

Staff Report 29

LESSEE:

SFPP, L.P.

PROPOSED ACTION:

Continuation of Rent and Revision of Bond.

AREA, LAND TYPE, AND LOCATION:

Sovereign land in various waterways, and various counties, statewide.

- Feather River, Sutter and Yuba Counties
- American and Sacramento Rivers, Sacramento and Yolo Counties
- Mokelumne River, San Joaquin County
- Stanislaus River and Burns Cut Off, San Joaquin County
- Stanislaus River, San Joaquin and Stanislaus Counties
- Walnut Creek, Grayson Creek, Pacheco Creek, Contra Costa County
- Middle and San Joaquin Rivers, Contra Costa and San Joaquin Counties
- Tuolumne River and San Joaquin River, Stanislaus County
- Merced River, Merced County
- San Joaquin River, Fresno and Madera Counties
- Colorado River, Imperial County

AUTHORIZED USE:

Continued use and maintenance of petroleum products transportation pipelines.

TERM:

20 years, beginning April 1, 2013.

CONSIDERATION:

The lease provides that Lessor may modify the rent and bond periodically during the lease term. Pursuant to this provision, staff has conducted a review of the rent and bond under this lease and recommends that the base rent be continued at

\$16,177.74, adjusted annually by the Consumer Price Index, and revise the bond from \$620,000 to \$810,000, effective April 1, 2024.

OTHER PERTINENT INFORMATION:

1. Approval or denial of the revision of rent and bond is a discretionary action by the Commission. Each time the Commission approves or rejects a revision of rent and of bond, it exercises legislatively delegated authority and responsibility as trustee of the State's Public Lands as authorized by law. The Lessee has no right to a new lease or to renewal of any previous lease.
2. On September 20, 2013, the Commission authorized a General Lease – Right-of-Way Use ([September 20, 2013, Item 29](#)) to SFPP, LP for 31 petroleum transportation pipelines measuring from 4 to 20 inches in diameter crossing various waterways throughout the state. Staff later revised the number of pipeline crossings to 29 after finding that two crossings were each reported twice. On June 23, 2020, the Commission authorized an amendment of PRC 9042 ([June 23, 2020, Item 32](#)) for the installation of an 8-inch-diameter horizontal directional drilled (HDD) petroleum pipeline crossing Walnut/Pacheco and Grayson creeks and removal of the two existing 8-inch-diameter pipelines in the above creeks. The lease will expire on March 31, 2033.
3. Also at the September 20, 2013 meeting, the Commission authorized two other leases to the lessee, PRC 9040 for two petroleum pipelines crossing the Carquinez Strait and PRC 9041 for two petroleum pipelines crossing the San Francisco Bay. The three leases are referred to as Master Leases with the lessee.
4. Under the terms of the three Master Leases, the lessee holds a total surety bond in the amount of \$1,500,000 along with a Parent Performance Guaranty that simultaneously satisfies the lessee's bond and security obligations of the three Master Leases. This amount is subject to increases over the lease term and serves the purpose of being able to mitigate costs that might otherwise be shouldered by the state, including where the state must take restorative actions with the leased premises upon lease termination or lease premises abandonment. A bond adjustment is currently appropriate to keep the amount consistent with estimated current removal costs and other leases and to minimize the state's potential liability. Staff recommend an increase in the total surety bond for this specific lease from \$620,000 to \$810,000. Rent and bond revision recommendations for Master Leases PRC 9040 and PRC 9041 will be considered at the December 5, 2023 Commission meeting under separate staff reports.

5. The lease requires depth of coverage burial surveys of the submerged pipelines every five years with a staggered survey schedule. The lessee has provided the scheduled surveys to date. Staff are currently working with the lessee on those surveys where remediation may be needed.
6. This action is consistent with the “Address current and future risk and liabilities” in the “Meeting Evolving Public Trust Needs” Strategic Focus Area of the Commission’s 2021-25 Strategic Plan.
7. Approving the revision of bond 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).

RECOMMENDED ACTION:

It is recommended that the Commission:

AUTHORIZATION:

Approve the continuation of rent for Lease PRC 9042 at \$16,177.74 per year, adjusted annually by the Consumer Price Index, and revision of bond from \$620,000 to \$810,000, effective April 1, 2024.