

**CALENDAR ITEM
C26**

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02/05/07
WP 8443.1
J. McComas

**ASSIGNMENT OF LEASE AND APPROVAL OF AN
AGREEMENT AND CONSENT TO ENCUMBRANCING OF LEASE**

LESSEE/ASSIGNOR:

Wild Goose Storage, Inc.
3900, 421 Seventh Avenue, SW
Calgary, Alberta, Canada T2P 4K9

ASSIGNEE:

Wild Goose Storage, LLC
1200, 855 -2nd Street, S. W.
Calgary, Alberta, Canada T2P 4Z5

SECURED PARTY LENDER:

Bank of America, N. A.
C/O Agency Management
100 Federal Street
Mail Code: MAS-100-1102
Boston, Massachusetts, 02110

AREA, LAND TYPE, AND LOCATION:

0.10 acres, more or less, of sovereign lands in the Sacramento River, east of the town of Delevan, Colusa County.

AUTHORIZED USE:

Continued use and maintenance of a horizontal directionally drilled, cathodically protected, 36-inch diameter natural gas pipeline and two fiber optic cables.

LEASE TERM:

20 years, beginning February 21, 2003.

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CONSIDERATION:

\$250 per year, with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

SPECIFIC LEASE PROVISIONS:

Insurance:

Liability Insurance of \$250,000,000

Guaranty:

Corporate Guaranty of \$5,000,000

OTHER PERTINENT INFORMATION:

1. Assignee has the right to use the uplands adjoining the lease premises.
2. On February 21, 2003, the Commission authorized a General Lease - Right of Way Use with Wild Goose Storage, Inc. for the installation of a horizontal directionally drilled 36-inch diameter natural gas pipeline and two fiber optic cables. Subsequently, Wild Goose Storage Inc., converted it's status into a limited liability company.
3. On June 25, 1997, Wild Goose Storage was granted a certificate of public convenience and necessity (CPCN) by the California Public Utilities Commission (CPUC) to provide a 29 billion cubic feet of natural gas storage facility in Butte County. On November 9, 2006 Niska Gas Storage US, LLC (Niska Gas Storage) received approval from the CPUC authorizing the financing for the acquisition of Wild Goose Storage and for the completion of the storage capacity project and the change of control of Wild Goose Storage, LLC, and on November 16, 2006, Niska Gas Storage completed the acquisition of Wild Goose Storage, LLC.
4. Niska Gas Storage has provided a Guaranty for the performance of the lease obligations of its subsidiary, Wild Goose Storage, LLC.
5. Lessee and its parent company, Niska Gas Storage, have a credit facility with the Secured Party Lender and a number of other lenders. The credit facility, in an amount not to exceed \$1,175,000,000, requires a deed of trust, securing substantially all of the properties and assets of the parent company and it's subsidiaries as security for the obligations under the credit facility.

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6. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it 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, sections 15060 (c)(3) and 15378.

EXHIBIT:

- A. Site and Location Map

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) 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 THE ASSIGNMENT OF LEASE NO. PRC 8443.1, A GENERAL LEASE - RIGHT OF WAY USE, OF SOVEREIGN LANDS AS SHOWN ON EXHIBIT A ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF, FROM WILD GOOSE STORAGE, INC. TO WILD GOOSE STORAGE, LLC; EFFECTIVE MARCH 1, 2007.

AUTHORIZE EXECUTION BY THE EXECUTIVE OFFICER OR HIS DESIGNEE OF AN "AGREEMENT AND CONSENT TO ENCUMBRANCING OF LEASE" ALLOWING LESSEE'S RIGHT, TITLE, AND INTEREST IN LEASE NO. PRC 8443.1 PLEDGED AS PARTIAL SECURITY FOR A CREDIT FACILITY IN THE AMOUNT NOT TO EXCEED \$1,175,000,000, AS EVIDENCED BY A DEED OF TRUST, IN FAVOR OF BANK OF AMERICA, N.A. ET AL.