

This Calendar Item No. **C63**
was approved as Minute Item
No. **63** by the State Lands
Commission by a vote of **2**
to **1** at its **4-20-00**
meeting.

**CALENDAR ITEM
C63**

A 80

S 37

04/20/00
WP 6868.2
PRC 8150.2
N. Smith

**AMENDMENT OF LEASE PRC 6868.2, ISSUANCE
OF A GENERAL LEASE – NON-EXCLUSIVE RIGHT OF WAY USE PRC 8150.2,
APPROVAL OF SUBLEASE AND
CONSIDER AGREEMENT AND CONSENT TO ENCUMBRANCING
OF LEASE PRC 8150.2**

LESSEE/SUBLESSOR:

SFPP, L.P.
Attn: Mr. Jeff Reynolds
1100 Town and Country Road
Orange, California 92868

SUBLESEE:

Williams Communications, Inc.
Attn: Mr. Stephen Lee
110 West Seventh Street, Suite 500
Tulsa, Oklahoma 74119-1044

SECURED-PARTY LENDERS:

U.S. Bank Trust National Association,
Trustee for Secured Party Lenders

AREA, LAND TYPE, AND LOCATION:

11.442, acres, more or less, of school lands in a portion of Section 30, T9S
R13E; Section 12, T9S R11E, and Section 34, T8S R11E, SBM lying just east of
the Salton Sea, Imperial and Riverside counties.

AUTHORIZED USE:

PRC 6868.2: An existing 20-inch diameter petroleum pipeline and an idle 12-inch
diameter pipeline.

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PROPOSED LEASE:

PRC 8150.2: Primary use: installation, operation and maintenance of an 8-inch diameter conduit containing three 1.5-inch innerducts within the idle 12-inch diameter pipeline. One of the innerducts will house a single fiber optic cable having 96 hair-thin glass fibers. Secondary use: petroleum pipeline subject to the completion of environmental documentation deemed necessary by Lessor and upon securing the consent of Lessor.

TERM:

PRC 8150.2: 10 years, beginning April 20, 2000, with the right to renew for one additional period of 15 years, subject to such reasonable renewal terms and conditions as the State may impose.

CONSIDERATION PRC 8150.2:

\$2,395 per year; with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

PROPOSED AMENDMENT PRC 6868.2:

Delete the idle 12-inch pipeline from the lease premises and adjust rental accordingly. All other terms and conditions of the lease shall remain in effect without amendment.

CONSIDERATION PRC 6868.2:

\$3,990 per year; with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease. Pursuant to the above provision, staff has conducted a review of the rent under this lease and the new rent will be effective July 25, 2000.

OTHER PERTINENT INFORMATION:

1. The California State Lands Commission (CSLC) by Lieu Land Selection became the successor in interest to the SFPP, L.P. ("SFPP") right-of-way lease for the 12-inch pipeline. SFPP, in response to anticipated shortages of refined petroleum products in the Phoenix, Arizona, area, desired to increase the carrying capacity of its existing pipeline system between Colton, California and Phoenix, Arizona by looping certain sections of the existing 12-inch pipeline with a 20-inch pipeline within the existing right-of-way. The portions of the 12-inch pipeline replaced by the 20-inch pipeline became idle. The two pipelines are parallel to each other, and not less than seven feet apart.

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2. SFPP and Williams Communications, Inc. ("Williams") have a Pipeline Lease Agreement, dated January 28, 1999, for approximately 347 miles of use of the existing idle 12-inch pipeline between Colton, California and Phoenix, Arizona; of which less than 2 miles of this route is located on State School Lands. This installation by Williams is part of an integral portion of its nationwide fiber optic network in California. Williams proposes to install the fiber optic cable within the existing SFPP idle 12-inch pipeline which will minimize environmental impacts.
3. Staff and SFPP have agreed that Lease PRC 6868.2 should be amended to delete the idle 12-inch pipeline.
4. Staff proposes a new lease, PRC 8150.2, be issued to SFPP for the primary use of the 12-inch pipeline to be used as a conduit for fiber optic cables and secondary use as a petroleum pipeline subject to the completion of environmental documentation deemed necessary by Lessor and upon securing the consent of Lessor.
5. Staff has reviewed the Pipeline Lease Agreement between SFPP and Williams. Insofar as the agreement covers the Lease Premises under proposed Lease PRC 8150.2, Applicant has requested Williams be approved by the Commission as a sublessee. The sublease between SFPP and Williams, if approved by the Commission, would be subordinate to all of the terms and conditions of State Lands Lease PRC 8150.2.
6. On July 29, 1993 the Commission approved Lessee's request to encumber its leasehold interest under PRC 5439.1 and PRC 6868.2 and authorized the execution of an Encumbrancing Agreement in favor of certain identified institutional lenders. In accordance with the Commission's action, the CSLC executed that certain Agreement and Consent to Encumbrancing Agreement, by and between the State of California, acting by and through the State Lands Commission, as Lessor, SFPP, L.P. as Lessee and Bank of America National Savings Association, as Trustee, dated July 27, 1993 and amended August 11, 1997, (hereinafter referenced to as the "Encumbrancing Agreement"). The August 11, 1997 amendment provided for a change of Trustee to First Trust of California, National Association. On March 30, 1998, First Trust of California, National Association changed its name to U.S. Bank Trust National Association. Under the terms of the Encumbrancing Agreement,

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Lessor has agreed that no modification of the Lease shall be effective without the consent of the Secured Party Lenders. To date, the consent of the Secured Party Lenders has not been obtained. Lessee requests that PRC 6868.2 be amended and PRC 8150.2 be authorized as herein provided, to become effective only if the consent of the Secured Party Lenders under the Encumbrancing Agreement is obtained not later than 120 days following Commission action.

Lessee further requests that the new lease be issued subject to all terms and conditions of the Encumbrancing Agreement.

7. As to the amendment of Lease PRC 6868.2 to delete the idle 12-inch pipeline from the authorized uses; pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

8. As to the new lease to SFPP for the use of the existing idle 12-inch pipeline for use as a conduit for fiber optics and installation by Williams (sublessee) of an 8-inch diameter conduit into the idle 12-inch pipeline; a Mitigated Negative Declaration was prepared and adopted for that portion of the network within California by the California Public Utilities Commission. The CSLC's staff has reviewed the document. A Mitigation Monitoring Program was adopted by the California Public Utilities Commission. The CSLC adopted the Mitigation Monitoring Program at its meeting of December 3, 1999, upon approval of the Williams fiber optic cable Pittsburg to Sacramento Route. The Mitigated Negative Declaration and Mitigation Monitoring Program are on file in the Sacramento office of the CLSC.
9. As to the approval authorizing SFPP to enter into a sublease with Williams; a Mitigated Negative Declaration was prepared and adopted for that portion of the network within California by the California Public Utilities Commission. The CSLC's staff has reviewed the document. A Mitigation Monitoring Program was adopted by the California Public Utilities Commission. The CSLC adopted the Mitigation Monitoring Program at its

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meeting of December 3, 1999, upon approval of the Williams fiber optic cable Pittsburg to Sacramento Route. The Mitigated Negative Declaration and Mitigation Monitoring Program are on file in the Sacramento office of the CLSC.

10. As to the encumbrancing of the leasehold for Lease PRC 8150.2; pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

EXHIBITS:

- A. Land Description, WP 6868.2
- B. Land Description, PRC 8150.2
- C. Location Map

PERMIT STREAMLINING ACT DEADLINE:

October 9, 2000

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

AS TO LEASE PRC 6868.2 AMENDMENT TO DELETE THE IDLE 12-INCH PIPELINE; FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

AS TO THE NEW LEASE PRC 8150.2 TO SFPP; FIND THAT A MITIGATED NEGATIVE DECLARATION AND A MITIGATION MONITORING PROGRAM WERE PREPARED AND ADOPTED FOR THIS PROJECT BY THE CALIFORNIA PUBLIC UTILITIES COMMISSION AND THAT THE COMMISSION HAS REVIEWED AND

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CONSIDERED THE INFORMATION CONTAINED THEREIN AND HAS PREVIOUSLY ADOPTED, BY ITS ACTION OF DECEMBER 3, 1999, THE APPROPRIATE MITIGATION MONITORING PROGRAM.

AS TO THE AUTHORIZATION OF A SUBLEASE FOR PRC 8150.2, FIND THAT A MITIGATED NEGATIVE DECLARATION AND A MITIGATION MONITORING PROGRAM WERE PREPARED AND ADOPTED FOR THIS PROJECT BY THE CALIFORNIA PUBLIC UTILITIES COMMISSION AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN AND HAS PREVIOUSLY ADOPTED, BY ITS ACTION OF DECEMBER 3, 1999, THE APPROPRIATE MITIGATION MONITORING PROGRAM.

AS TO APPROVAL OF ENCUMBRANCING OF LEASE PRC 8150.2, FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

AUTHORIZATION:

AUTHORIZE EACH OF THE FOLLOWING ACTIONS, SUBJECT TO THE CONDITION PRECEDENT THAT APPLICANT FURNISH COMMISSION STAFF, NOT LATER THAN JULY 20, 2000, WITH THE WRITTEN CONSENT OF THE SECURED PARTY LENDERS UNDER THE ENCUMBRANCING AGREEMENT TO THE FOLLOWING ACTIONS:

AUTHORIZE THE AMENDMENT OF LEASE PRC 6868.2 A GENERAL LEASE – RIGHT OF WAY USE, TO DELETE THE IDLE 12-INCH PIPELINE FROM THE LEASE PREMISES, OF LANDS DESCRIBED ON EXHIBIT A ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF, EFFECTIVE APRIL 20, 2000; THE REVISION OF RENT FROM \$6,380 PER YEAR TO \$3,990 PER YEAR, EFFECTIVE JULY 25, 2000; ALL OTHER TERMS AND CONDITIONS OF THE LEASE WILL REMAIN IN EFFECT WITHOUT AMENDMENT.

AUTHORIZE ISSUANCE TO SFPP, L.P. (LESSEE) LEASE PRC 8150.2, OF A GENERAL LEASE – NON-EXCLUSIVE RIGHT OF WAY USE,

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BEGINNING APRIL 20, 2000, FOR A TERM OF 10 YEARS, WITH THE RIGHT FOR ONE ADDITIONAL PERIOD OF 15 YEARS, SUBJECT TO SUCH REASONABLE RENEWAL TERMS AND CONDITIONS AS THE STATE MAY IMPOSE, FOR INSTALLATION, OPERATION AND MAINTENANCE OF AN 8-INCH DIAMETER CONDUIT CONTAINING THREE 1.5-INCH INNERDUCTS WITHIN AN IDLE 12-INCH DIAMETER PIPELINE; ONE OF THE INNERDUCTS WILL HOUSE A SINGLE FIBER OPTIC CABLE HAVING 96 HAIR-THIN FIBERS, WITH THE CONDITIONAL USE, SUBJECT TO THE COMPLETION OF ENVIRONMENTAL DOCUMENTATION DEEMED NECESSARY BY LESSOR AND UPON SECURING THE CONSENT OF LESSOR, TO RECOMMENCE USE OF THE PIPELINE FOR TRANSPORTATION OF PETROLEUM PRODUCTS, ON THE LAND DESCRIBED ON EXHIBIT B ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF; ANNUAL RENT IN THE AMOUNT OF \$2,395, WITH THE STATE RESERVING THE RIGHT TO FIX A DIFFERENT RENT PERIODICALLY DURING THE LEASE TERM, AS PROVIDED IN THE LEASE; LIABILITY INSURANCE FOR COMBINED SINGLE LIMIT COVERAGE OF NOT LESS THAN \$1,000,000; SURETY IN THE AMOUNT OF \$10,000.

APPROVE U.S. BANK TRUST NATIONAL ASSOCIATION AND THOSE ADDITIONAL INSTITUTIONAL LENDERS LISTED ON FILE IN THE SACRAMENTO OFFICE OF THE STATE LANDS COMMISSION AS SECURED PARTY LENDERS WITH A SECURITY INTEREST IN STATE LANDS LEASE PRC 5439.1, PRC 6868.2 AND PRC 8150.2.

AUTHORIZE THE ENCUMBRANCING OF LEASE PRC 8150.2 IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THAT CERTAIN ENCUMBRANCING AGREEMENT, DATED JULY 27, 1993, AND AMENDED AUGUST 11, 1997, BY AND BETWEEN THE STATE OF CALIFORNIA, ACTING BY AND THROUGH THE STATE LANDS COMMISSION, AS LESSOR, SFPP, L.P. AS LESSEE AND BANK OF AMERICA NATIONAL SAVINGS ASSOCIATION, AS TRUSTEE.

AUTHORIZE A SUBLEASE FROM SFPP, L.P. (LESSEE) TO WILLIAMS COMMUNICATIONS, INC. (SUBLESSEE) FOR USE OF LEASE PREMISES TO INSTALL FIBER OPTIC CABLE IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF PRC 8150.2, EFFECTIVE APRIL 20, 2000.

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AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO TAKE ANY AND ALL FURTHER STEPS NECESSARY TO IMPLEMENT THE FOREGOING TRANSACTION, INCLUDING, BUT NOT LIMITED TO, THE EXECUTION OF DOCUMENTS.

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EXHIBIT A

WP 6868.2

LAND DESCRIPTION

Three parcels of California State lieu lands in Riverside and Imperial Counties, California, said parcels being strips of land lying 10 feet on each side of a gas fuel line, the centerline of said strips being more particularly described as follows:

PARCEL 1

BEGINNING at a point on the north line of the W ½ of the SW ¼ of Section 34, T8S, R11E, SBM, Riverside County, said point being 420 feet easterly of the W ¼ corner of said Section 34; thence from said point of beginning S 50° 13' E, 1154 feet to a point on the east line of the W ½ of the SW ¼ of said Section 34 and the end of the herein described line.

PARCEL 2

BEGINNING at a point on the west line of Section 12, T9S, R11E, SBM, Imperial County, said point being 975 feet southerly of the NW corner of said Section 12; thence from said point of beginning S 68° 04' E, 5715 feet to a point on the east line of said Section 12 and the end of the herein described line.

PARCEL 3

BEGINNING at a point on the west line of Section 30, T9S, R13E, SBM, Imperial County, said point being 4730.3 feet northerly of the SW corner of said Section 30; thence from said point of beginning S 68° 04' E, 2179 feet; thence S 71° 13' E, 328 feet; thence S 65° 53' E, 468 feet; thence S 68° 04' E, 125 feet to the east line of Lot 1 of the NW ¼ of said Section 30 and the end of the herein described line.

END OF DESCRIPTION

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EXHIBIT B

PRC 8150.2

LAND DESCRIPTION

Three parcels of California State lieu lands in Riverside and Imperial Counties, California, said parcels being strips of land lying 5.5 feet on each side of a gas fuel line, the centerline of said strips being more particularly described as follows:

PARCEL 1

BEGINNING at a point on the north line of the W ½ of the SW ¼ of Section 34, T8S, R11E, SBM, Riverside County, said point being 420 feet easterly of the W ¼ corner of said Section 34; thence from said point of beginning S 50° 13' E, 1154 feet to a point on the east line of the W ½ of the SW ¼ of said Section 34 and the end of the herein described line.

PARCEL 2

BEGINNING at a point on the west line of Section 12, T9S, R11E, SBM, Imperial County, said point being 975 feet southerly of the NW corner of said Section 12; thence from said point of beginning S 68° 04' E, 5715 feet to a point on the east line of said Section 12 and the end of the herein described line.

PARCEL 3

BEGINNING at a point on the west line of Section 30, T9S, R13E, SBM, Imperial County, said point being 4730.3 feet northerly of the SW corner of said Section 30; thence from said point of beginning S 68° 04' E, 2179 feet; thence S 71° 13' E, 328 feet; thence S 65° 53' E, 468 feet; thence S 68° 04' E, 125 feet to the east line of Lot 1 of the NW ¼ of said Section 30 and the end of the herein described line.

END OF DESCRIPTION

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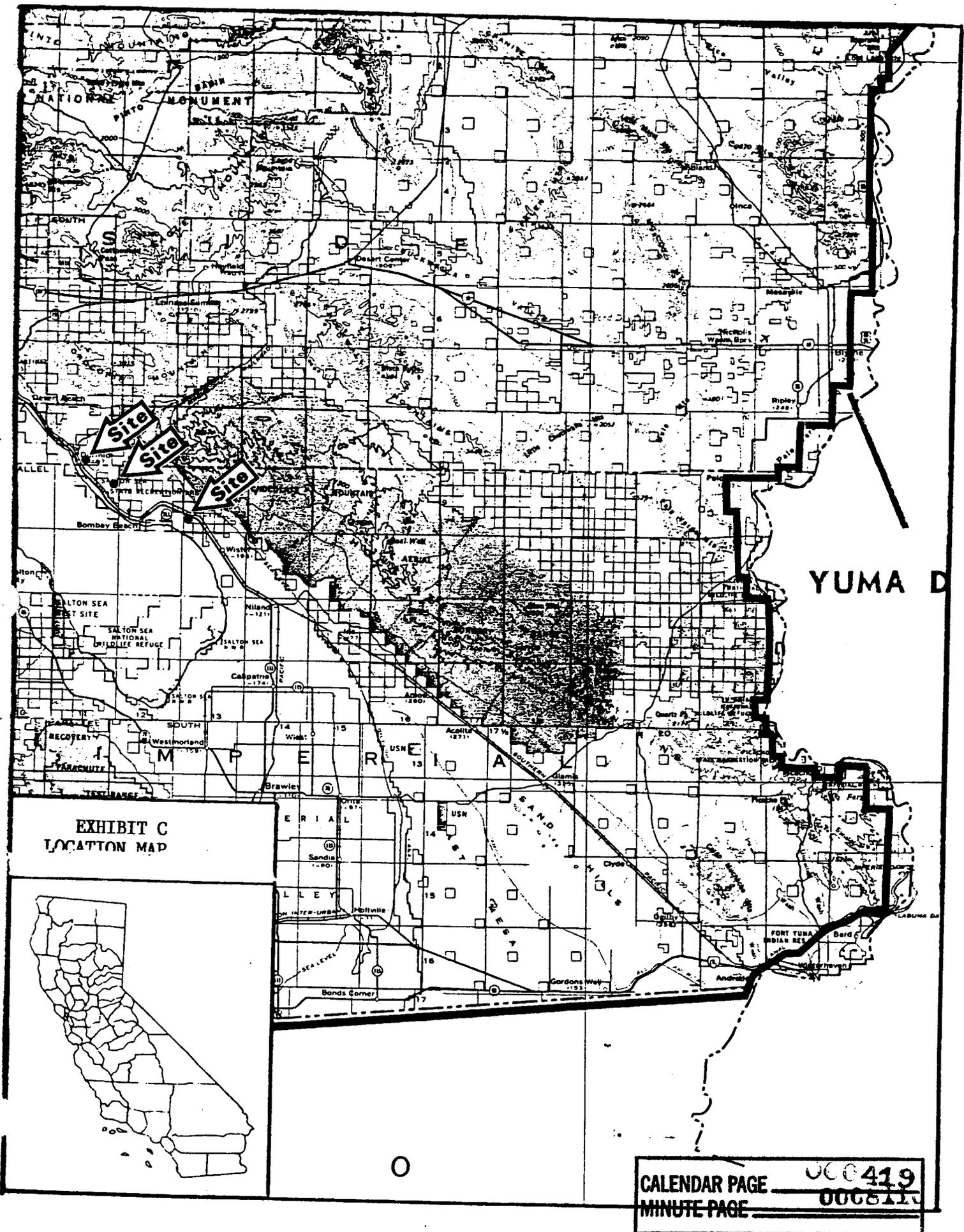


EXHIBIT C
LOCATION MAP