

**CALENDAR ITEM
C36**

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06/28/16
PRC 5438.1-B
A. Franzoia

AMENDMENT OF LEASE

LESSEE:

Pacific Gas and Electric Company

AREA, LAND TYPE, AND LOCATION:

Sovereign land in the Sacramento River, near Isleton, Sacramento County.

AUTHORIZED USE:

The subject lease is a master lease comprising of 129 pipelines throughout the State. This particular subarea, Lease No. PRC 5438.1-B comprising of 39 pipelines, allows for the continued use and maintenance of existing transportation, distribution, and gathering pipelines to transport natural gas.

LEASE TERM:

20 years, beginning January 1, 2012.

CONSIDERATION:

\$19,860 per year, with an annual California Consumer Price Index (CCPI) adjustment as provided for in the lease.

PROPOSED AMENDMENT:

PG&E has applied to the Commission to amend the subject master lease to:

1. Decommissioning and abandon-in-place a slurry-filled steel 8-inch diameter natural gas transmission pipeline, number L195A3-1.
2. Delete Section 2, Paragraph 12, "Abandonment and/or Removal of Pipelines," subparagraph (g) in its entirety and replace with the following:

Upon the completion of the removal, partial abandonment, or full abandonment of 640 linear feet of pipeline, L195A3-1, on the Lease Premises, Lessee shall be relieved of its obligation under the Lease to pay \$450 in annual rent for that pipeline, beginning on the first anniversary of the lease following verification by the Lessor's staff of the removal, partial abandonment, or full abandonment of a pipeline.

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3. Lessee shall be relieved of its obligation to pay rent for this specific pipeline segment beginning on the first anniversary of the lease following verification by Commission staff of the full abandonment of the pipeline
4. At least 60 days prior to start of pipeline abandonment activities, Lessee shall provide the following for Lessor's review and approval:
 - a) A copy of Contractor's Work Execution Plan
 - b) A construction schedule time line chart showing all significant work activities during the course of the project
5. At least two weeks prior to start of the project, a timely advisory of the project is to be filed with the local U.S. Coast Guard District office for publication in the Local Notice to Mariners. A copy of the published Notice is to be filed by the Lessee with the State Lands Commission Sacramento office.
6. Within 60 days of completion of the abandonment activities within the Lease Premises, Lessee shall provide Lessor the following for review and approval:
 - a) A set of "as built" drawings, certified (stamped, signed, and dated) by a California registered Civil/Structural Engineer, showing all design changes or other amendments to the construction as originally approved.
 - b) A post-construction written narrative report confirming completion of the pipeline abandonment with discussion of any significant field changes or other modifications to the approved execution plan, and providing details of any extraordinary occurrences such as spill incidents, accidents involving serious injury or loss of life, etc.
7. Lessee shall continue to perform surveys of the abandoned pipeline segment once every five years as required by PRC 5438.1-B.

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

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STAFF ANALYSIS AND RECOMMENDATION:

Authority:

Public Resources Code sections 6005, 6216, and 6301; California Code of Regulations, Title 2, section 2000, subdivision (b).

Public Trust and State's Best Interests Analysis:

Pursuant to the lease, PG&E seeks approval to abandon an existing 8-inch diameter natural gas pipeline authorized by the Commission but no longer in use.

The subject pipelines historically transported natural gas to serve the general public and commercial enterprises. The 8-inch diameter natural gas pipeline to be abandoned-in-place was originally installed many years ago to serve a commercial customer north of the river that ceased operations. The pipeline is approximately 10 feet below the river bottom and does not impair the navigability or recreational uses of the river.

Abandonment-in-place is preferable to full removal for numerous reasons. First, a portion of the pipeline underlies the protective levee and is approximately 10-feet below the bottom of the river. Removal could impact the integrity of the levee at this location. In addition, removing the entire 8-inch diameter gas pipeline from below the river would require significant disturbance to the river bottom habitat. Abandonment-in-place requires no work in the river, thus removing any potential harm from removal operations to water quality or river bottom habitat.

The pipeline extends 540 feet across the river and was previously cut and capped north of the river. Any residual natural gas will be vented from the pipeline and a bell hole will be excavated on H Street (south of the river) to fill the pipeline with concrete slurry and then be capped. In the unlikely event that the cement slurry does spill, such an event would be confined to the bell hole trench upland from the river. No work relating to the abandonment would occur in the river.

The proposed amendment will include provisions requiring the Lessee to inspect, repair, insure, and indemnify the State for those facilities abandoned-in-place. In addition, Commission staff believes that the use does not substantially interfere with the public trust needs and values at this location because the existing pipeline is buried and will have a negligible, if any, impact on recreational use of the Sacramento River.

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For all the reasons above, Commission staff believes the issuance of this amendment is consistent with the common law Public Trust Doctrine and is in the best interests of the State.

OTHER PERTINENT INFORMATION:

1. Applicant has an easement for the upland adjoining the lease premises.
2. On July 6, 1950, the Commission authorized PRC 529 for the installation, use and maintenance of a natural gas pipeline that was mechanically installed in a trench below the bed of the Sacramento River.
3. On January 28, 1978, for convenience, the Commission consolidated various pipeline leases including PRC 529 under master lease PRC 5438.1.
4. On January 26, 2012, the Commission terminated holdover tenancy of Lease No. PRC 5438.1 and authorized issuance of six General Leases-Right of Way Use, PRC 5438.1-A, PRC 5438.1-B, PRC 5438.1-C, PRC 5438.1-D, PRC 5438.1-E, and PRC 5438.1-F.
5. A bathymetric, geodetic, and depth of pipe survey was prepared for applicant in December 2013. The depth of cover of the pipeline below the river bottom was approximately 10 feet. Approximately 50 pounds per square inch of gas remains in the pipeline and will be vented off.
6. PG&E biannually inspects pipelines for leaks and conducts pipeline integrity assessments every five to seven years. The California Public Utility Commission General Order 112-E requires pipeline operators to submit to the CPUC Annual Reports required by Title 49, Code of Federal Regulations, [Part 191.11](#) and [191.17](#). The most recent annual report is dated March 13, 2015.
7. This action is consistent with Strategy 1.1 of the Commission's Strategic Plan to deliver the highest levels of public health and safety in the protection, preservation, and responsible economic use of the lands and resources under the Commission's jurisdiction.
8. The 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 2, section 2905, subdivision (a)(2).

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Authority: Public Resources Code section 21084 and California Code of Regulations, Title 14, section 15300 and California Code of Regulations, Title 2, section 2905.

9. This activity involves lands which have NOT been identified as possessing significant environmental values pursuant to Public Resources Code section 6370 et seq.; however, the Commission has declared that all lands are “significant” by nature of their public ownership (as opposed to “environmentally significant”). Since such declaration of significance is not based upon the requirements and criteria of Public Resources Code section 6370 et seq., use classifications for such lands have not been designated. Therefore, the finding of the project’s consistency with the use classification as required by California Code of Regulations, Title 2, section 2954 is not applicable.

EXHIBITS:

- A. Land Description
- B. Site and Location Map

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 2, section 2905, subdivision (a)(2).

PUBLIC TRUST AND STATE’S BEST INTERESTS:

Find that the decommissioning and abandonment-in-place will not substantially interfere with the public rights to navigation or the Public Trust needs and values at this location at this time, is consistent with the common law Public Trust Doctrine, and is in the best interests of the State.

AUTHORIZATION:

1. Authorize the amendment of Lease No. PRC 5438.1-B, to decommission and abandon-in-place a cement slurry-filled steel 8-inch diameter natural gas transmission pipeline (L195A3-1) beneath the Sacramento River, near Isleton, Sacramento County as described in Exhibit A and shown on Exhibit B (for reference purposes only) attached and by this reference made a part hereof,

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effective June 28, 2016; all other terms and conditions of the lease will remain in effect without amendment.

2. Authorize the amendment of Lease No. PRC 5438.1-B, Section 2, Paragraph 12, subparagraph (g) to read:

Upon the completion of the removal, partial abandonment, or full abandonment of pipeline L195A3-1 on the Lease Premises, Lessee shall be relieved of its obligation under the Lease to pay \$450 in annual rent for that pipeline, beginning on the first anniversary of the lease following verification by the Lessors staff of the removal, partial abandonment, or full abandonment of a pipeline.

EXHIBIT A

PRC 5438.1B

LAND DESCRIPTION

(PREVIOUSLY EXHIBIT "A-29")

W 21563
WP 529

A strip of tide and submerged land 100 feet wide across the Sacramento River adjacent to the City of Isleton, State of California, lying 50 feet on each side of the following described centerline:

COMMENCING at a found 2-inch iron pipe accepted as marking the southwesterly terminus of a course in the southerly boundary line of Block 32 as shown on the map filed for record in Book 48 of Maps; page 17, Sacramento County Recorder's Office, which course according to said map has a bearing of N 60° 45' E, and a length of 380.0 feet; thence N 39° 24' 06" W, 676.46 feet to the POINT OF BEGINNING; thence N 22° 25' W, 640 feet to the termination of the herein described centerline.

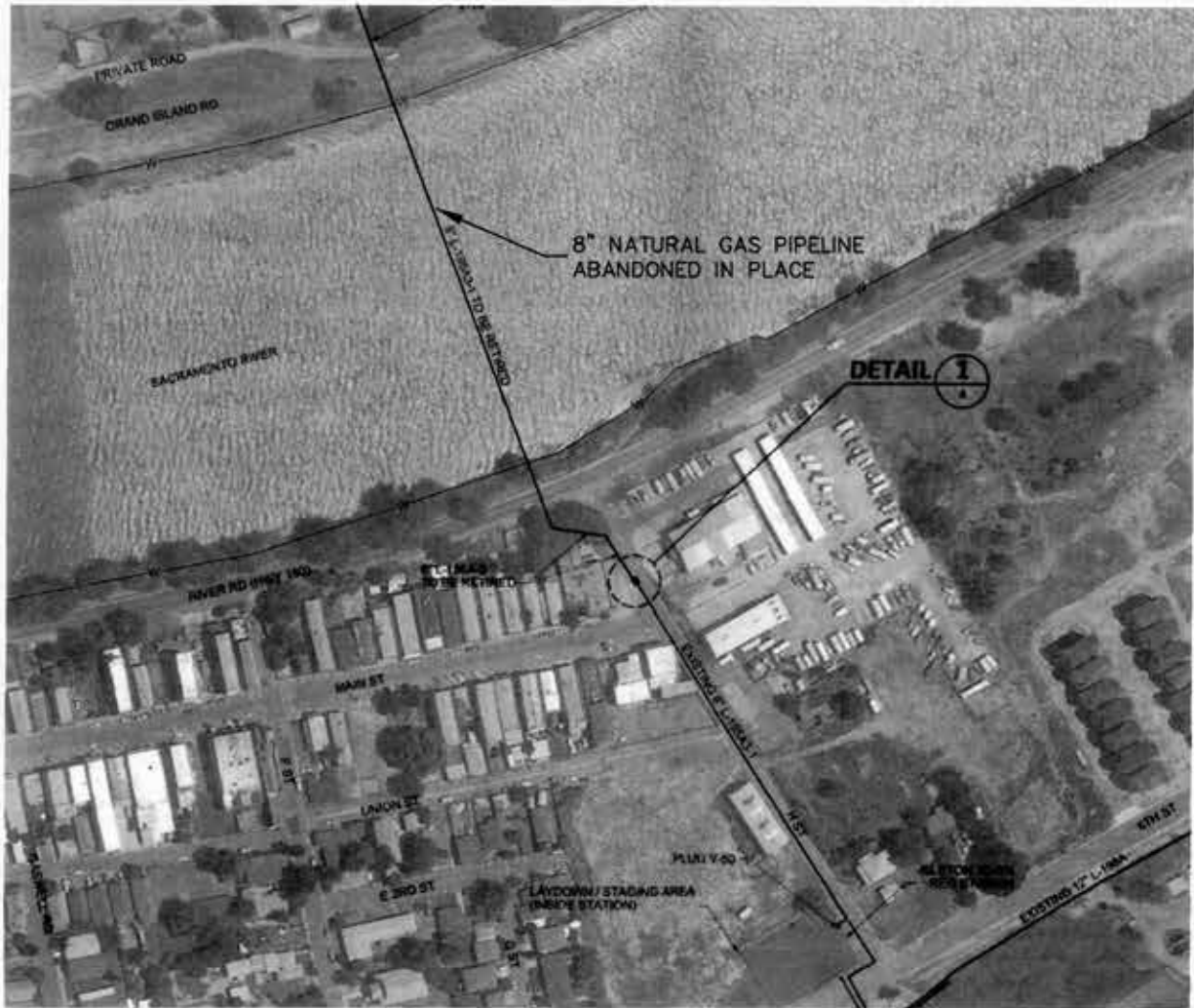
EXCEPTING THEREFROM any portion thereof lying landward of the ordinary high water marks of the Sacramento River.

END OF DESCRIPTION

Prepared Frank J. Cary Checked SON
Reviewed Chas. Kunnecke Date 2/27/78

NO SCALE

SITE



8" NATURAL GAS PIPELINE, ISLETON

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

Exhibit B

PRC 5438.1B
 PG&E COMPANY
 APN 157-0031-002, 142-0120-072
 GENERAL LEASE -
 RIGHT-OF-WAY USE
 SACRAMENTO COUNTY



JAK 3/9/16

This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.