

STATE OF CALIFORNIA

Minutes of the Meeting of the  
State Lands Commission  
Sacramento, California

APPEARANCES

PRESENT:

Kenneth Cory, State Controller, Chairman  
Mervyn M. Dymally, Lieutenant Governor, Commissioner  
Sid McCausland, Deputy Director of Finance,  
Commissioner-alternate for Roy M. Bell,  
Director of Finance, Commissioner

STAFF MEMBERS IN ATTENDANCE:

William F. Northrop, Executive Officer  
Robert C. Hight, Chief Counsel  
J. F. Trout, Manager, Land Operations  
W. M. Thompson, Manager, Long Beach Operations  
D. J. Everitts, Manager, Energy and Mineral  
Resources Development  
Diane Jones, Secretary

REPRESENTING THE OFFICE OF THE ATTORNEY GENERAL:

N. Gregory Taylor, Assistant Attorney General  
Jan Stevens, Assistant Attorney General  
Allan Goodman, Deputy Attorney General

REPRESENTING THE OFFICE OF THE LIEUTENANT GOVERNOR:

Steven Smith, Executive Director, Commission for  
Economic Development  
Betty Jo Smith, Staff Counsel

RE MINUTE ITEM 21 - A REVIEW, DISCUSSION, AND CONSIDERATION  
OF LIQUIDIFIED NATURAL GAS PROJECTS WHICH  
WOULD IMPACT ON THE STATE OF CALIFORNIA

George E. Rice, Attorney from the law firm of  
Latham & Watkins, representing the Alcan  
transportation project.

Michael L. Holland, Assistant Vice President,  
El Paso Alaska Company.

Daniel E. Gibson, General Counsel, Pacific Gas  
Transmission Company, representing the Arctic  
Transportation project.

Harry L. Lepape, Vice President, Southern  
California Gas Company, representing the  
Arctic Transportation project.

Roger C. Thompson, Special representative and  
Senior Vice President of Gas Supply, Pacific  
Gas and Electric Company.

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Gas and Electric Company.

RE MINUTE ITEM 23 - CONSIDERATION OF THE EFFECT OF PROPOSED  
CONSTRUCTION ON A PARCEL OF TIDELANDS  
COVERED BY THE PUBLIC TRUST NEAR INVERNESS,  
TOMALES BAY, MARIN COUNTY; ROBERT M. CASSEL.

Felix M. Warburg, Planning Consultant, representing  
Robert M. Cassel.

Susanna Jacob, representing Environment Action  
Committee; Western Marin; Inverness Association;  
Marin Conservation League; and Tomales Bay  
Association.

MINUTES OF THE STATE LANDS COMMISSION  
MEETING OF  
JUNE 30, 1977

The regular meeting of the State Lands Commission was called to order by Chairman Kenneth Cory, State Controller, at 10:14 a.m. in Room 2170, State Capital, Sacramento, California. Other members present included Commissioner Mervyn M. Dymally, Lieutenant Governor; and Sid McCausland, Deputy Director of Finance, representing Commissioner Roy M. Bell, Director of Finance.

The minutes of the meeting of May 26, 1977 were approved as written.

Mr. William F. Northrop's Executive Officer's report is attached as Exhibit "A".

Attachment: Exhibit "A"

EXHIBIT "A"

EXECUTIVE OFFICER'S REPORT

By

WILLIAM F. NORTHROP  
EXECUTIVE OFFICER

JUNE 30, 1977

W 9790  
LB Admin.

THE FEDERAL ENERGY ADMINISTRATION IN OCTOBER 1976 INCREASED THE CEILING PRICES FOR CALIFORNIA LOWER TIER CRUDE OIL REFLECTING THE GRAVITY DIFFERENTIAL ADJUSTMENT, BUT THE CRUDE OIL PURCHASERS DID NOT INCREASE THEIR POSTED PRICES.

IN THE LONG BEACH TIDELANDS, WE CONTENDED THAT FEA CEILING PRICES SHOULD BE PAID UNDER THE CRUDE OIL VALUATION TERMS OF THE NET PROFITS CONTRACTS. MONIES WERE PAID BY THE CONTRACTOR UNDER PROTEST UNTIL A JUDGMENT IN FEDERAL DISTRICT COURT REQUIRED A REFUND. AS OF TODAY, THE LAST OF ABOUT A \$4,000,000 REFUND HAS BEEN MADE BY ADJUSTMENTS IN THE NET PROFITS ACCOUNT PAYMENTS. INTEREST PAYMENTS REQUIRED BY THE JUDGMENT WILL BE ADJUSTED BETWEEN THE CITY OF LONG BEACH AND THE STATE. THE DISTRICT COURT RULING IS BEING APPEALED.

IT IS ANTICIPATED THAT MONTHLY CRUDE OIL CEILING PRICE INCREASES WILL RESUME AFTER A 14-MONTH FREEZE ON LOWER TIER CRUDE OIL. THESE INCREASES, WHICH ARE SUPPOSED TO OFFSET INFLATION AND MAINTAIN CRUDE PRICES AT THE FEBRUARY 1976 LEVEL, SHOULD START IN JULY OR AUGUST. WHETHER SUCH INCREASES IN THE CEILING PRICE WILL ACTUALLY BE PAID BY PURCHASERS IS NOT KNOWN AT THIS TIME. WE ARE STILL HOPEFUL THAT AN ENTITLEMENT ADJUSTMENT, BEING CONSIDERED BY THE FEA, FOR CALIFORNIA LOWER

TIER CRUDE WOULD GIVE US SOME PRICE RELIEF. THIS IS NECESSARY  
BECAUSE THE INFLATION INDEX USED TO INCREASE CRUDE PRICES IS  
NOT TRULY REFLECTIVE OF THE ACTUAL INCREASES IN OPERATING  
COSTS DUE TO INFLATION.

RECORD OF ACTION TAKEN BY THE  
STATE LANDS COMMISSION  
AT ITS MEETING OF JUNE 30, 1977

During the meeting, the recommendations of the staff relative to Calendar Items C-1, C2, C3, C4, C5, C6, C7, C8, C9, C10, C11, C12, C13, C14, C15, C16, C17, C18, C19, C20, 22, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, and 37 were adopted as resolutions of the Commission by unanimous vote.

Commission action on Calendar Items 21, 23, 38 and 39 are set forth on pages 705, 717, 761, and 762.

Status of Major Litigation is set forth on page 766.