

Staff Report 31

APPLICANT:

Crockett Cogeneration, LLC

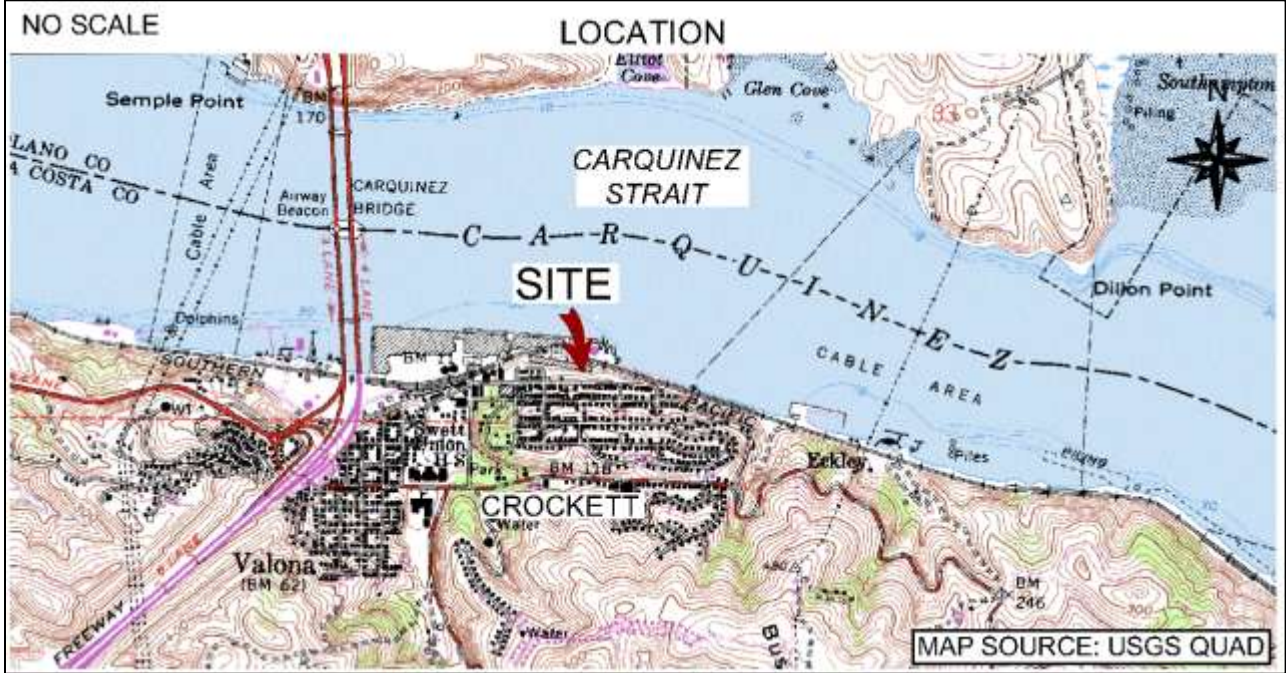
PROPOSED ACTION:

Termination and Issuance of a General Lease – Industrial Use.

AREA, LAND TYPE, AND LOCATION:

Sovereign land in the Carquinez Strait, adjacent to 550 Loring Avenue, Crockett, Contra Costa County (as shown in Figure 1).

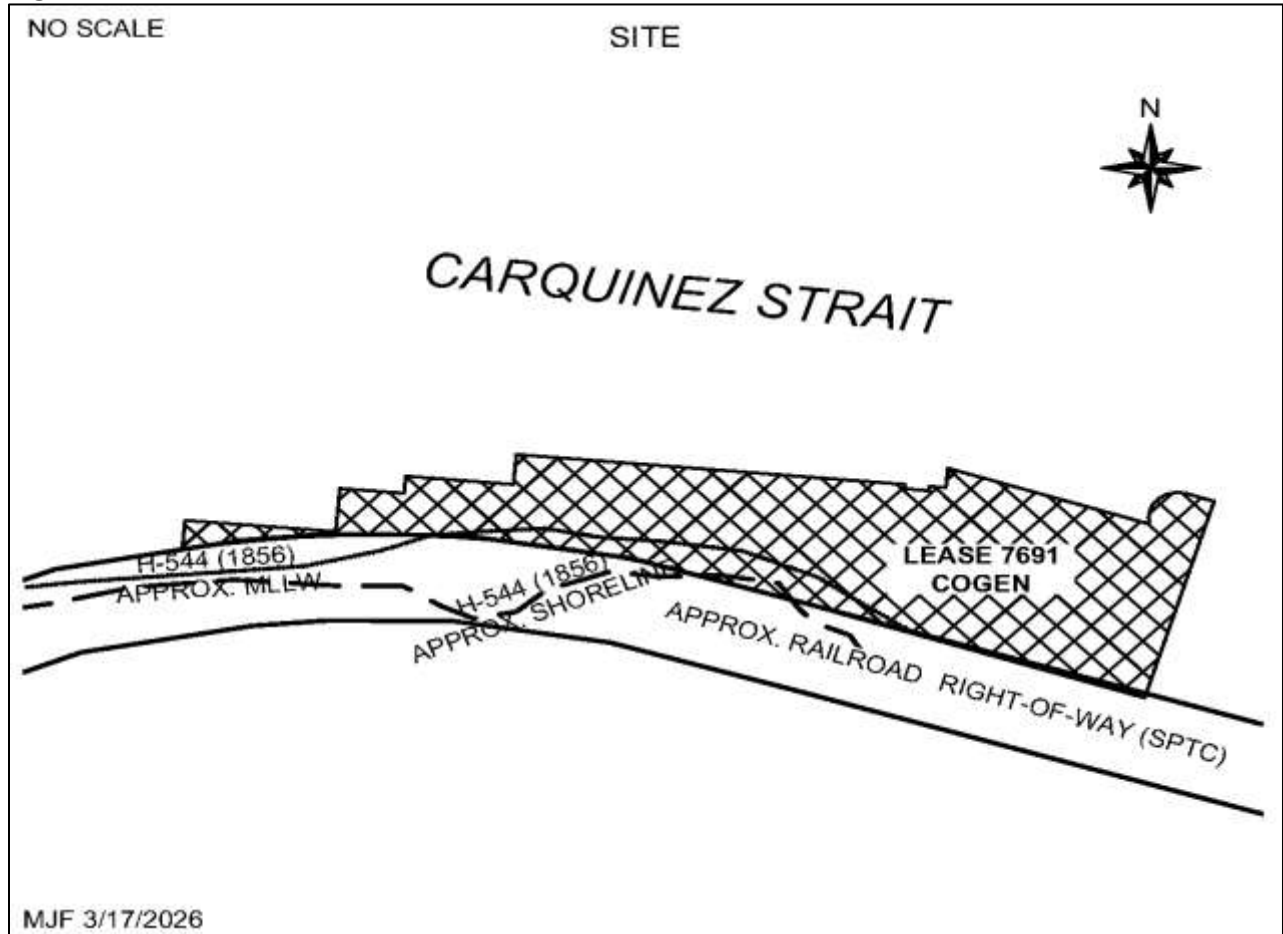
Figure 1. Location



AUTHORIZED USE:

Use and operation of an existing cogeneration facility and appurtenant facilities (as shown in Figure 2).

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 April 7, 2026.

CONSIDERATION:

\$176,998, 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.

SPECIFIC LEASE PROVISIONS:

- Liability insurance in an amount no less than \$20,000,000 per occurrence.
- Bond or other surety in the amount of \$7,000,000. Lessee agrees to fulfill this commitment by increasing the existing \$2,000,000 bond to \$5,000,000 by October 7, 2026, and then increasing the bond to \$7,000,000 by April 6, 2031.
- Lessee must submit, no later than two years prior to the expiration of the lease, an application and minimum expense deposit for a new lease for the continued use of the Lease Premises or for the removal of Lease Improvements and restoration of the Lease Premises.

BACKGROUND:

The Crockett Cogeneration Facility (Facility) is an existing natural gas-fired cogeneration facility, owned and operated by Crockett Cogeneration, LLC (Applicant or Cogen), that provides steam required by the neighboring California and Hawaiian (C&H) Sugar Company Refinery. The Facility also provides regional grid electricity through a power purchase agreement with Pacific Gas and Electric (PG&E). Cogeneration is the sequential production of heat and power from a common fuel, in this case, natural gas. The main advantage of cogeneration over separately produced heat and power is improved efficiency, or better fuel utilization.

On April 26, 1993, the California Energy Commission certified siting, construction, and operation of the Facility, and commercial operation began on May 1, 1996. The Facility consists of a single gas turbine, a steam turbine and generator, a heat recovery steam generator, an air-cooled steam condenser, and other appurtenant improvements for energy generation. The Facility produces up to 450,000 pounds of steam per hour and a maximum net electrical output of 240 megawatts (MW). During the review of the application, staff became aware that in December 2021, the Applicant was acquired by Hull Street Energy.

PREVIOUS COMMISSION AUTHORIZATIONS:

On July 29, 1993, the Commission authorized a 33-year General Lease – Industrial Use to Crockett Cogeneration, LP, for the construction and operation of a cogeneration plant, and an Agreement and Consent to Encumbrance of Lease ([Item 7](#)). On November 15, 1994, the Commission authorized a three-year option to amend the lease beginning November 15, 1994, and ending December 31, 1997,

for the use of an additional parcel of land adjacent to the lease premises to construct a public fishing pier at the facility location as part of a mitigation measure and certification requirement from the California Energy Commission (CEC) ([Item 69](#)). However, due to feasibility issues, the CEC amended that requirement and instead allowed Cogen to fund the construction of a new nearby public access pier (discussed below). On February 17, 2005, the Commission authorized an Agreement and Consent to Encumbrance of Lease ([Item 44](#)). In October 2023, as part of a larger reorganization and the dissolution of several intermediate holding companies involved in the Hull Street Energy acquisition in 2021, Crockett Cogeneration, LP was converted to Crockett Cogeneration, LLC. The lease expires on December 31, 2026. The Applicant is now applying to terminate the existing lease and authorize the issuance of a new lease. Rent under the current lease was paid through July 31, 2026. Future rent will be prorated to account for rent already paid.

ENERGY CONTRIBUTION TO BAY AREA:

The CEC issued Cogen a license to operate in 1993 and designated it as a “Qualifying Facility” under the Public Utility Regulatory Policies Act of 1978 and the Federal Energy Regulatory Commission Regulations. This meant that the Facility, as a legal Qualifying Facility, received a standard offer power purchase agreement. However, the standard offer contracts for legacy Qualifying Facilities are expiring, with Cogen’s set to expire this year (2026). Cogen is therefore seeking a new power purchase agreement, which requires a long-term lease with the Commission as authorization to operate on sovereign land.

In addition to requiring a new power purchase agreement, Cogen is seeking a California Independent System Operator (CAISO) large generator interconnection agreement and is currently negotiating with CAISO and PG&E. Under the California Public Utility Commission (CPUC) Resource Adequacy Program, PG&E must meet energy requirements that ensure reliability and stability of the State’s electric grid. The Facility would support PG&E in meeting energy needs under the CPUC’s Resource Adequacy Program.

The Facility currently generates electricity to support the San Francisco Bay Area’s energy needs through a power purchase agreement with PG&E. According to CAISO’s studies of the local capacity area in which the Facility is located, the Facility represents a significant resource for managing overload conditions on several critical transmission facilities that deliver power to the Bay Area. According to [CAISO’s 2026 Local Capacity Technical Study](#), which forecasts upcoming needs,

the Bay Area is considered capacity-deficient for 2026. Should the Facility not operate, the Bay Area deficiencies could increase from 11 percent to 19 percent. If a deficiency arises from the retirement of a resource in a local capacity area, CAISO may contract with the resource, in this case Cogen, under a Reliability Must Run contract to keep it online.

C&H STEAM ENERGY CONTRIBUTION:

In 1906, the California and Hawaiian Sugar Refining Company, today known as C&H Sugar Company, a member of ASR Group, began refining in Crockett, California. On August 23, 2022, the Commission authorized a 25-year General Lease – Industrial Use to C&H for the use and maintenance of the Refinery ([Item 14](#)).

C&H employs 465 people at the Crockett refinery, and the refinery supports an additional 190 jobs provided through trucking companies, terminal operations, cargo handling, and ship piloting.

In partnering with C&H, the Facility produces steam to support the Refinery's operations and electricity for the Bay Area community. Because both steam and electricity can be produced concurrently, cogeneration applications can operate at significantly greater efficiency relative to when these two services are provided separately. Consequently, this partnership supports sustainability goals and can reduce net carbon emissions significantly. C&H and Cogen plan to renew agreements to utilize steam from the Facility this year.

CROCKETT COMMUNITY FOUNDATION AGREEMENT:

Prior to the construction of the cogeneration facility, the community of Crockett had significant concerns about an additional industrial facility in close proximity to residences, visual impacts, and public access to the Carquinez Strait waterfront. During the CEC's certification process of the plant, it was determined that community benefit payments were an appropriate and necessary condition of approval (Special conditions SOC-4 through SOC-6). Therefore, in 1993, the Crockett Community Foundation (Foundation) was established to support the Community Benefit Agreement (Agreement) between Cogen and the community. That Agreement funded the Foundation for over 30 years and included a payment structure and escalation established in 1996, as required in the CEC's certification of the plant.

Beginning in 1996, Cogen entered into a 30-year funding commitment, with a \$300,000 base contribution paid biannually, increasing by 3 percent each year. By

the end of the commitment period, Cogen was contributing \$702,000 per year to the Foundation. Through conservative investments and while funding local grants to the Crockett community, the Foundation currently holds in trust principal in excess of \$19 million to continue supporting community needs. Over the past 30 years, the Foundation has used the contributions to serve the community. These contributions include:

- A grant of \$100,000 to augment housing and urban development to build senior housing.
- A grant of \$20,000 to help fund a Habitat for Humanity project to build six low-income housing units for Crockett residents.
- A \$250,000 grant to the Crockett Volunteer Fire Department for a new water-tender firetruck to replace a 30-year-old truck.
- Over \$443,000 in grants to support youth education for Crockett and Port Costa students over the past ten years.
- Over \$1 million in grants for the preservation of historic buildings in Crockett and Port Costa.
- \$333,000 for town beautification grants and \$594,000 in community infrastructure and recreation grants over the past ten years.

With Cogen's annual contributions, the Foundation has supported nearly every non-profit and community organization in the Crockett, Tormey, and Port Costa area. The CEC's special conditions of approval only required contributions under the Community Benefit Agreement for a 30-year term, expiring in 2025. CEC did not require any further contributions as part of its certification and Cogen has met all community benefit obligations.

PUBLIC ACCESS

As part of the Commission's original authorization, environmental document, and CEC certification, Cogen was required to mitigate the project's visual impacts by providing a public fishing pier adjacent to the Cogen Facility. This public pier would also provide a new shoreline viewing point and park-like feature to the community. However, in 1995, Cogen submitted a request to CEC to amend the public access provisions in the certification, which would remove the requirement to build the adjacent public fishing pier and instead fund a public access pier to be constructed at the East Bay Regional Park District's (District) Eckley Cove site. The

location of the Eckley site is less than one mile east of the Facility. The CEC authorized the amendment to their certification and required Cogen to enter into a Memorandum of Agreement with the District and the San Francisco Bay Conservation and Development Commission to fund \$438,664 towards the public fishing pier at the Eckley Cove site.

On July 6, 1995, the Commission authorized a General Lease – Public Agency Use to the District for the construction and maintenance of a public access and fishing pier in the Carquinez Strait at Eckley Cove ([Item 16](#)). The constructed pier offers a significant public benefit and year-round access to a water-dependent recreational amenity. The public can safely access the fishing pier regularly, as facilitated by the District and its contractual agreement with Union Pacific Railroad. From the pier, the public can fish in the Carquinez Strait and enjoy scenic views. The availability of open space and outdoor recreation areas helps offset social and environmental strains on the community's general population.

UNPAID RENT, PENALTY, AND INTEREST:

Under the prior lease, the annual rental payments are described and explicitly spelled out for the entire 33-year lease term. These rental payments include a base rent that is adjusted every five years by a Consumer Price Index (CPI) adjustment or 5 percent, whichever is greater. However, during the five-year adjustment period in 2018, the Applicant was invoiced incorrectly by Commission staff. For the remainder of the lease term, the annual rent was incorrectly calculated using only the CPI adjustment and did not apply the greater of 5 percent or the CPI for the rent review adjustment for both 2018 and 2023. Therefore, Cogen received and timely paid the incorrect annual rent invoices for the period from August 1, 2018 through July 31, 2026.

During the lease application process, staff discovered that the annual rent paid had been incorrectly calculated. Staff calculated that the difference between the unpaid rent and the correct rental amount, independent of penalty and interest, was \$216,400.24. This discrepancy was forwarded to the Lessee and was then promptly paid. However, because the rent was incorrectly paid since August 1, 2018, the unpaid difference is subject to a penalty and interest for that period.

Pursuant to the terms of the previous lease, the Lessee is subject to a penalty equal to 5 percent of any remaining rental amount due. During conversations with the Lessee, and based on the parties legal rights and obligations, the penalty to be applied would go back to December 2021, which coincided with a change in

corporate ownership, wherein Hull Street Energy became Cogen's parent company. Additionally, the lease states that any unpaid rent balance bears interest at the rate specified in Public Resources Code Section 6224, 18 percent per year, until the rental amount is received. The previous lease states that the Lessor shall apply any money received from the Lessee first to any accrued penalties and interest, and then to any rental or other sums then due. Therefore, as calculated under the lease terms, the Lessor is entitled to up to \$278,050.47 in penalties and interest on the unpaid balance for the 2025-26 lease year.

However, because the annual rental invoices were incorrectly calculated and submitted by the Commission and the Lessee continued to pay received invoices on time, and promptly paid the rental shortages upon discovery, staff recommends reducing the percentage of interest from 18 percent to 4.5 percent. Staff recommends collecting a total amount of \$74,398.03 in penalty and interest to account for the lost time-value of the corrected rent.

STAFF ANALYSIS AND RECOMMENDATION:

AUTHORITY:

Public Resources Code sections 6005, 6216, 6301, 6321, 6321.2, 6501.1, 6503, 6503.5, and 6505.5; California Code of Regulations, title 2, sections 1911, 2000, and 2003.

PUBLIC TRUST AND STATE'S BEST INTERESTS:

Given the structure of the previous lease, and the complex rent framework, staff recommends that the Commission authorize the termination of the existing lease and issuance of the new lease for a 20-year term. Staff also recommends that the lease include a surety bond or other security in the amount of \$7,000,000, based on a recently prepared cost estimate for the removal and disposal of the facility improvements from sovereign land, to protect the State from the potential financial burden of removing the structures at some future date. The Lessee agrees to fulfill this commitment by increasing the bond to \$5,000,000 by October 7, 2026, and then increasing the bond to \$7,000,000 by April 6, 2031.

Staff's recommendation to authorize the issuance of a new lease is based on multiple factors: the State's energy needs as it transitions to cleaner energy sources, the Applicant's commitment to supporting local needs, and the economic impact of the Facility should it be decommissioned. Cogen's contribution to the Crockett

community through local employment and the Community Foundation are covered in other sections of the staff report.

The Legislature and Governor's administration have charged a variety of State agencies to analyze and address current and future energy needs, including the CPUC, CEC, and CAISO. Unfortunately, the increasing supply of cleaner energy has not yet caught up with the growing energy demand. While California is a leader in this transition and is working hard to vastly increase clean energy capacity, there is still more to be done to cover the difference between supply and demand. To minimize brownouts or blackouts and maintain a consistent energy supply for the Bay Area, the State relies on facilities such as the Crockett Cogeneration Facility.

The Facility resides on filled tidelands in an area occupied by industrial uses. Operation of the Facility does not interfere with recreation, fishing, or commerce in the adjacent waterways and does not produce impacts that impair or limit Public Trust values on or near the lease premises. Nearby Eckley Pier was constructed with major funding by Cogen to expand public access in the Carquinez Strait, and the electricity generated by the Facility contributes to the economy of the region.

Considering all of the competing needs, staff concludes that the issuance of this lease will not substantially interfere with the Public Trust needs and values at this location, at this time, and for the proposed term of the lease and is in the best interests of the State.

CLIMATE CHANGE:

INTRODUCTION:

California is in the midst of the climate crisis, caused primarily by greenhouse gas emissions from the production and use of fossil fuels. In particular, the production and use of oil and gas, including natural gas, diesel, and gasoline, accounted for 78 percent of California's emissions in 2021 across all sectors.¹ Each year, global atmospheric concentrations of carbon dioxide and methane continue to rise to levels higher than any point in human history ([National Oceanic and Atmospheric Administration, 2024](#)). As a result, California is already experiencing a multitude of impacts from climate change, such as more extreme and frequent heatwaves, wildfires, drought, debris flows, rising sea surface temperatures, sea level rise, ocean acidification, and more. In addition, the climate crisis and rising sea levels are impacting California's coastal and inland waterways now. Likely impacts to the lease premises include, but are not limited to, sea level rise, saltwater intrusion,

prolonged drought, extreme heat, and changes to the intensity and timing of precipitation events. These impacts may affect the existing natural gas-fired cogeneration facility subject to the proposed lease, located in Carquinez Strait. At the same time, cogeneration like that at the Crockett Facility, can reduce net carbon emissions when compared to electric grids across the country and in California as less fuel is needed to simultaneously produce two useful energy outputs at cogeneration facilities.

DATA & PROJECTIONS:

The impacts of climate change are having negative consequences on human health, biodiversity, food and water security, property loss, and critical infrastructure ([Fifth National Climate Change Assessment: Southwest Region, 2023](#)). For example, between 2015 and 2021, California endured 15 of its 20 most destructive wildfires ever recorded, resulting in 42 thousand destroyed structures and 154 lives lost ([CAL FIRE, 2024](#)). Devastating impacts such as these are projected to worsen as the climate continues to warm. If greenhouse gas emissions are not lowered substantially, air temperatures in California could increase 4.4 to 5.8 degrees Fahrenheit by 2050 and 5.6 to 8.8 degrees Fahrenheit by 2100 ([California's Fourth Climate Change Assessment Statewide Summary Report, 2018](#)).

The most effective way to prevent the worst impacts of the climate crisis is to reduce greenhouse gas emissions by eliminating the use of fossil fuels, including natural gas, and transitioning the state's energy portfolio to renewable and zero carbon sources such as solar, wind, and geothermal. [Senate Bill 1020](#) (Laird, 2022) requires that at least 90 percent of California's retail electricity come from renewable and zero-carbon sources by 2035, 95 percent by 2040, and 100 percent by 2045. The State is already on its way, securing 43 percent of its energy from renewable sources in 2023, and 24 percent from other zero carbon sources, for a combined 67 percent of retail electricity ([California Energy Commission, 2025](#)).

Along with the other consequences of climate change discussed above, water levels in tidally-influenced waterways will rise as sea levels rise. The California Ocean Protection Council updated the [State of California Sea Level Rise Guidance](#) in 2024 to provide a synthesis of the best available science on sea level rise projections and rates for multiple emissions scenarios. Commission staff evaluated the "intermediate-high" and "high" scenarios due to the vulnerability and exposure of the lease location and the continued global reliance on fossil fuels. The San

Francisco tide gauge was used for the projected sea level rise scenario for the region, as listed in Table 1.

Table 1. Projected Sea Level Rise for San Francisco

Year	Intermediate-High (feet)	High (feet)
2040	0.7	0.8
2050	1.0	1.3
2070	2.2	2.9
2100	4.8	6.5

Source: Table 6, State of California Sea Level Rise Guidance: 2024 Update

Note: Projections are with respect to a 2000 baseline.

In addition to rising seas, warmer temperatures have led California and the Southwest region to experience a megadrought from 2000 to 2022, measured as the driest 22 years in the past 1200 years, and more megadroughts are projected through the end of the century ([Fifth National Climate Change Assessment: Southwest Region, 2023](#)). Hotter and drier conditions have led to declines in snowpack volumes, higher-elevation snow lines, earlier snowmelt, and reduced overall runoff. Streamflow and river volumes are lower and will be drawn down farther as temperatures continue to rise and demand for water increases. Despite the region’s increasing aridity, flooding from extreme precipitation events is projected to increase, attributed to earlier snowmelt, sea level rise, and more intense and frequent atmospheric rivers. Minor and moderate flooding (flooding events defined as disruptive to damaging), attributed to higher water levels, is expected to increase five to ten orders of magnitude by 2100, according to [NOAA’s 2022 Sea Level Rise Technical Report](#).

ANALYSIS:

While fossil fuels are still used to produce energy, it is crucial that emissions from their production and transportation are reduced as much as possible. Methane emissions occur throughout natural gas supply chains and infrastructure, from the production at gas wells to processing facilities, compressor stations, transportation pipelines, storage tanks, and distribution pipelines to consumers. Methane is the primary contributor to the formation of ground-level ozone, a hazardous air pollutant and greenhouse gas. It is also a major driver of global warming since it is 83 times more potent at warming the planet than carbon dioxide over a 20-year period ([EPA, 2025](#)).

The Crockett Cogeneration Facility included in this lease relies upon natural gas for power and steam generation. Methane emissions from the transportation and use of natural gas commonly occur from unintended leaks at degraded components or loose equipment connections ([EPA, 2023](#)).

The lease premises are also likely to experience more extreme conditions over the lease term than in the past, due to climate change. Changes to the timing and amount of runoff from the higher elevations of the watershed, stronger storm surge, and rising water levels will result in higher flood risks. Bank stability may be compromised due to increased channel erosion and undercutting from more intense precipitation and floods. Structures on the lease premises may be exposed to saltier water and corrode faster than before. Conversely, drought could lower water levels for longer portions of the year and expose structures that were historically designed to be submerged to more air, wind, and heat.

The Crockett Cogeneration facility is protected by a seawall and riprap revetment that have a height of 12 feet (NAVD 88). A sea level rise analysis prepared by the applicant states that based on 2045 sea level rise projections, the seawall and riprap revetment provide approximately 4 feet of freeboard above the projected mean high water. This reduces the risk of flooding under normal tidal conditions until 2045. However, during storm surges and extreme tides, water levels could temporarily approach or exceed the top of the seawall. The San Francisco Bay Conservation and Development Commission (BCDC) requires planning for sea level rise and a 100-year flood event (Bay Plan Shoreline Protection Policy One), which is approximately 3.5 feet above sea level rise projections (BCDC, 2018). As recommended in the sea level rise memo prepared by the applicant's consultant, these issues should be addressed by adaptive measures including periodic inspections and maintenance of the seawall and riprap, deployable flood barriers or sandbags during high-risk events, groundwater monitoring (as needed), and an updated emergency preparedness plan.

While hard armoring, such as seawalls and riprap, can adversely affect public trust resources and uses, the Crockett Cogeneration facility provides power to the Bay Area and is considered critical infrastructure. If nature-based strategies or strategic relocation of the facility are infeasible, using hard armoring to protect critical infrastructure is consistent with the Commission's [2023 Shoreline Adaptation and the Public Trust](#) report.

RECOMMENDATIONS:

To reduce the risks of leaks and methane emissions, facility structures should be routinely monitored, maintained, and the best practices and best available technologies for emissions mitigation should be implemented, in accordance with all regulatory requirements. See the U.S. Environmental Protection Agency's recommendations for [methane mitigation strategies](#). Replacing older structural components with materials designed to better withstand heat fluctuations, extreme heat, and corrosion can reduce the likelihood of degradation and damage to Cogen facilities. Regular maintenance, as referenced in the lease, may reduce the likelihood of severe structural degradation or dislodgement. Any future construction or activities on State land would require a separate authorization from the Commission. Pursuant to the proposed lease, the Applicant acknowledges that the lease premises and adjacent upland are located in an area that may be subject to the effects of climate change, including sea level rise.

ENVIRONMENTAL JUSTICE:

"Environmental justice" is defined by California law as "the fair treatment and meaningful involvement of people of all races, cultures, incomes, and national origins, with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies" (Gov. Code, § 65040.12, subd. (e)). This definition is consistent with the Public Trust Doctrine principle that the management of trust lands is for the benefit of all people. The Commission adopted an Environmental Justice Policy in December 2018 ([Item 75](#)) to ensure that environmental justice is an essential consideration in the Commission's processes, decisions, and programs. Through its policy, the Commission reaffirms its commitment to an informed and open process in which all people are treated equitably and with dignity, and in which its decisions are tempered by environmental justice considerations. Among other goals, the policy commits the Commission to "[s]trive to minimize additional burdens on and increase benefits to marginalized and disadvantaged communities resulting from a proposed project or lease."

In keeping with its commitment to environmental sustainability and access to all, California was one of the first states to codify the concept of environmental justice in statute. Beyond the fair treatment principles described in statute, Commission staff believes that it is critical to include individuals who are disproportionately affected by a proposed project's effects in the decision-making process. The goal is that, through equal access to the decision-making process, everyone has equal

protection from environmental and health hazards and can live, learn, play, and work in a healthy environment.

Staff reviewed environmental justice data showing that surrounding communities experience high pollution burdens. These burdens may contribute to health impacts such as asthma, cardiovascular disease, and low birth rate. According to CalEnviroScreen 4.0, the Facility is located less than half a mile from a disadvantaged community, census tract 6095250801. This community has an overall pollution burden percentile of 86, meaning the pollution burden is higher than 86 percent of census tracts in California. The poverty indicator percentile for this census tract is 61 percent, meaning the percentage of people living below twice the poverty level is higher than 61 percent of census tracts in California. The data also identified significant concerns related to groundwater threats, cleanup sites, toxic releases, hazardous waste, and diesel particulate matter.

As part of an environmental justice outreach and engagement effort, staff reached out to environmental justice organizations in Contra Costa and Solano counties. The Foundation responded to the outreach letter. Under the 1996 Community Agreement, the Applicant committed to funding the Foundation for 30 years at \$300,000 per fiscal year with an annual increase of 3 percent. The Agreement ended in fiscal year 2025 with a final contribution of approximately \$702,000 and total aggregate contributions of over \$14 million. The 30-year funding was a requirement by the CEC to offset the full life-cycle impacts to the community by the construction and operation of the Facility. Because that condition has been fully met, no further mitigation is required under CEC's certification. Cogen has made a commitment to a monetary donation to the Contra Costa Resource Conservation District to support the Crockett Shoreline Project to enhance an underutilized portion of the Crockett waterfront.

CONCLUSION:

For all the reasons above, staff believes the proposed lease will not substantially interfere with the Public Trust needs and values at this location, at this time, and for the proposed 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. If the Commission denies the Application, the Applicant may be required to remove the improvements and restore the lease premises to their original condition. The lessee has no right to a new lease or renewal of any previous lease.

2. This action is consistent with the "Leading Climate Activism," "Prioritizing Social, Economic, and Environmental Justice," "Partnering with Sovereign Tribal Governments and Communities," "Meeting Evolving Public Trust Needs," and "Committing to Collaborative Leadership" Strategic Focus Areas of the Commission's 2021-2025 Strategic Plan.
3. Termination of the lease is not a project as defined by the California Environmental Quality Act (CEQA) 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, sections 15060, subdivision (c)(3), and 15378, subdivision (b)(5).

4. Staff recommends that the Commission find that issuance of the lease is exempt from the requirements of CEQA as a categorically exempt project. The project is exempt under Class 1, Existing Facilities; California Code of Regulations, title 14, section 15301.

Authority: Public Resources Code section 21084 and California Code of Regulations, title 14, section 15061.

APPROVALS OBTAINED:

- Federal Energy Regulatory Commission
- California Energy Commission
- San Francisco Regional Water Quality Control Board
- Bay Area Air Quality Management District
- San Francisco Bay Conservation and Development Commission

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that issuance of the lease 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 14, section 15301.

PUBLIC TRUST AND STATE'S BEST INTERESTS:

Find that the proposed lease will not substantially interfere with the Public Trust needs and values at this location, at this time, and for the proposed term of the lease; and is in the best interests of the State.

AUTHORIZATION:

1. Accept compensation in the amount of \$74,398.03 as settlement for penalty and interest related to incorrect rent paid for the period from August 1, 2018 through July 31, 2026.
2. Authorize termination of Lease 7691, a General Lease – Industrial Use, effective April 6, 2026.
3. Authorize issuance of a General Lease – Industrial Use to the Applicant beginning April 7, 2026, for a term of 20 years, for the use and operation of an existing cogeneration facility and appurtenant facilities; annual rent in the amount of \$176,998, 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; liability insurance in an amount no less than \$20,000,000 per occurrence; and security in the amount of \$7,000,000. This condition will be met by committing to increase the bond to \$5,000,000 by October 7, 2026, and then to \$7,000,000 by April 6, 2031.