

MINUTE ITEM

This Calendar Item No. 39
 was submitted for information
 only, no action thereon
 being necessary.

CALENDAR ITEM

39.

9/79
 PRC 4596
 PRC 4597
 Priddy

SALES PRICE FOR GEOTHERMAL RESOURCES
 GEYSERS AREA 1979

The Sales Price for electricity produced in the Geysers area has been set at 16.58 mills per kilowatt hour of net output. Pursuant to terms of the sales contract the price of steam is redetermined annually based on the average price of electricity generated from fossil fuels and nuclear fuel (nuclear fuel use was 0 in 1978). The agreement for the sale of geothermal steam from Union Oil Company of California, Magma Power Company and Thermal Power Company to Pacific Gas and Electric Company was approved by the Commission in June of 1972. At that time the rate was 2.4 mills per kilowatt hour.

The rate, kilowatt hours generated, and royalty from State lands area tabulated below:

| <u>Year</u> | <u>Rate in Mills</u> | <u>KWH</u> | <u>Royalty</u> |
|-------------|----------------------|--------------------|------------------|
| 1972 | 2.40 | 237,240,000 | \$ 56,938 |
| 1973 | 2.65 | 820,305,000 | \$ 217,381 |
| 1974 | 3.23 | 1,451,882,000 | \$ 468,957 |
| 1975 | 6.89 | 2,004,442,000 | \$1,381,061 |
| 1976 | 10.85 | 2,246,039,000 | \$2,436,952 |
| 1977 | 13.68 | 2,305,002,000 | \$3,153,243 |
| 1978 | 15.52 | 1,806,000,000 | \$2,802,525 |
| 1979 | 16.58 | 2,500,000,000(est) | \$4,000,000(est) |

Royalty income to the State in 1979 is estimated to be \$4,000,000. The royalty continues to be deposited in the trust account established by the court pending outcome of the Pariani case (litigation over geothermal resources ownership on patented lands which included a mineral reservation). The trial court ruled the State is the owner of the geothermal resources beneath the patented lands and therefore entitled to the royalties from the sale of the geothermal steam. The Pariani case is currently on appeal. As of July 31, 1979, \$13,750,000 was on deposit in the trust account.

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