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Comm. at its meeting
8/25/77

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PRC2839.1
Willard

CALENDAR ITEM

26.

AMENDMENT AND RENEWAL OF GAS STORAGE
LEASE PRC 2839.1

LEASE: Pacific Gas and Electric Company
77 Beale Street
San Francisco, California 94106

AREA: Gas Storage Lease PRC 2839.1 covers the
State's proportionate interest in the McDonald
Island Sand within the McDonald Island
Gas Field; San Joaquin County.

EXISTING TERMS: Gas Storage Lease PRC 2839.1 was issued
for a period of 15 years from March 1,
1962, with the lessee's preferential right
to renew the agreement for two successive
periods of 15 years each under such reasonable
terms and conditions as the State may pre-
scribe. The State's proportionate ownership
of Whiskey Slough overlying the McDonald
Island Sand has been determined as 12.193%.

The storage agreement provided for an annual
rental of \$20,000 or 1 cent per Mcf of
gas injected, whichever is greater, during
the first five years of the lease. From
the sixth through fifteenth year, the rental
was subject to a yearly increase of 2%.
In 15 years P.G.&E. has injected 28 million
Mcf of gas and paid to the State approximately
\$400,000.

PROPOSED RENEWAL TERMS:

1. To provide for a payment on all injected
gas of 2¢ per Mcf multiplied by 12.193%
(the State's proportionate ownership
of lands overlying the storage reservoir)
but in no event less than \$85,000 per
year.

2. To provide for an annual increase in said rate and minimum annual rental of 5% per year to the end of the renewed term of the agreement (March 1, 1992).
3. Provide that all royalties, rentals, or other monetary considerations arising under provisions of the agreement and not paid when due, shall be subject to a 5 percent penalty and interest at a rate of 1 percent per month.
4. The effective date of the renewed lease to be March 1, 1977.

OTHER PERTINENT INFORMATION:

On February 24, 1977, the Commission authorized an interim extension of the Gas Storage Lease under its present terms and conditions to August 31, 1977, to permit completion of negotiations for a renewal lease; the terms of the renewal lease to be effective from March 1, 1977.

EXHIBIT: A. Site Map

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN ENVIRONMENTAL IMPACT REPORT HAS NOT BEEN PREPARED FOR THIS ACTIVITY AS SUCH REPORT IS NOT REQUIRED UNDER THE PROVISIONS OF PRC 21169; 14 CAL. ADM. CODE 15070; AND 2 CAL. ADM. CODE 2904(b).
2. FIND THAT GRANTING THE RENEWAL OF GAS STORAGE LEASE PRC 2839.1 WILL HAVE NO SIGNIFICANT EFFECT UPON THE ENVIRONMENTAL CHARACTERISTICS IDENTIFIED PURSUANT TO SECTION 6370.1 OF THE PUBLIC RESOURCES CODE.
3. AUTHORIZE APPROVAL OF THE AMENDMENT AND RENEWAL OF GAS STORAGE LEASE PRC 2839.1, SAN JOAQUIN COUNTY, ON FILE IN THE OFFICE OF THE COMMISSION.