 13 EAST,  
SAN BERNARDINO MERIDIAN

NO SCALE

## LOCATION



MAP SOURCE: USGS QUAD

This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.

## **Exhibit B**

PRC 9000  
ENERGYSOURCE, LLC  
APN 020-010-030  
GENERAL LEASE -  
GEOTHERMAL RESOURCES  
IMPERIAL COUNTY



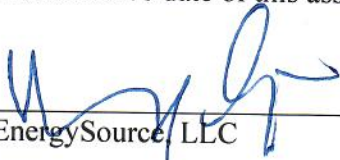
TS 06/23/2021



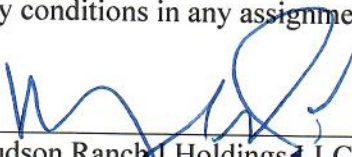
**STATE OF CALIFORNIA  
STATE LANDS COMMISSION**

**STATE LEASE ASSIGNMENT, ACCEPTANCE, AND APPROVAL**

The undersigned ASSIGNOR, EnergySource, LLC, a Delaware limited liability company, whose address is 12544 High Bluff Drive, Suite 320, San Diego, CA 92130, hereby assigns to Hudson Ranch I Holdings LLC, c/o MIP V Tierra Holdings, LLC all its right, title and interest under State Lease 9000.1, which lease was issued by the Commission for a period of 10 years commencing on the 1st day of September 2012. The effective date of this assignment shall be on August 25, 2021.

  
\_\_\_\_\_  
EnergySource, LLC

The undersigned, ASSIGNEE, Hudson Ranch I Holdings LLC, c/o MIP V Tierra Holdings, LLC, whose address is 125 W 55<sup>th</sup> Street, New York, NY 10019, hereby accepts the assignment of State Lease PRC 9000.1, as of July 30, 2021, and agrees to perform the conditions, covenants, and agreements therein contained on the part of the Lessee to be kept and performed and in the manner therein provided, and further agrees to be bound by the terms of said lease to the same extent as if such ASSIGNEE were the original Lessee, any conditions in any assignment agreement to the contrary notwithstanding.

  
\_\_\_\_\_  
Hudson Ranch I Holdings LLC

The undersigned State Lands Commission of the State of California, acting by and through Jennifer Lucchesi, its Chief, Mineral Resources Management Division, hereby consents and approves the herein assignment by and between EnergySource, LLC, a Delaware limited liability company and Hudson Ranch I Holdings LLC, c/o MIP V Tierra Holdings, LLC, of State Lease 9000.1. This consent shall be valid only upon execution by all parties.

Such consent is made upon the express condition that ASSIGNEE shall be bound by the terms of said lease to the same extent as if such ASSIGNEE were the original Lessee, any conditions in any assignment agreement to the contrary notwithstanding.

This agreement may be signed in any number of counterparts, each of which is an original and all of which taken together form one single document.

STATE OF CALIFORNIA  
STATE LANDS COMMISSION

Execution of this document was authorized by  
the California State Lands Commission

By: \_\_\_\_\_

\_\_\_\_\_  
(Month Day Year)

Dated: \_\_\_\_\_

## ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  
County of AMADOR

On JULY 30TH, 2021 before me, JONATHAN GOUNDAR, NOTARY PUBLIC  
(insert name and title of the officer)

personally appeared VINCENT J. SIGNOROTTI,  
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are  
subscribed to the within instrument and acknowledged to me that he/she/they executed the same in  
his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the  
person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing  
paragraph is true and correct.

WITNESS my hand and official seal.

Signature



(Seal)

