Meeting Date: 10/21/26
Lease Number: 8255
Staff: R. Lee

Staff Report 57

LESSEE:

Questar Southern Trails Pipeline (new name: MountainWest Southern Trails Pipeline Company)

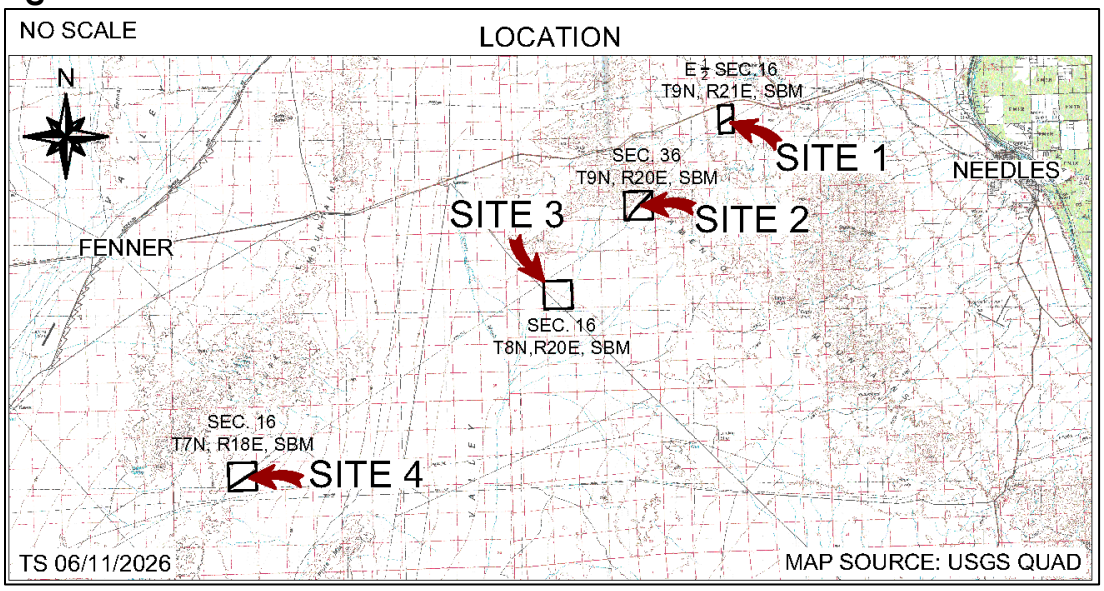
PROPOSED ACTION:

Revision of Rent and Increase of Financial Security – General Lease - Right-of-Way Use.

AREA, LAND TYPE, AND LOCATION:

Approximately 22.12 acres of State-owned school land, Assessor's Parcels Numbers 0659-131-27; 0655-211-15; 0652-221-17; and 0659-101-25, located within portions of Section 16, Township 9 North, Range 21 East; Section 36, Township 9 North, Range 20 East; Section 16, Township 8 North, Range 20 East; and Section 16, Township 7 North, Range 18 East, San Bernardino Baseline & Meridian, San Bernardino County (as shown in Figure 1).

Figure 1. Location



AUTHORIZED USE:

Continued use and maintenance of an existing 16-inch diameter underground natural gas transmission pipeline and one cathodic protection unit (as shown in Figures 2 through 4).

Figure 2. Site Map for Parcels 1 and 2

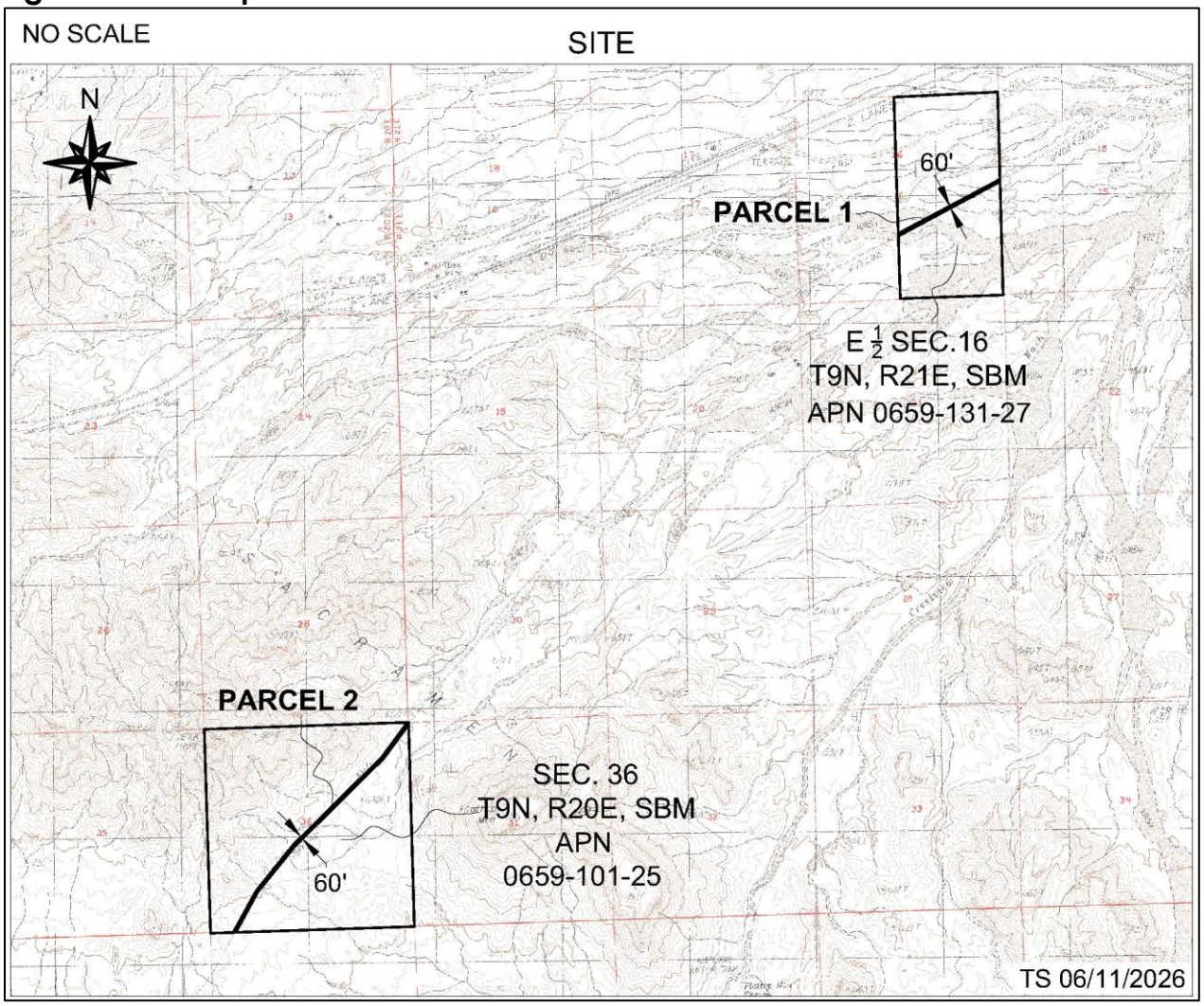


Figure 3. Site Map for Parcel 3

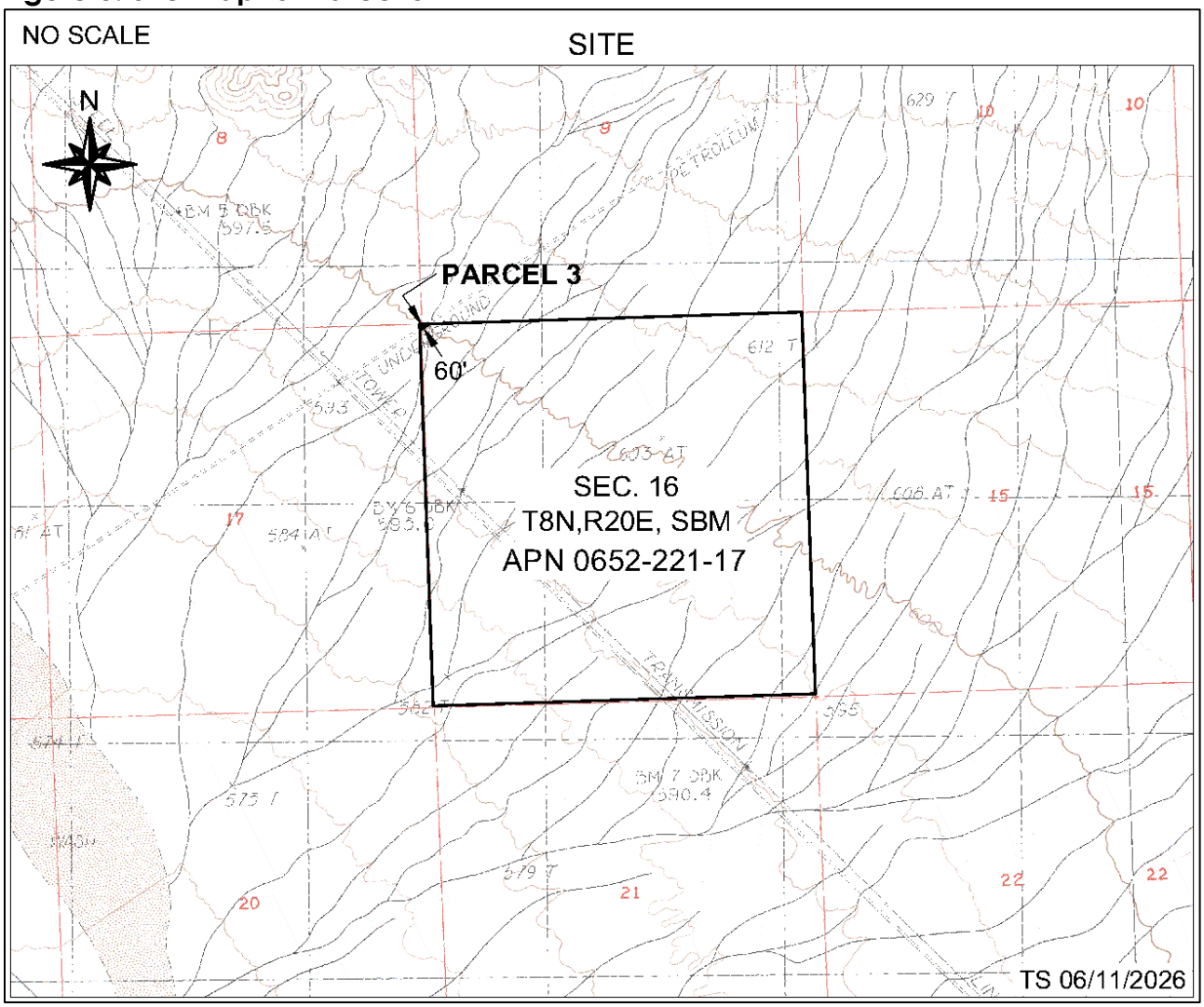
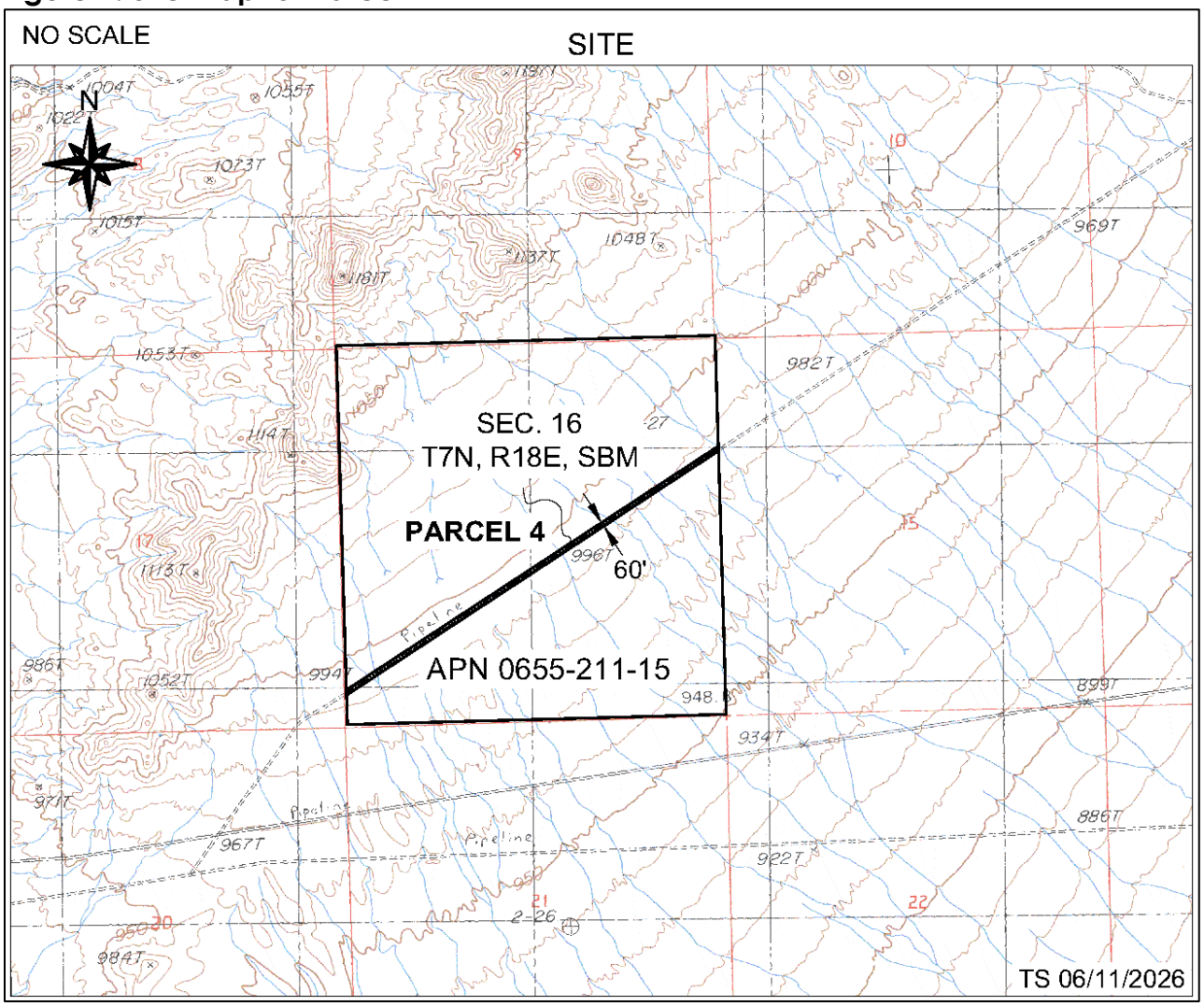


Figure 4. Site Map for Parcel 4



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

TERM:

25 years, beginning September 19, 2015.

CONSIDERATION:

- The lease provides that the Commission may modify the rent and financial security during the lease term.
- Staff has conducted a review of the rent and bond under the lease and recommends that rent be revised from $18,356.76 per year to $12,990 per year,

effective September 19, 2026, and that the financial security be increased from $20,000 to $1,000,000.

- Liability insurance coverage remains at no less than $5,000,000 per occurrence.

BACKGROUND:

On April 5, 2016, the Commission authorized a 25-year General Lease Right-of-Way Use (Item 50). The lease will expire on September 18, 2040. During a 2026 rent review, staff noticed that Questar Southern Trails Pipeline Company had ceased to operate under that name. The Lessee notified staff that, on April 1, 2022, it changed its name to MountainWest Southern Trails Pipeline Company. Although Lessee's name change does not require Commission action, it is included as an acknowledgement in this Staff Report as the timing coincides with the rent and bond revisions, and staff aims to ensure that all records are accurate for future transactions.

In 2016, the rent amount of $12,987 per year was determined. However, the Consumer Price Index had been applied erroneously to the 2016 rent amount, resulting in incorrect higher rent. The current review indicates that the annual rent should remain at $12,990.

The Commission requires a bond or security instrument to protect the interest of the State as it relates to rent payments and lease provision compliance, especially the requirement to restore the leased premises. The lease currently requires a bond or security instrument in the amount of $20,000.

Staff conducted a comprehensive review of the required financial security amount for lease performance including but not limited to the removal of all lease improvements and site restoration. Staff's review indicates that the existing bond amount is insufficient to cover the potential costs associated with the decommissioning of the authorized pipeline and cathodic protection equipment. Staff's research using data from several sources indicates that the cost of permitting, mobilization, purging, excavation, removal, disposal, restoration, and backfill, support the increase in bonding requirements to $1,000,000.

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 or bond, it exercises legislatively delegated authority and responsibility as trustee of the State's Public Lands as authorized by law.
2. This action is consistent with addressing the challenges and opportunities described in the Commission's 2021-25 Strategic Plan to "Embrace and safeguard multi-benefit School Lands and resource management stewardship that equitably balances responsible local and regional economic development, supports living wages, environmental protection, and revenue generation."
3. Approving the revision of rent and 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, sections 15060, subdivision (c)(3), and 15378, subdivision (b)(5).

RECOMMENDED ACTION:

It is recommended that the Commission:

STATE'S BEST INTERESTS:
Find that the proposed rent and the increase in financial security are in the best interests of the State.

AUTHORIZATION:
Approve the revision of rent for Lease 8255 from $18,356.76 per year to $12,990 per year, effective on September 19, 2026, and an increase in the bond from $20,000 to $1,000,000.