

**CALENDAR ITEM
C06**

A 2
S 4

10/27/11
WP 8046.1
R. Boggiano

**ASSIGNMENT OF LEASE
AND REVISION OF RENT**

LESSEE / ASSIGNOR:

Calpine Pittsburg, Inc.

ASSIGNEE:

CPN Pipeline Company
10350 Socrates Mine Road
Middletown, CA 95461

AREA, LAND TYPE, AND LOCATION:

0.30 acre, more or less, of sovereign land in the Sacramento River, seven miles downstream of Tisdale Bypass, near the town of Robbins, Sutter and Yolo Counties.

AUTHORIZED USE:

Continued use and maintenance of a 12-inch diameter welded steel carrier pipeline containing an eight-inch diameter natural gas product pipeline inside the carrier pipeline, and an abandoned-in-place eight-inch natural gas pipeline, as shown on the attached exhibit A.

LEASE TERM:

20 years, beginning October 15, 1998.

CONSIDERATION:

This lease provides that Lessor may modify the rent periodically during the lease term. Pursuant to this provision, staff has conducted a review of the rent under this lease, and recommends that the rent be revised from \$122 per year to \$189 per year, effective October 15, 2011.

SPECIFIC LEASE PROVISIONS

This lease provides that Lessor may increase the amount of liability insurance periodically during the lease term. Pursuant to this provision, staff recommends

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an increase in liability insurance from \$2,000,000 to \$5,000,000, effective October 15, 2011.

OTHER PERTINENT INFORMATION:

1. Assignee has the right to use the upland adjoining the lease premises.
2. On December 16, 1998, the Commission authorized a 20-year General Lease – Right-of-Way Use to Calpine Pipeline Corporation. On June 27, 2000, the Commission authorized an assignment of the lease from Calpine Pipeline Corporation to Calpine Pittsburg, Inc. On March 1, 2001, Calpine Pittsburg, Inc. merged with CPN Pipeline Company (CPN), and changed its name to CPN Pipeline Company and as a result, Calpine Pittsburg Inc. is no longer an existing business entity. CPN Pipeline has since been fulfilling the obligations of the Lessee. CPN Pipeline Company is applying for an assignment of the lease.
3. CPN is a wholly-owned subsidiary of Calpine Corporation. CPN will be responsible for complying with all obligations of the lease for the existing facilities.
4. The existing 12-inch diameter steel pipeline was installed in October 1998, to replace an existing eight-inch diameter pipeline under the River at the same location, which was taken out of service on February 8, 1998, when it developed a leak caused by microbiologically-influenced corrosion. The eight-inch diameter pipeline was abandoned in place, and CPN continues to be responsible for maintenance of both pipelines.
5. The pipeline transports natural gas from a natural gas field in Colusa and Yolo counties on the west side of the Sacramento River to an existing pipeline in Sutter County on the east side of the river. This existing pipeline connects to a system delivering gas to a co-generation power plant in Sutter County. The system was last inspected in 2010. No repairs or modifications within the lease area were necessitated by the December 2010 inspection report.
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 CEQA because it is not a "project" as defined by 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.

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EXHIBITS:

- A. Site and Location Map
- B. Land Description

RECOMMENDED ACTION:

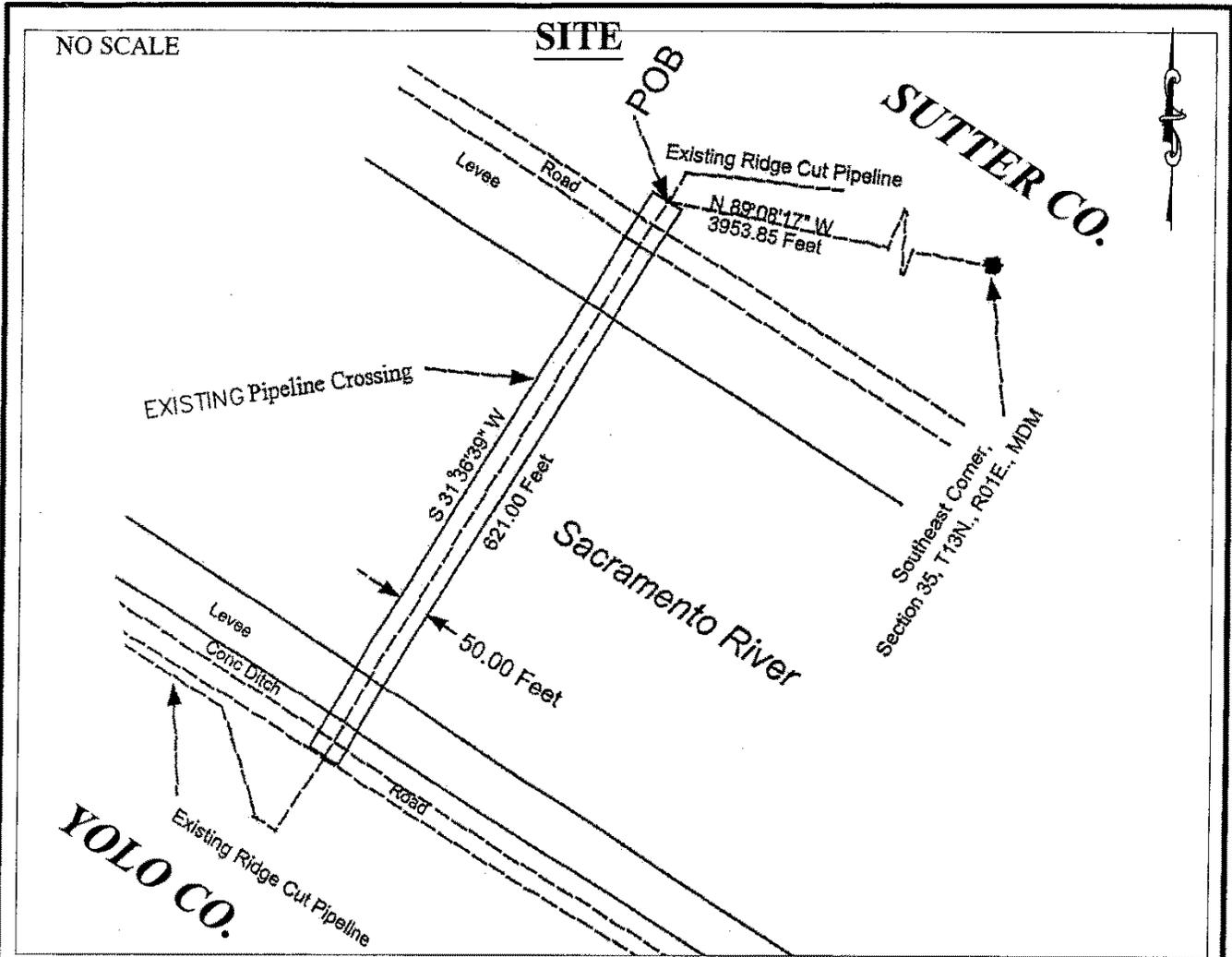
It is recommended that the Commission:

CEQA FINDING:

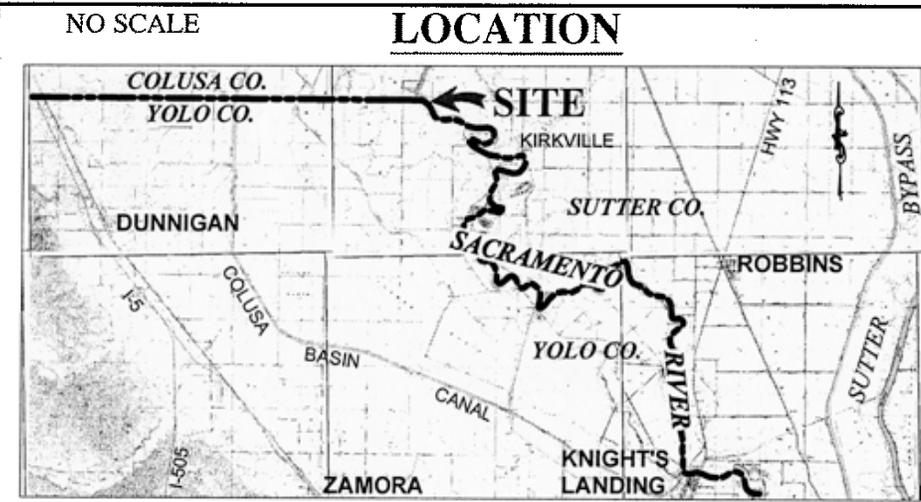
Find that the activity is not subject to the requirements of CEQA pursuant to Title 14, California Code of Regulations, section 15060(c)(3) because the activity is not a project as defined by Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

AUTHORIZATION:

1. Authorize the assignment of Lease No. PRC 8046.1, a General Lease - Right-of-Way Use, of sovereign land in the Sacramento River as shown on Exhibit A (for reference purposes only) and as described in Exhibit B attached and by this reference made a part hereof, from Calpine Pittsburg, Inc. to CPN Pipeline Company; effective October 27, 2011.
2. Increase liability insurance from \$2,000,000 to \$5,000,000, effective October 15, 2011.
3. Approve the revision of rent for Lease No. PRC 8046.1 from \$122 per year to \$189 per year, effective October 15, 2011.



CALPINE NATURAL GAS PIPELINE CROSSING



MAP SOURCE: USGS QUAD

Exhibit A
 PRC 8046.1
 CALPINE /
 CPN PIPELINE COMPANY
 ASSIGNMENT OF GENERAL
 LEASE - RIGHT-OF-WAY USE
 SUTTER & YOLO COUNTIES



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

EXHIBIT B

LAND DESCRIPTION

PRC 8046.1

A parcel of State owned land lying in the bed of the Sacramento River, situated in Yolo and Sutter Counties, California, within protracted Section 2, Township 12 North, Range 01 East, Mount Diablo Base and Meridian, described as follows:

A strip of land 50.00 feet in width, the centerline of which is described as follows:

BEGINNING at a point on the north line of said Section 2, from which the southeast corner of Section 35, Township 13 North, Range 01 East, Mount Diablo Base and Meridian bears South 89°08'17" East, 3953.85 feet; thence from said **POINT OF BEGINNING** South 31°36'29" West, 621.00 feet to a point in the westerly levee road of the Sacramento River and the terminus of said strip.

EXCEPTING THEREFROM all those portions of said strip lying above the Ordinary Low Water Marks of the Sacramento River.

END DESCRIPTION

Revised November 1998 by LMD Boundary Staff.