

**CALENDAR ITEM
C74**

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06/21/13
PRC 1390.1
A. Scott

GENERAL LEASE - INDUSTRIAL USE

APPLICANT:

Dynegy Morro Bay, LLC
1290 Embarcadero Road
Morro Bay, CA 93442

AREA, LAND TYPE, AND LOCATION:

5.23 acres, more or less, of sovereign land in the Pacific Ocean, Estero Bay, San Luis Obispo County.

AUTHORIZED USE:

Continued maintenance of an existing pipeline end manifold (PLEM), a 24-inch-diameter pipeline, a 16-inch-diameter pipeline and a concrete anchor.

LEASE TERM:

5 years, beginning February 3, 2013.

CONSIDERATION:

\$18,325 as the Annual Base Rent, subject to adjustment by the CPI in accordance with the special terms and conditions in the Lease.

SPECIFIC LEASE PROVISIONS:

Insurance: Liability insurance in an amount no less than \$1,000,000 per occurrence.

Bond: \$5,000,000.

OTHER PERTINENT INFORMATION:

1. Applicant owns the upland adjoining the lease premises.
2. Rent is subject to annual adjustment by CPI.
3. This lease covers the remaining improvements of an off shore marine oil terminal that was originally installed in the 1950's to provide fuel oil for an

CALENDAR ITEM NO. **C74** (CONT'D)

upland electric generating station owned and operated by Pacific Gas and Electric Company in Morro Bay. The terminal was maintained to provide an alternative source of fuel after the power plant was converted to natural gas early in the 1990's. This lease has been assigned several times in the 1990's ultimately resulting in its ownership by Dynegy Morro Bay, LLC.

In 2004 the Commission approved the placement of the marine terminal into "caretaker status" while a study was undertaken to determine if there was an alternative use for the pipelines. A number of alternative uses have been investigated but thus far none have proven viable. The current Lessee has requested an additional lease extension of five (5) years to complete work on the development of a proposal for upland placement of a post-graduate university campus that could make use of these off shore facilities

4. Lessee is required to submit an application to the Commission on or before February 3, 2016, for the decommissioning/removal of existing improvements or a formal proposal for reuse of the improvements.
5. Lessor and Lessee agree that this marine terminal is in "caretaker status" as defined in U.S. Coast Guard regulations.
6. The staff recommends that the Commission find that this activity is exempt from the requirements of the California Environmental Quality Act (CEQA) as a categorically exempt project. The project is exempt under Class 1, Existing Facilities; California Code of Regulations, Title 2, section 2905, subdivision (a)(2).

Authority: Public Resources Code section 21084 and California Code of Regulations, Title 14, section 15300 and California Code of Regulations, Title 2, section 2905.

7. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code section 6370 et seq., but such activity will not affect those significant lands. Based upon the staff's consultation with the persons nominating such lands and through the CEQA review process, it is the staff's opinion that the project, as proposed, is consistent with its use classification.

EXHIBITS:

- A. Land Description
- B. Site and Location Map

CALENDAR ITEM NO. **C74** (CONT'D)

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the activity is exempt from the requirements of CEQA pursuant to California Code of Regulations, Title 14, section 15061 as a categorically exempt project, Class 1, Existing Facilities; California Code of Regulations, Title 2, section 2905, subdivision (a)(2).

SIGNIFICANT LANDS INVENTORY FINDING:

Find that this activity is consistent with the use classification designated by the Commission for the land pursuant to Public Resources Code section 6370 et seq.

AUTHORIZATION:

Authorize Issuance of a General Lease - Industrial Use to Dynegy Morro Bay, LLC beginning February 3, 2013, for a term of five (5) years, for continued maintenance of an existing pipeline end manifold, a 24-inch-diameter pipeline, a 16-inch-diameter pipeline, and a concrete anchor as described in Exhibit A and shown on Exhibit B (for reference purposes only) attached and by this reference made a part hereof; Annual Base Rent of \$18,325; with the State modifying the Rent Annually by application of a CPI as provided in the Lease; insurance in amount no less than \$1,000,000 per occurrence; surety in the amount of \$5,000,000.

EXHIBIT A

PRC 1390.1

LAND DESCRIPTION

A strip of submerged land 100 feet wide, in the bed of Estero Bay, County of San Luis Obispo, California, said strip laying 50 feet on each side of the following described centerline:

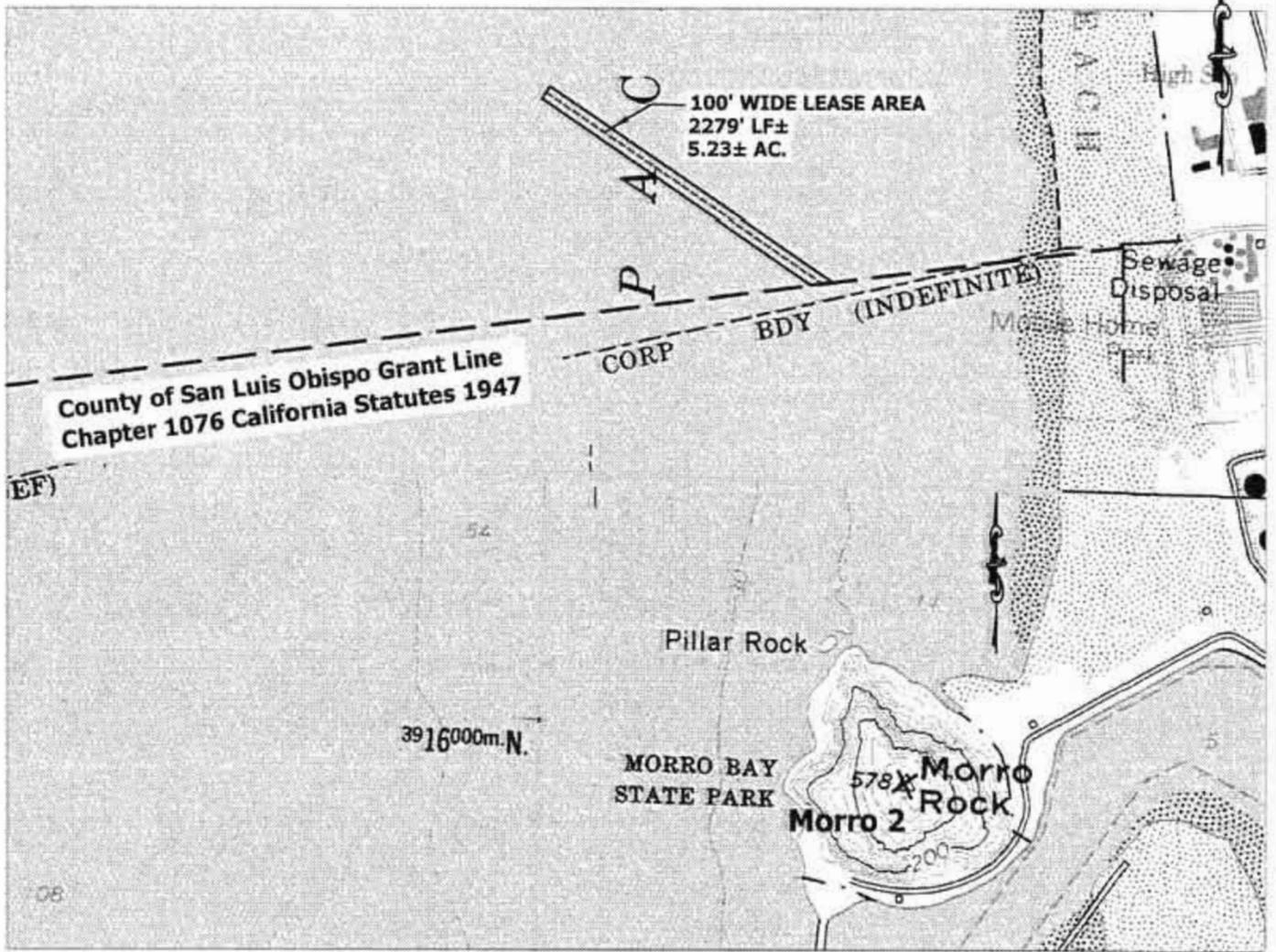
BEGINNING at a point from which the U.S.C. & G.S. triangulation station "Morro 2", having California Coordinate System 1927, Zone 5 coordinates of X=1,145,458.88 and Y= 692,530.27, bears South 27°44'05" East, 5272.99 feet; thence South 55°42'58" East, 2279.37 feet to a point in the northerly boundary line of the Grant to the County of San Luis Obispo as described in Chapter 1076, California Statutes 1947, amended by Statutes 1957 Chapter 1874, and as shown on the map recorded in Book 1 of Misc. Maps at page 2, San Luis Obispo County Records; the side lines of said strip of land shall be lengthened or shortened at the southeasterly termini thereof so as to terminate in said northerly boundary line.

END OF DESCRIPTION



NO SCALE

SITE



DYNEGY MORRO BAY LLC

NO SCALE

LOCATION



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 1390.1
DYNEGY MORRO BAY LLC
INDUSTRIAL USE
ESTERO BAY
SAN LUIS OBISPO COUNTY

