

Staff Report 35

LESSEE:

Pacific Gas and Electric Company

PROPOSED ACTION:

Acceptance of a Partial Lease Quitclaim Deed and Amendment of a General Lease – Right-of-Way Use.

PROPOSED AMENDMENT:

For the transfer of ownership of two natural gas pipelines, known as the Line 114 and Line 114-2 Sacramento River Crossings, Lease 5438-B will be amended as follows:

SECTION 1, BASIC PROVISIONS:

- LOCATION: remove the existing Exhibit A-21, Land Description, as an exhibit to Lease Number PRC 5438-B.
- CONSIDERATION: reduce the annual rent by \$900, effective the lease anniversary date immediately following satisfactory evidence of the transfer of ownership of Line 114 and Line 114-2 and Lessor's execution of a lease to the new owner.

SECTION 2, SPECIAL PROVISIONS:

- Replace Paragraph 10, Sale of Pipeline, to require an application for a new lease or amendment of an existing lease authorizing any facility/facilities to any new owner.
- Add: The Executive Officer or designee is authorized to accept a partial lease quitclaim deed upon satisfactory evidence of the transfer of ownership of any facility/facilities authorized under the Lease and Lessor's execution of a lease for the facility/facilities to a new owner.

All other terms and conditions of the lease shall remain in effect without amendment.

AREA, LAND TYPE, AND LOCATION:

Sovereign land in various waterways, in various counties, statewide, with the specific crossings in the Sacramento River under consideration shown in Figures 1 and 2.

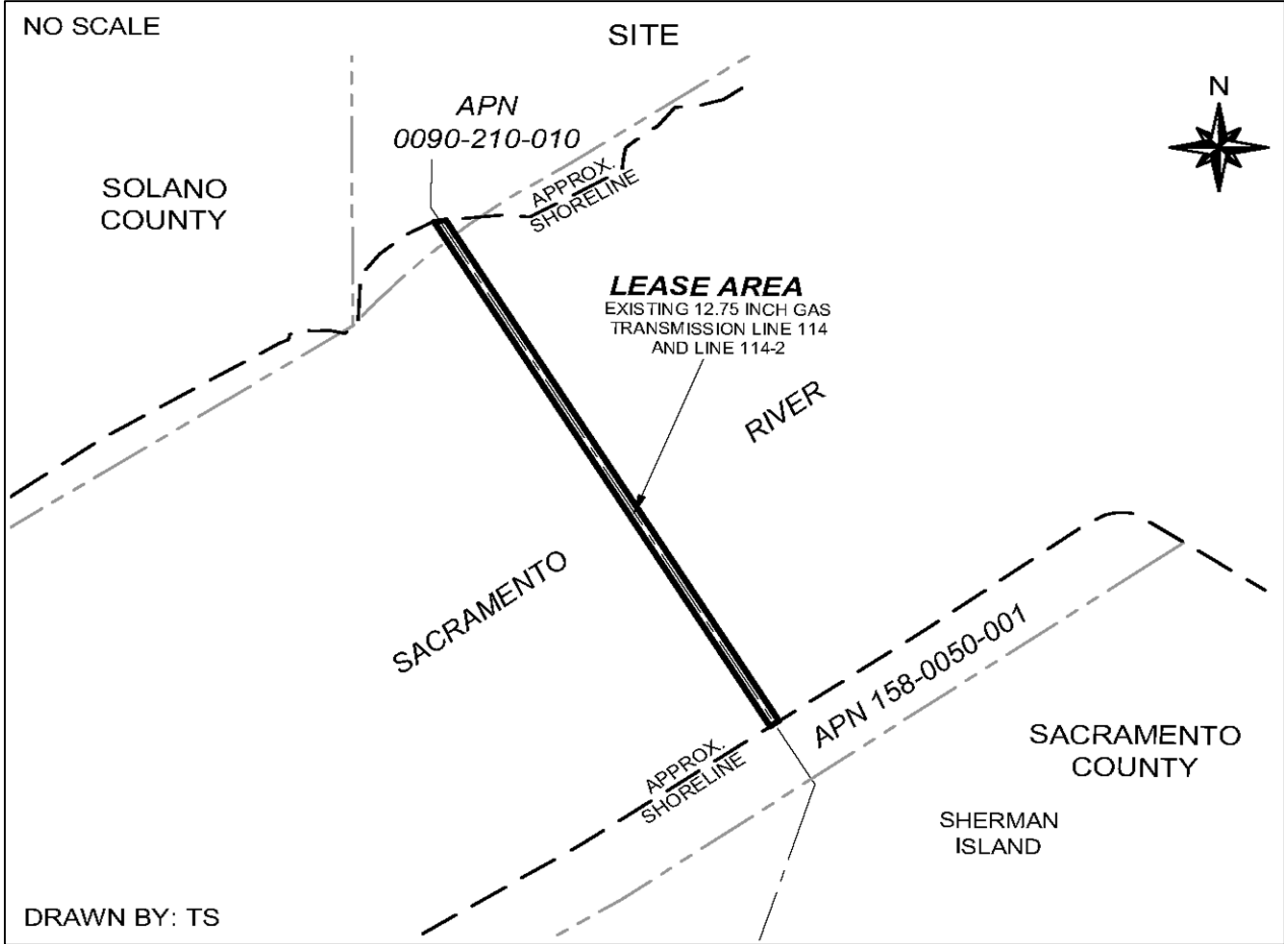
Figure 1. Location



AUTHORIZED USE:

Continued use of existing transportation, distribution, and gathering pipelines to transport natural gas.

Figure 2. Site Map



NOTE: This depiction of the lease premises is based on unverified information provided by the Applicant or other parties and is not a waiver or limitation of any State interest in the subject or any other property.

TERM:

20 years, beginning January 1, 2012.

CONSIDERATION:

\$25,361 per year, with an annual Consumer Price Index adjustment and the State reserving the right to fix a different rent periodically during the lease term, as provided for in the lease.

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:

On January 26, 2012, the Commission authorized termination of a holdover tenancy of Lease No. PRC 5438 and authorized issuance of General Lease – Right-of-Way Use, Lease Nos. PRC 5438-A, PRC 5438-B, PRC 5438-C, PRC 5438-D, PRC 5438-E, and PRC 5438-F in its place to Pacific Gas and Electric Company (PG&E) ([Item 33, January 26, 2012](#)). Lease No. PRC 5438-B authorizes various existing natural gas pipelines in various waterways in various counties statewide. The lease has been amended numerous times and will expire on December 31, 2031.

PG&E intends to transfer ownership of two existing 12.75-inch-diameter natural gas pipelines, Line 114 and Line 114-2, currently authorized under this lease, to California Resources Production Corporation (CRC). Line 114 and Line 114-2 are buried adjacent to each other between Assessor's Parcel Numbers 0090-210-010 and 158-0050-001 in Solano and Sacramento Counties, respectively.

The sale of the two pipelines is part of a larger sale of pipelines in the Rio Vista area to CRC and is part of a PG&E modernization plan. PG&E is constructing a new meter station on Brannan Island which will receive all CRC produced gas, including that delivered through these pipelines, and deliver the gas to the Sacramento basin area, as part of PG&E's modernization effort to operate more efficiently, reduce costs, and support current natural gas demands.

PG&E and Commission staff agreed that a partial lease quitclaim deed rather than a partial assignment of lease would be the most efficient and clear path to authorize the lease premises occupied by Lines 114 and 114-2 to CRC. PG&E submitted an application to the Commission for a partial lease quitclaim and amendment of Lease No. PRC 5438-B; and CRC submitted application number A4821 for a General Lease – Right-of-Way Use for these two pipelines in a separate action to also be considered on this February 25, 2025 Commission agenda. Staff recommends the reduction of annual rent for Lease No. PRC 5438-B to account for the removal of Lines 114 and 114-2 as authorized improvements, effective the lease anniversary date immediately following satisfactory evidence of the transfer of

ownership of Line 114 and Line 114-2 and Lessor's execution of a lease to the new owner.

PG&E submitted a 2017 survey indicating both pipelines meet the minimum 5-foot depth of burial requirement. They will retain full liability for these pipelines until ownership of them has been transferred to CRC and the Commission has executed a lease to CRC. CRC will accept all responsibility for Lines 114 and 114-2, including submission of inspection reports and end-of-life remediation through the proposed lease also under consideration at this Commission meeting.

The proposed acceptance of a partial lease quitclaim deed and amendment of Lease would not substantially impair surface use or interfere with Public Trust needs and values at this location, at this time, and for the remaining term of the Lease. The proposed authorization does not allow any new or additional infrastructure other than previously authorized. The Lease is limited to a 20-year term, beginning January 1, 2012, and does not grant PG&E exclusive rights to the lease premises. Upon termination of the Lease, PG&E may be required to remove any improvements and restore the lease premises to their original condition. Additionally, the Lease requires PG&E to maintain a performance bond in the amount of \$1,170,000 and to insure the lease premises and indemnify the State for any liability incurred as a result of the PG&E's activities thereon. The Lease also requires the payment of annual rent to compensate the people of the State for the occupation of the public land involved.

CONCLUSION:

For all the reasons above, staff believes acceptance of the partial lease quitclaim deed and amendment of the lease will not result in significant changes in the use of, or impacts to, Public Trust resources; will not substantially interfere with the Public Trust needs and values at this location, at this time, or for the remaining term of the lease; 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. The lessee also has no right to a new lease or to renewal of any previous lease.

2. This action is consistent with the “Meeting Evolving Public Trust Needs” Strategic Focus Areas of the Commission’s 2021- 2025 Strategic Plan.
3. The application for a General Lease – Right-of-Way Use to California Resources Production Corporation for two natural gas pipelines in the Sacramento River, adjacent to Assessor’s Parcel Numbers 0090-210-010 and 158-0050-001, near Rio Vista, Solano and Sacramento Counties will be considered under a separate action at this same meeting.
4. Acceptance of a Partial Lease Quitclaim Deed and Amendment of the lease are not projects as defined by the California Environmental Quality Act because they are administrative actions 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, sections 15060, subdivision (c)(3), and 15378, subdivision (b)(5).

RECOMMENDED ACTION:

It is recommended that the Commission:

PUBLIC TRUST AND STATE’S BEST INTERESTS:

Find that acceptance of the partial lease quitclaim deed and the proposed lease amendment will not substantially impair the public rights to navigation, fishing, and commerce or substantially interfere with Public Trust needs and values at this location, at this time and for the term of the lease; and is in the best interests of the State.

AUTHORIZATION:

1. Authorize the Executive Officer or designee to accept a partial lease quitclaim deed for the lease premises described in Exhibit A-21, Land Description, of Lease Number PRC 5438-B upon satisfactory evidence of the transfer of ownership of Lines 114 and 114-2 to California Resources Production Corporation and the authorization and execution of a Commission lease for Lines 114 and 114-2 to California Resources Production Corporation.
2. Upon acceptance of the partial lease quitclaim deed described in item 1 above, authorize the amendment of Lease Number PRC 5438-B, a General

Lease – Right-of-Way Use, to remove Line 114 and Line 114-2 as Authorized Improvements; include special provision related to the transfer of ownership, and reduce rent by \$900 to account for the removal of the crossings from the Master Lease, effective the lease anniversary date immediately following satisfactory evidence of the transfer of ownership of Line 114 and Line 114-2 and Lessor's execution of a lease to the new owner.