MINUTE ITEM

This Calendar Item No. 16 was approved as Minute Item No. 16 by the State Lands Commission by a vote of 3 to 0 at its 3/22/84 meeting.

CALENDAR ITEM

16 4

22/84
PRC 5217
Cal Ann
[illegible]

APPROVAL OF STEAM SALES AGREEMENT BETWEEN GRI EXPLORATION AND GRI DEVELOPMENT CORPORATIONS AND THE CENTRAL CALIFORNIA POWER AGENCY

LESSELS: GRI Exploration Corporation and
GRI Development Corporation
545 Middlefield Road, Suite 200
Menlo Park, California 94025

AREA, TYPE AND LOCATION:
Approximately 424 acres of reserved mineral land in the northwestern portion of The Geysers Geothermal Steamfield, Sonoma County.

PREREQUISITES: None.

OTHER PERTINENT INFORMATION:
PRC 5217 was leased by competitive bidding in 1976. George P. Post of Palmu was the high bidder with a bid of 47.77 percent of net profits in [illegible] to a royalty of ten percent of gross revenue from the sale of steam and annual rent of [illegible]1 per acre. Pursuant to provisions of PRC Section 6912(b), the surface owner matched the high bid, was awarded the lease, and then assigned the lease to Amino [illegible] USA,

Revised 3/21/84

CALENDAR PAGE 74
MINUTE PAGE 547

Lease to GRI Development and Exploration Corporations (GRI). The Commission has previously approved the assignment. The General California Power Agency, No. 1 (CCPA) a joint powers agency composed of the Sacramento Municipal Utility District, Modesto Irrigation District, and the City of Santa Clara will build and operate a power plant utilizing steam supplied by GRI.

GRI proposes to develop a steamfield to supply a 55MW power plant. The plant area covers 686 acres - 440 acres in PRC 5217 and 206 acres in the southern half of Section 36, T12N, R9W which the State sold pursuant to the provisions of Ch. 303, Statutes 1921, and 40 acres of private land to the west of the State lease.

The sale contract sets the base price of steam deliveries to CCPA at $1.77 per 1,000 pounds. This price is effective on July 1, 1983, and is adjusted semi-annually thereafter on each succeeding January 1 and July 1. The adjustment is in proportion to interim increases or decreases in the Gross National Product Implicit Price Deflator Index (GNP Deflator), weighted 75 percent, and the Fuel/Power Component of the Producer's Price Index (Fuel Power Index), weighted 25 percent. Based on a price of $1.77 per 1,000 pounds of steam, 80 percent plant efficiency and a royalty rate of [illegible] on percent on PRC 5217, and the State's interest in lands sold pursuant to Ch. 303, Statutes of 1921, income to the State from the area will be about one million per year by 1987.

Since GRI operations also includes private lands there is a need to develop cost allocation procudures. The staff and GRI are currently working on developing such procedures. The Steam Sales Agreement is a very complex contractual agreement involving a substantial economic participation by CCPA. The effects of the partial elimination of the profits account have not been fully analyzed. Moreover, staff and GRI are currently discussing

Revised 3/21/84

terms of the Steam Sales Agreement and whether or not they should be considered to be credits or debits to the net profits account, and if so, how such credits or debits are to be allocated. Such terms include but are not limited to the following:

1. Costs borne by GRI pursuant to Article 6(a)(1) for location of the generating plant.

2. Accounting for revenue from CCPA for shared roadway costs pursuant to Article 6(b).

3. The allowability of reduction of steam payments pursuant to Article 7(a) and (b) due to failure of GRI to provide the daily steam requirement.

4. Delay payments paid by CCPA to GRI pursuant to Article 9.

5. The allowability to accounting of costs advanced by CCPA pursuant to Articles 9 and 29.

6. Allowability and accounting for costs for atmospheric emission control borne by GRI pursuant to Article 12 and incurred in operation of the generating plant.

7. The propriety, and accounting of reimbursement for waste disposal costs.

An EIR (SCH 75090204) covering the area was certified by the State Lands Commission prior to issuing the lease. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt from the requirements of the California Environmental Quality Act (CEQA) because it is not a "project" as defined by CEQA and the State CEQA Guidelines (authority: PRC 21065 and 14 Cal. Adm. Code 15378).

EXHIBITS: A. Location Map.
B. Plant Area A-1.

Revised 3/21/84

CALENDAR ITEM NO. 18 (CONTD)

IT IS RECOMMENDED THAT THE COMMISSION:

I. FIND THAT THIS ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE IT IS NOT A PROJECT AS DEFINED IN PRC 21065 AND 14 CAL. ADM. CODE 15378.

II. APPROVE THE GEOTHERMAL STEAM SALES AGREEMENT DATED MARCH 31, 1983, BETWEEN GRI DEVELOPMENT CORPORATION, GRI EXPLORATION CORPORATION, AND CENTRAL CALIFORNIA POWER AGENCY NO. 1 (CCPA NO. 1), SUBJECT TO THE FOLLOWING CONDITIONS:

A. THIS APPROVAL SHALL NOT BE CONSTRUED SO AS TO VEST IN THE LESSEES NOR IN ANY PARTY TO THE STEAM SALES AGREEMENT, ANY RIGHT, TITLE OR INTEREST IN THE SUBJECT LANDS IN ADDITION TO THOSE CONVEYED BY LEASE PRC 5217 ISSUED BY THE STATE LANDS COMMISSION, NOR IS IT INTENDED IN ANY WAY TO AMEND LEASE P.R.C. 5217.

B. IN THE EVENT OF ANY CONFLICT BETWEEN THE TERMS AND CONDITIONS OF THE STEAM SALES AGREEMENT, ON THE ONE HAND, AND THOSE OF LEASE PRC 5217, OR RULES AND REGULATIONS OF THE STATE LANDS COMMISSION, ON THE OTHER, THE TERMS AND CONDITIONS OF LEASE PRC 5217 AND THE RULES AND REGULATIONS SHALL PREVAIL AS BETWEEN THE STATE, AND ITS LESSEE.

C. THIS APPROVAL SHALL NOT BE CONSTRUED AS A PRIOR APPROVAL BY THE COMMISSION OF ANY ASSIGNMENT OF ANY LEASE, OR OF ANY RIGHT, TITLE, OR INTEREST IN THE LANDS COVERED BY LEASE PRC 5217.

D. THIS APPROVAL SHALL NOT CONSTITUTE PRIOR APPROVAL BY THE COMMISSION OF FUTURE AGREEMENTS BETWEEN THE PARTIES WITH RESPECT TO PLANT AREAS OTHER THAN THE ONE IDENTIFIED AS PLANT AREA A-1, WHICH IS MORE PARTICULARLY DESCRIBED IN EXHIBIT "B" ATTACHED HERETO, WHETHER OR NOT FURTHER AGREEMENTS ARE PROVIDED FOR IN THE STEAM SALES AGREEMENT.

III. FIND THAT THIS APPROVAL OF THE STEAM SALES AGREEMENT IS NOT INTENDED, NOR SHALL IT BE CONSTRUED TO BE, A PRIOR DETERMINATION AND APPROVAL OF CREDITS, DEBITS, OR ALLOCATIONS TO THE NET PROFITS ACCOUNT OF THE LESSEE.

IV. THAT THE APPROVAL OF THE SALES CONTRACT AND THE ASSIGNMENT IS NOT AN APPROVAL OF ANY POOLING OR UNITIZATION OF THE STATE LEASE OR THE STATE'S INTEREST IN ANY OTHER LANDS WITHIN PLANT AREA A-1. ANY POOLING OR UNITIZATION OF THE STATE LEASE AND/OR THE STATE'S INTEREST IN ANY OTHER LANDS SHALL REQUIRE PRIOR WRITTEN APPROVAL OF OF THE COMMISSION.

V. THAT BY APPROVING THE STEAM SALES AGREEMENT BETWEEN GRI AND CCPA, IT IS NOT THE INTENT OF THE STATE TO GRANT CCPA ANY RIGHTS IN, LEASE PRC 5217. WHEN THE LEASE IS TERMINATED FOR ANY REASON, CCPA SHALL HAVE NO FURTHER RIGHT TO OBTAIN STEAM FROM THE LEASED STATE LANDS.

There is no page numbered 74.5

CALENDAR PAGE 74.5
MINUTE PAGE 5512

Added 3/19/84

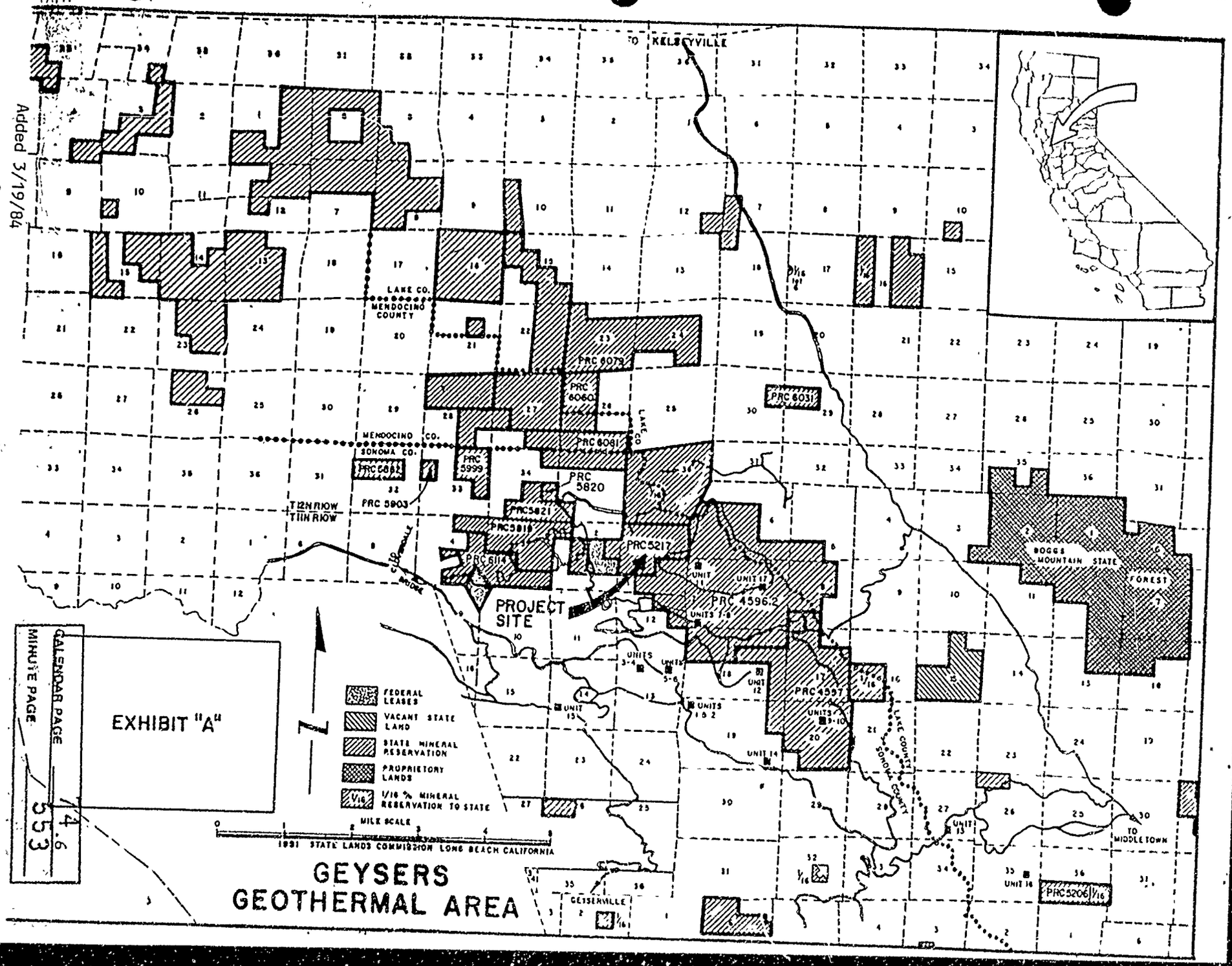
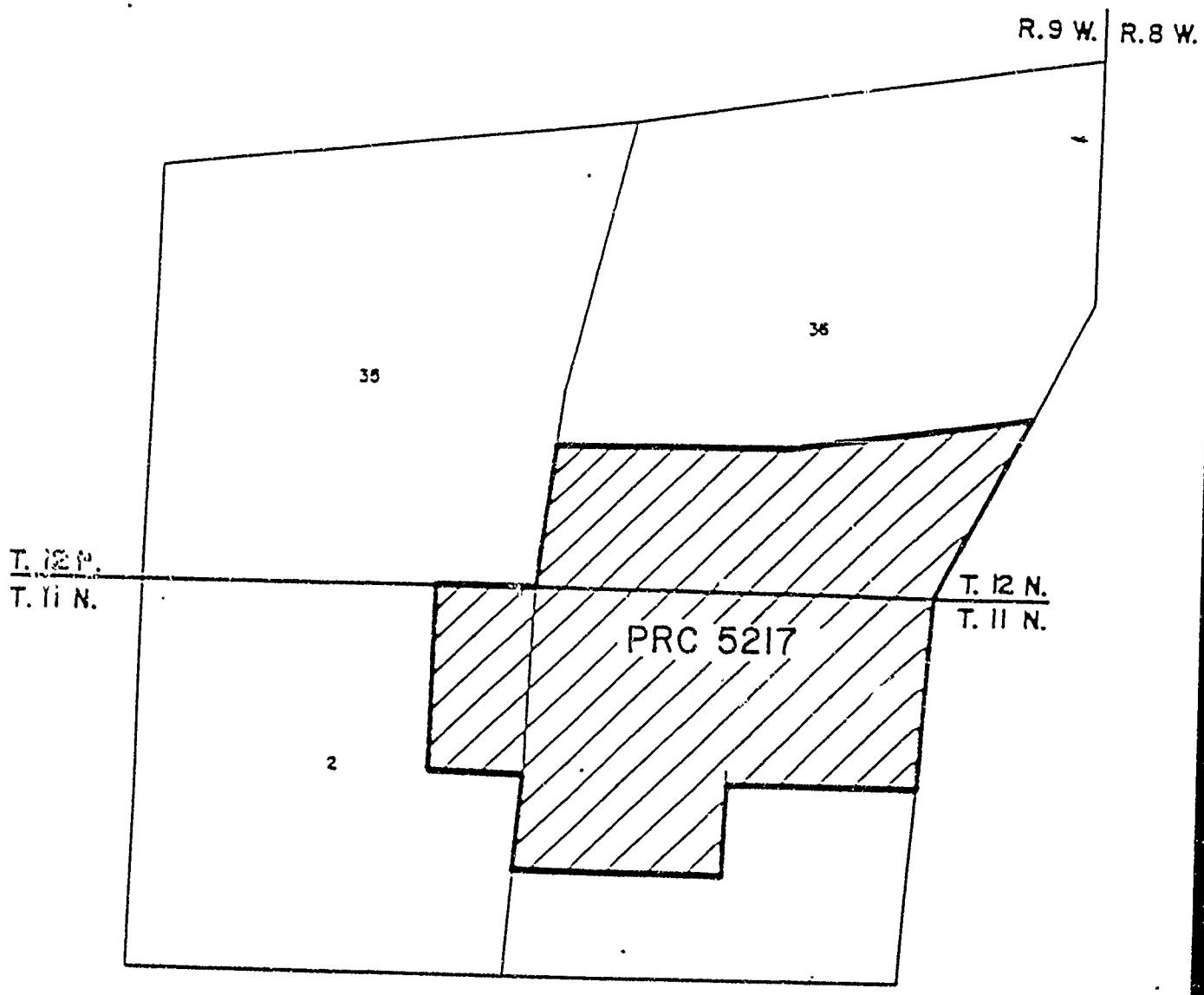

TO KELSEYVILLE
LAKE CO.
MENDOCINO COUNTY
MENDOCINO CO.
SONOMA CO.
PRC 6079
PRC 6060
PRC 6081
PRC 6031
PRC 5999
PRC 5820
PRC 5821
PRC 5818
PRC 5217
PRC 6114
PRC 5903
T12N R10W
T11N R10W
PROJECT SITE
UNIT 11
UNIT 17
PRC 4596.2
UNITS 1-8
UNITS 3-4
UNITS 5-6
UNIT 12
PRC 4597
UNITS 9-10
UNIT 15
UNITS 1 & 2
UNIT 14
UNIT 13
UNIT 16
PRC 5206 1/16
BOGGS MOUNTAIN STATE FOREST
LAKE COUNTY
SONOMA COUNTY
TO MIDDLETOWN
GEYSERVILLE
FEDERAL LEASES
VACANT STATE LAND
STATE MINERAL RESERVATION
PROPRIETORY LANDS
1/16 % MINERAL RESERVATION TO STATE
MILE SCALE
1991 STATE LANDS COMMISSION LONG BEACH CALIFORNIA
GEYSERS GEOTHERMAL AREA
EXHIBIT "A"
CALENDAR PAGE 14.6
MINUTE PAGE 553

EXHIBIT B



OUTLINE OF PLANT AREA A-1

SONOMA AND LAKE COUNTIES, CALIFORNIA

Added 3/19/84

CALENDAR PAGE	74.7
MINUTE PAGE	554