

Meeting Date: 04/26/22
Lease Number: 8885
Staff: N. Heda

Staff Report 53

LESSEES

Gill Ranch Storage, LLC (75 percent interest)

Pacific Gas and Electric Company (25 percent interest)

ASSIGNOR:

Gill Ranch Storage, LLC

ASSIGNEE:

SENSA Holdings, LLC

PROPOSED ACTION:

Assignment of a portion of the working interest of a gas storage lease (subsurface only) via change in ownership of the lessee, Gill Ranch Storage, LLC.

AREA, LAND TYPE, AND LOCATION:

The lease area consists of approximately 71.6 acres of sovereign lands lying several thousand feet below the San Joaquin River in Section 2, 22, and 28, Township 13 South, Range 16 East, Mount Diablo Base Meridian, Fresno, and Madera counties (See Exhibit A, and B attached hereto).

AUTHORIZED USE:

Natural gas storage

TERM:

49 years, beginning July 1, 2010, and ending June 30, 2059.

CONSIDERATION:

The State's ownership share of the storage reservoir is 1.433 percent, as agreed by the Commission and the Lessees.

- **Annual rent:** The greater of \$10,000 (the "Minimum Rent") or 1.433 percent of 4 percent of projected gross income. The minimum rent shall be adjusted upward on each anniversary of the rental payment date by 5 percent.
- **Royalty:** The royalty is 1/6th of the value of all excess gas withdrawn from the storage reservoir. Excess gas is that amount of natural gas withdrawn that exceeds 101 percent of the amount of natural gas injected during the preceding 5-year period.
- **Lease management fee:** \$5,000 per lease year with a 3 percent increase per year. The lease management fee for 2022 is \$7,129.
- **Bond:** \$25,000. There are no wells located on or within the lease area.

BACKGROUND:

On June 28, 2010, the Commission entered into the Gill Ranch Natural Gas Storage lease with the Assignor, also referred to as the operator and the Lessee (75 percent interest) and Pacific Gas and Electric Company (25 percent interest), to develop an underground natural gas storage facility within the depleted Gill Ranch Gas Field ([Item C84, June 28, 2010](#)).

The storage zone lies several thousand feet below the surface with a portion of the storage area extending beneath the San Joaquin River. The lease authorized the Lessee to inject, store, and withdraw natural gas from the storage zone that lies beneath the State land.

The Assignor was a wholly owned subsidiary of Northwest Natural Gas Storage, LLC, an Oregon limited liability company. On June 20, 2018, Northwest Natural Gas Storage, LLC and the Assignee executed a purchase and sale agreement with the Assignor. The Commission approved the assignment of a related lease, Lease No. 8863, at its August 23, 2019 public meeting ([Item C52, August 23, 2019](#)), but that assignment authorization did not expressly address Lease No. 8885. The purpose of this proposed authorization is to clarify the record to confirm that the Commission's consent to assignment also covers Lease No. 8885, the gas storage lease. Staff recommends approval of the assignment of lease 8885, which is between the same parties as the previously authorized assignment of 2019.

Staff acknowledges that the Assignee has been and remains in full compliance with the terms of Lease No. 8885 and agrees to remain bound by the terms, conditions, and agreements contained in the lease.

The Assignee is a Delaware limited liability company created in 2017 for the purpose of acquiring, owning, and operating natural gas storage facilities. The Assignee is wholly owned by Sciens eCORP Natural Gas Storage Holdings, LLC, which in turn is owned 50 percent by eCORP Storage, LLC, and 50 percent by Sciens eCORP Natural Gas Storage Holdings, LLC.

The provisions of paragraphs 7 and 14 of the lease provide that the Assignor shall not assign this lease without the prior written consent of the Commission. Paragraph 10 of Section 3 (General Provisions) of the lease considers any sale that results in a change of controlling persons over the lessee to be an assignment, requiring Commission authorization. The Lessee will remain Gill Ranch Storage, LLC; however, the ownership interest controlling Gill Ranch Storage, LLC will change from the Assignor to the Assignee. Pacific Gas and Electric Company will retain its 25 percent interest in the lease.

The lease currently requires a surety bond in the amount of \$25,000 to ensure performance of the terms and conditions of the lease. Staff believes the amount of the bond is adequate, as there are no wells within the State lease area (all wells are located on private properties), and the State's share is 1.4330 percent of the gas storage site. The Assignee agrees to maintain its current bond of \$25,000 to cover the full cost of lease compliance.

STAFF ANALYSIS AND RECOMMENDATION:

AUTHORITY:

Public Resources Code sections 6005, 6216, 6301, 6501.1, and 6503; California Code of Regulations, title 2, sections 2000 and 2003.

PUBLIC TRUST AND STATE'S BEST INTERESTS:

Gill Ranch Storage LLC, which has been the Lessee and operator since 2010 and has been in full compliance with the terms of Lease, will remain as the operator of the lease.

SENSA was created in 2017 and did not have a history of financial performance in 2019 when the Commission consented to the assignment of Lease, No. 8863, at its August 23, 2019, meeting. Since then, staff has further reviewed CPUC's authorization for this transfer in October 2019 which includes safeguards to ensure financial viability of SENSA and Gill Ranch Storage LLC.

The consent to this lease assignment results in keeping accurate record of the Lessee's parent company for all future inquiries and ensures the appropriate parties

are responsible for compliance with the lease terms. Requiring the Lessee to comply with lease provisions, and to maintain the lease obligations, is in the State's best interests, because its purpose is to enforce the material terms of the lease. The effective management and enforcement of the Commission's leases serves the Public Trust by holding the Lessee accountable for all aspects of the lease, from injection and withdrawal wells, to ensuring that lessees remain responsible operators, to comply with lease provisions, and prevention of environmental harm.

TRIBAL COORDINATION AND CONSULTATION:

The Commission recognizes the unique burdens and equity challenges faced by Tribal communities. In addition to its 2016 Tribal Consultation Policy, which sets forth a framework for effective communication and consultation with tribal governments, the Commission's Environmental Justice Policy contains several principles and commitments aimed at honoring the importance of ancestral homelands and the state's unique relationship with tribes and tribal communities. To ensure full opportunity for participation and information sharing, staff sent letters explaining the proposed assignment of interest to the culturally and geographically affiliated Native American tribes identified by the Native American Heritage Commission. On March 15, 2022, the Commission's tribal liaison discussed the proposed lease assignment with Robert Ledger, Chair of the Dumna Wo-Wah Tribal Government. Chair Ledger requested that the Commission acknowledge that the Dumna people trace their lineage in the area of the subsurface storage zone and the greater San Joaquin Valley back thousands of years. He further stated that even though government actions over the years caused many Dumna to merge into other tribal communities like Lone, Yokuts, and Miwok, Dumna ancestors and sacred places, many now submerged due to the creation of reservoirs, still exist, and are remembered by the Dumna people. Staff did not receive any other requests or comments on the proposed project from the notified Tribes.

ENVIRONMENTAL JUSTICE:

Staff reviewed environmental justice data that indicated high pollution burdens to the surrounding communities. These burdens may result in health impacts such as asthma, cardiovascular disease, and low birth weight. In addition, the same data showed high burdens related to toxic releases, groundwater threats, impaired waters, and solid waste. Furthermore, the data revealed that the neighboring communities are disadvantaged. As part of an environmental justice outreach and engagement effort, staff sent letters to environmental justice organizations in Madera and Fresno Counties, providing notification of the lease assignment and requesting input. The letters included a brief description of the lease and conveyed a desire to learn from the perspectives of the local community. The Central

California Asthma Collaborative (CCAC) emailed staff with concerns about not being directly notified by the California Public Utilities Commission during the CEQA process and so could not submit comments. Additionally, CCAC expressed concern about the Mitigated Negative Declaration failing to discuss the impacts of the long history of riverbed movement laterally over the last 100 years and how that could affect the ability to secure the surface facilities (which are not on state lands and are not under the Commission's jurisdiction and ensure the safety of ground and surface water resources. Furthermore, CCAC voiced concern with the Mitigated Negative Declaration lacking discussion of area land subsidence resulting from continuous aquifer drawdown throughout Madera County and the fragile relationship between water resources and City and County general plan housing growth elements. Staff did not receive any other comments.

CONCLUSION:

For all the reasons above, Commission staff believes 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 application 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 prior termination of a lease, the lessee also has no right to a new lease or to renewal of any previous lease.
2. This action is consistent with paragraph 3a of the "Meeting Evolving Public Trust Needs" and the "Prioritizing Social, Economic, and Environmental Justice" Strategic Focus Areas of the Commission's 2021-2025 Strategic Plan.
3. Assignment of 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

RECOMMENDED ACTION:

It is recommended that the Commission:

PUBLIC TRUST AND STATE'S BEST INTERESTS:

Find that the proposed consent to assignment of a portion of the working interest of a gas storage lease will not substantially interfere with Public Trust needs and values, at this time and for the term of the lease assignment; and that the proposed gas storage lease assignment is in the best interests of the State.

AUTHORIZATION:

Authorize the assignment of controlling interest in Gill Ranch Storage, LLC, from Northwest Natural Gas Storage, LLC, to SENSEA Holdings, LLC as described in Exhibit A, Land Description, and as shown on Exhibit B, Site and Location Map (for reference purposes only) attached, effective April 26, 2022.

EXHIBIT A

LEASE 8885

LAND DESCRIPTION

Those portions of Sections 21, 22 and 28, Township 13 South, Range 16 East, M.D.M. in Fresno and Madera Counties, State of California, lying in the bed of the San Joaquin River, located westerly of the west line of the East $\frac{1}{2}$ of the East $\frac{1}{2}$ of said Section 22 and northerly of the south line of the North $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of said Section 28, being portions of or adjacent to Swamp and Overflowed Lands Surveys 174, 175, 288, 350, 381, 382, 383, 519, 522, 527, 532, 710, and Swamp and Overflowed Lands Location 3372, all within the previously stated sections, more particularly described as follows:

BEGINNING at point on the left (southeasterly) bank of the San Joaquin River, being its intersection with the southerly line of Swamp and Overflowed Lands Location 3372, said Swamp and Overflowed Lands Location being adjacent to Government Lot 2 of said Section 28; thence northerly, northeasterly, and easterly, upstream along the left bank of the San Joaquin River, approximately 12,500 feet to its intersection with the easterly line of Swamp and Overflowed Lands Survey 382, being adjacent to Government Lot 6 of said Section 22 at this point; thence northerly along the easterly line of Swamp and Overflowed Lands Survey 382 and the east line of Swamp and Overflowed Lands Survey 527 to a point on the right (northwesterly) bank of the San Joaquin River, being adjacent to Government Lot 3 of said Section 22 at this point; thence westerly, southwesterly, and southerly along the right bank of the San Joaquin River, approximately 12,800 feet to its intersection with the southerly line of the protracted Northeast $\frac{1}{4}$ of the Northwest $\frac{1}{4}$, of said Section 28; thence easterly along the south line of the protracted Northeast $\frac{1}{4}$ of the Northwest $\frac{1}{4}$, and along the south line of the protracted Northwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of said Section 28, being also the south line of Swamp and Overflowed Lands Location 3372 to the POINT OF BEGINNING.

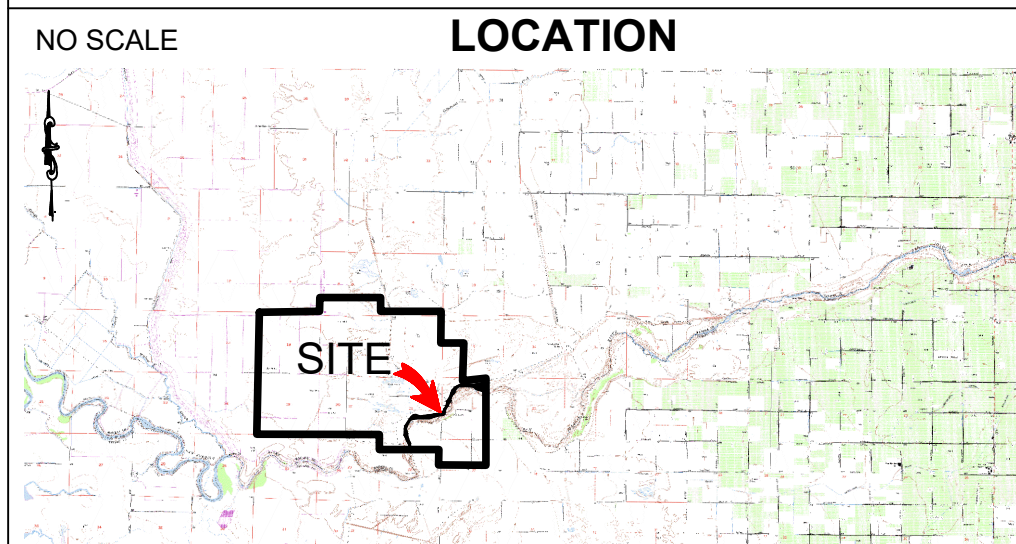
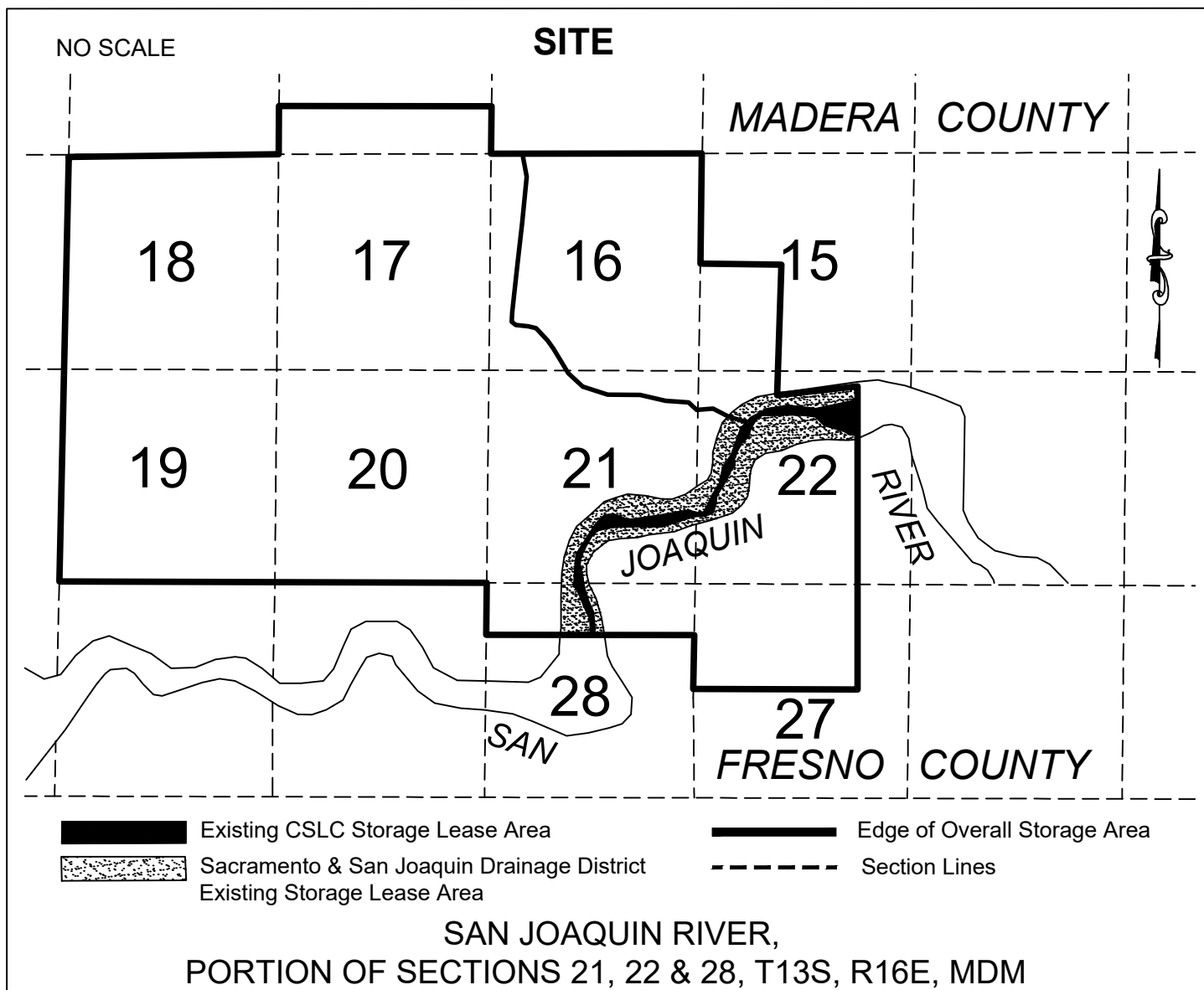
EXCEPTING THEREFROM any portion lying landward of the low water mark of said San Joaquin River.

END OF DESCRIPTION

Based on original description as found in PRC 8885 (W 40948) file.

Revised 01/04/2022 by the California
State Lands Commission Boundary Unit





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 8885
 GILL RANCH GAS STORAGE, LLC
 (ASSIGNOR/LESSEE), PACIFIC GAS &
 ELECTRIC COMPANY (LESSEE) AND
 SENA HOLDINGS, LLC (ASSIGNEE)
 GENERAL LEASE -
 SUBSURFACE STORAGE GAS USE
 FRESNO & MADERA COUNTIES



TS 01/04/2022