Meeting Date: 10/21/26
Lease Number: 791
Staff: D. Romero

Staff Report 44

APPLICANT:

Cabrillo Power I, LLC

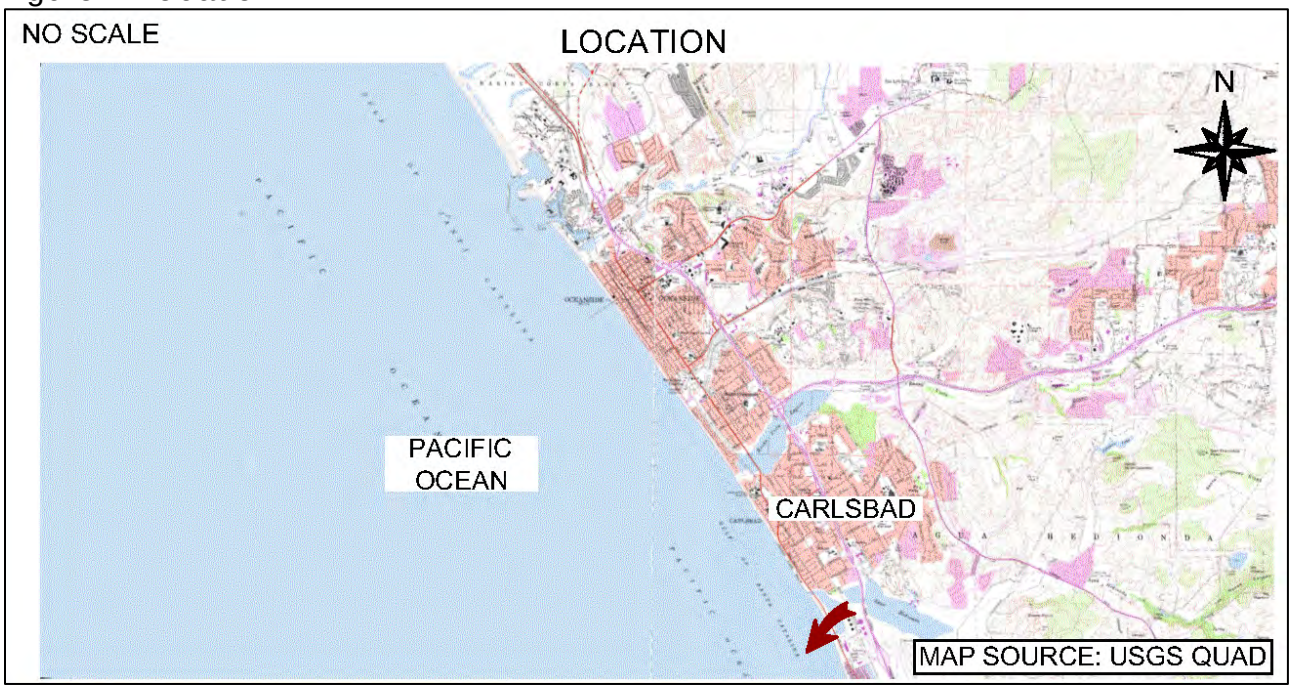
PROPOSED ACTION:

Issuance of a General Lease – Industrial Use.

AREA, LAND TYPE, AND LOCATION:

Sovereign land located in the Pacific Ocean, adjacent to Agua Hedionda Lagoon, Carlsbad, San Diego County (as shown in Figure 1).

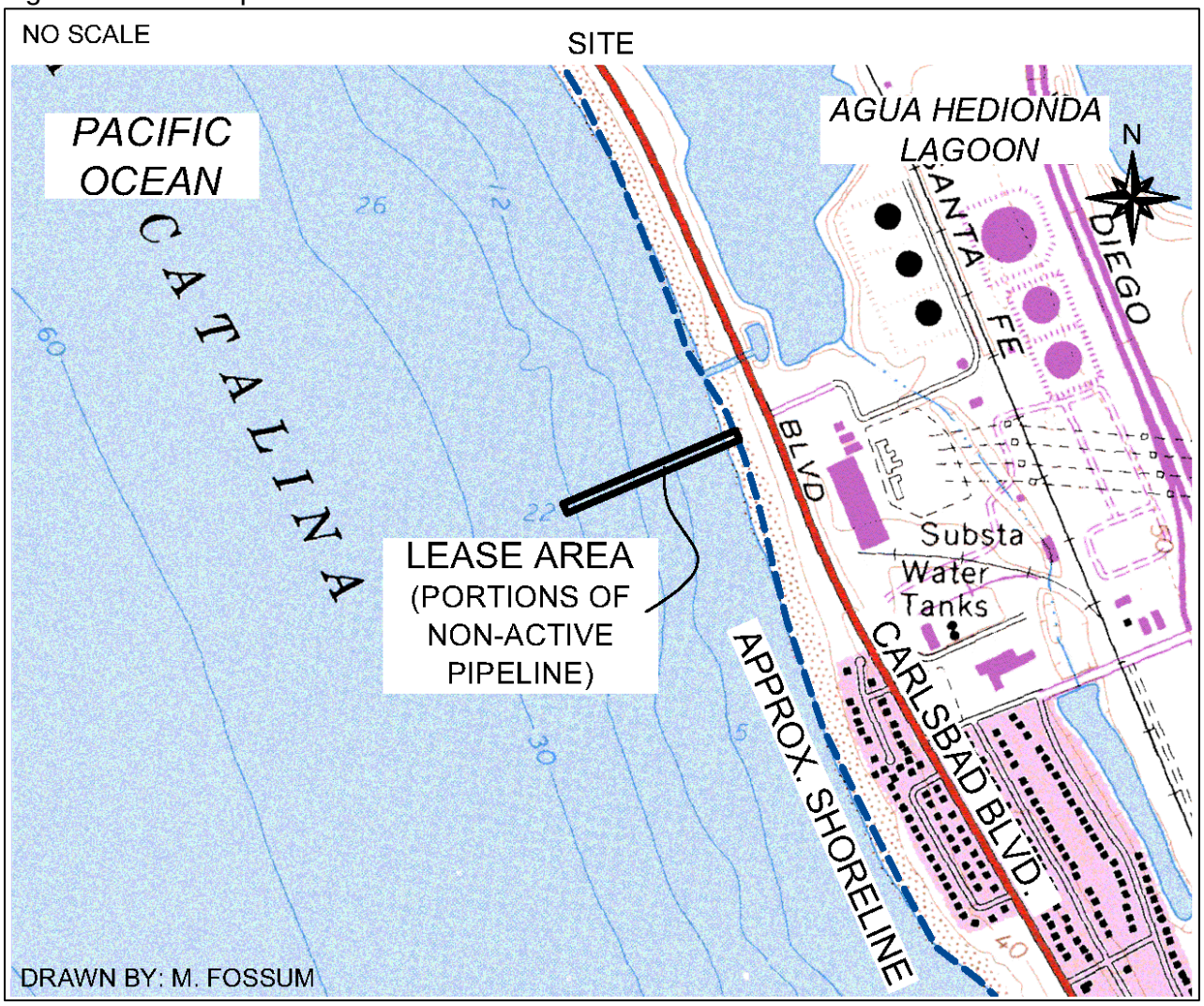
Figure 1. Location



AUTHORIZED USE:

Maintenance of 20-inch diameter non-operational pipeline (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:

5 years, beginning October 21, 2026.

CONSIDERATION:

$23,040 per year, with an annual Consumer Price Index adjustment.

SPECIFIC LEASE PROVISIONS:

- Liability insurance in an amount no less than $5,000,000 per occurrence.
- Bond or other surety in the amount of $4,000,000, with the Lessee able to provide a detailed cost estimate for the full removal of the authorized improvements, prepared by a qualified third-party contractor and including costs for compliance with the California Environmental Quality Act (CEQA) and any State and Federal permits and approvals, by October 21, 2027, for consideration for adjustment of surety by the Commission.
- By October 21, 2029, Lessee shall submit a Project Execution Plan for Commission staff review and approval. A Project Execution Plan shall be a plan for the removal or other disposition of the out of service 20-inch diameter pipeline. The Project Execution Plan must include a side-scan sonar survey and a bathymetric survey of the entire remaining length of pipeline.

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 October 27, 2011, the Commission authorized issuance of a 3-year General Lease – Industrial Use to Cabrillo Power I, LLC (Applicant) to maintain and revise a decommissioning plan for an out of service offshore marine terminal (Item 39). On December 18, 2015, the Commission authorized the Adoption of a Mitigated Negative Declaration and Mitigation Monitoring Program for the decommissioning project, issuance of a 5-year General Lease – Industrial Use to the Applicant for the continued maintenance and removal of the offshore marine terminal and appurtenant improvements, and acceptance of a Quitclaim Deed by Commission staff upon satisfactory removal of all improvements on the lease premises (Item 97). On February 28, 2020, the Commission authorized an amendment of the lease to extend the term by 5 years to March 23, 2025 (Item 38). Although most improvements under the lease had been successfully removed, attempts at removing a 20-inch diameter non-operational pipeline had been unsuccessful. On April 29, 2020, the Commission authorized another amendment of the lease to replace the exhibits, revise rent, and change the authorized improvements to the

20-inch diameter non-operational pipeline (Item 45). This lease expired on March 23, 2025.

Now, the Applicant is applying for a General Lease – Industrial Use for the maintenance of a 20-inch diameter non-operational pipeline in the Pacific Ocean, adjacent to Agua Hedionda Lagoon, Carlsbad, San Diego County. The pipeline is still in place despite several attempts at removal, due to difficult site conditions. Staff recommends issuing another 5-year lease to Cabrillo Power I, LLC, beginning October 21, 2026, to allow them more time to plan for the removal of the pipeline. By October 21, 2029, a new application with a Project Execution Plan must be submitted to Commission staff for review and approval. Because the Applicant continued to pay rent in holdover status up through March 23, 2027, a pro-rated rent amount will be applied to the first year of rent due under the proposed lease.

Approximately 1,100 linear feet of pipeline cross through the Commission's jurisdiction at this location. The pipeline does not presently impede surface use or interfere with Public Trust needs and values at this location, at this time. The existing pipeline does not significantly alter the land, and the lease does not alienate the State's fee simple interest or permanently impact public rights. The lease is limited to a 5-year term and does not grant the Lessee exclusive rights to the lease premises. Upon termination of the lease, the Lessee may be required to remove any improvements and restore the lease premises to their original condition.

Furthermore, the lease requires that the Lessee insure the lease premises and provide a bond or other surety for the faithful performance of the lease obligations in the amount of $4,000,000. The proposed lease allows the Lessee to provide a detailed removal cost estimate for the full removal of the authorized improvements prepared by a qualified third-party contractor by October 21, 2027. If Lessor approves the estimated removal cost, the Lessee must provide Lessor with the revised surety bond based on that amount within 60 days of Lessor's approval. 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 believe the issuance of this lease will not substantially interfere with Public Trust needs and values at this location, at this time, and for the term of the proposed lease; and is in the best interests of the State.

OTHER PERTINENT INFORMATION:

1. Approval or denial of a lease 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 has no right to a new lease or renewal of any previous lease.
2. This action is consistent with the "Meeting Evolving Public Trust Needs" Strategic Focus Area of the Commission's 2021-2025 Strategic Plan.
3. 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 14, section 15301.

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

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 14, section 15301.

PUBLIC TRUST AND STATE'S BEST INTERESTS:

Find that the proposed lease will not substantially impair the public rights to navigation and fishing 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:

Authorize issuance of a General Lease – Industrial Use to the Applicant beginning October 21, 2026, for a term of 5 years, for a 20-inch diameter non-operational pipeline; rent in the amount of $23,040 per year, with an annual Consumer Price

Index adjustment; liability insurance in an amount no less than $5,000,000 per occurrence; and bond or other surety in the amount no less than $4,000,000.