CALENDAR ITEM

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A 33 03/25/08
WP 8720.1
S 19 G. Kato

AMENDMENT OF LEASE

LESSEE:

Southern California Gas Company
1981 W. Lugonia Avenue
Redlands, CA 91927

AREA, LAND TYPE, AND LOCATION:

One acre of sovereign land located near the town of Lompoc, Santa Barbara County, commonly referred to as the "Burton Mesa Preserve".

AUTHORIZED USE:

Construction, use, and maintenance of approximately 830 feet of six-inch pipeline used to transport natural gas.

LEASE TERM:

Ten years, ending January 24, 2015.

CONSIDERATION:

$100 per year; with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

INSURANCE:

Liability insurance for combined single limit coverage of not less than $1,000,000.

PROPOSED AMENDMENT:

Authorize equivalent self insurance program upon approval of Commission staff to satisfy the insurance requirement.

OTHER PERTINENT INFORMATION:

1. On November 21, 2006, the Commission authorized a ten-year General Lease – Right of Way Use, to Southern California Gas Company for the construction, use, and maintenance of a natural gas pipeline. The lease

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required that the lessee carry general liability insurance in the amount of no less than $1,000,000.

2. The Lessee is a subsidiary of Sempra Energy, a Fortune 200 energy services holding company with 2006 revenues of nearly $12 billion. Sempra's Credit Ratings, and that of subsidiary utility companies San Diego Gas & Electric Company, and Southern California Gas Company are investment grade. Sempra Energy's unsecured debt ratings are BBB+ (S&P), Baa1 (Moody's) and A (Fitch). San Diego Gas & Electric Company and Southern California Gas Company ratings are A+/A1/AA. Staff review of key statistics show that Sempra is a financially strong business. Specifically, Sempra has a low debt to equity ratio (0.707) and over $1 billion of cash. For these reasons, the Lessee is requesting that the lease be amended to allow the Lessee to be self-insured for general liability coverage in an amount of not less than $1,000,000.

3. 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.

4. This activity involves lands which have NOT been identified as possessing significant environmental values pursuant to Public Resources Code sections 6370, et seq. However, the Commission has declared that all tide and submerged 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 sections 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 Title 2, California Code of Regulations, section 2954 is not applicable.

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.

SIGNIFICANT LANDS INVENTORY FINDING:

THE PROPERTY ASSUMED THE LEGAL CHARATER OF SOVEREIGN LANDS UPON THE COMMISSION TAKING OWNERSHIP IN 1991.

THE PROPERTY INVOLVES LANDS WHICH WERE NOT IDENTIFIED IN 1975 AS POSSESSING SIGNIFICANT EVNIRONMENTAL VALUES PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6370, ET SEQ.

HOWEVER, THE COMMISSION HAS DECLARED THAT ALL SOVEREIGN LANDS ARE "SIGNIFICANT" BY NATURE OF THEIR PUBLIC OWNERSHIP. SINCE SUCH DECLARATION OF SIGNIFICANCE IS NOT BASED UPON THE REQUIREMENTS AND CRITERIA OF PUBLIC RESOURCES CODE SECTIONS 6370 ET SEQ., THE FINDINGS OF THE PROJECT'S CONSISTENCY WITH THE USE CLASSIFICATION AS REQUIRED BY TITLE 2, CALIFORNIA CODE OF REGULATIONS, SECTION 2954 IS NOT APPLICABLE.

AUTHORIZATION:

AUTHORIZE THE AMENDMENT OF LEASE NO. PRC 8720.1, TO A GENERAL LEASE – RIGHT OF WAY USE, TO AUTHORIZE SOUTHERN CALIFORNIA GAS COMPANY TO PARTICIPATE IN A SELF INSURANCE PROGRAM UPON APPROVAL OF COMMISSION STAFF TO SATISFY THE INSURANCE REQUIREMENT, EFFECTIVE FEBRUARY 25, 2008. ALL OTHER TERMS AND CONDITIONS OF THE LEASE WILL REMAIN IN EFFECT WITHOUT AMENDMENT.

NO SCALE

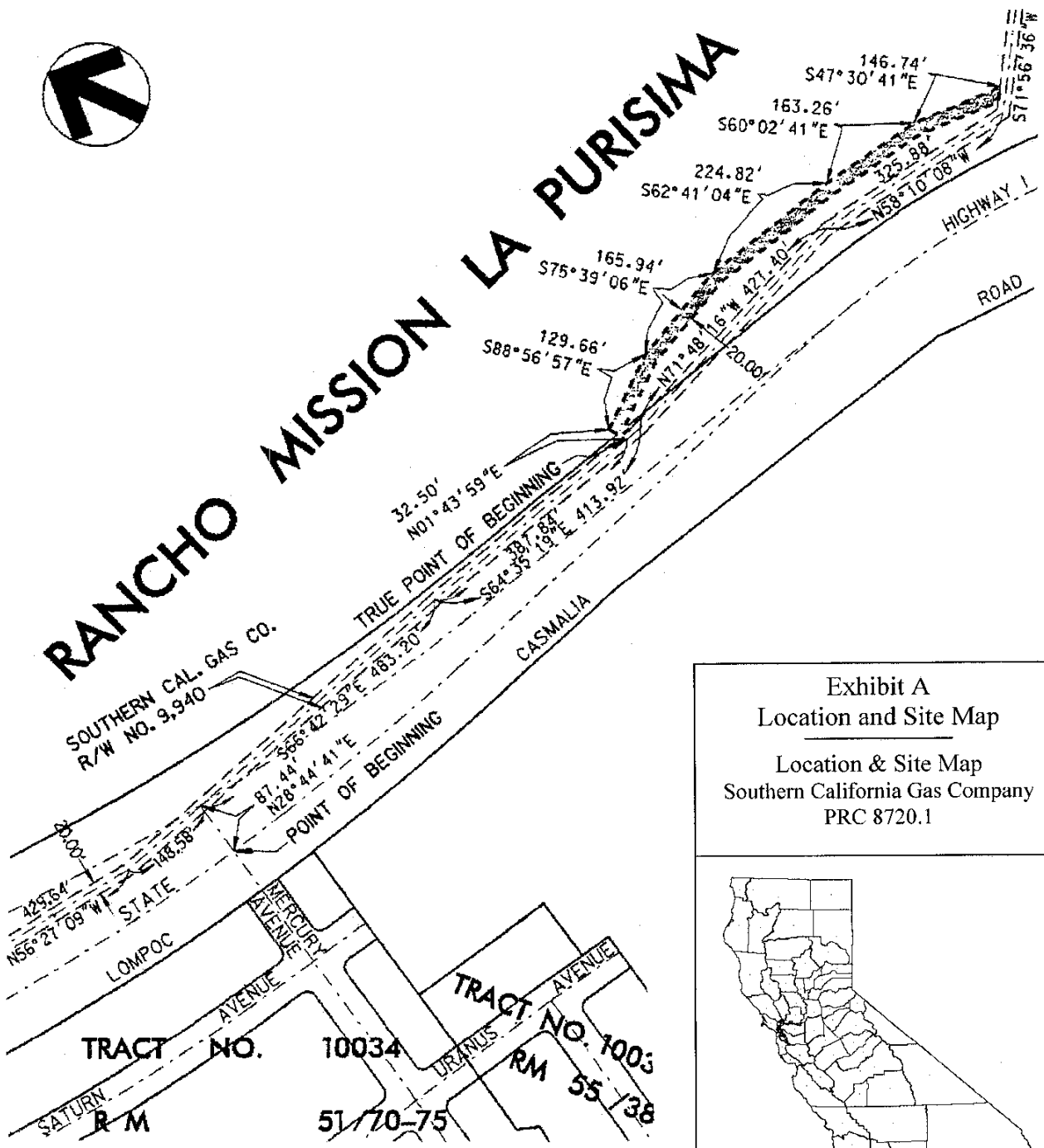

Exhibit A
Location and Site Map

Location & Site Map
Southern California Gas Company
PRC 8720.1

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

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