

MINUTE ITEM

This Calendar Item No. 116
was approved as Minute Item
No. 116 by the State Lands
Commission by a vote of 3
to 0 at its 3/22/84
meeting.

CALENDAR ITEM

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22/84
PC 5217
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APPROVAL OF SURFACE SALES AGREEMENT BETWEEN
GRI EXPLORATION AND GRI DEVELOPMENT CORPORATIONS AND
THE CENTRAL CALIFORNIA POWER AGENCY

LESSEES: GRI Exploration Corporation and
GRI Development Corporation
545 Middlefield Road, Suite 200
Menlo Park, California 94025

AREA, TYPE AND LOCATION: Approximately 424 acres of reserved mineral
land in the northwestern portion of The
Geysers Geothermal Steamfield, Sonoma County.

PREREQUISITES: None.

OTHER PERTINENT INFORMATION:
PC 5217 was leased by competitive bidding
in 1970. George P. Post of Palo Alto was the
high bidder with a bid of 7.77 percent
of net profits in addition to a royalty
of ten percent of gross revenue from the
sale of steam and annual rent of \$1 per
acre. Pursuant to provisions of P.C.
Section 6912(b), the surface owner (the
Central P.S.A.) was awarded the lease, and
then assigned the lease to Ammono P.S.A.

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Inc. is now subsequently assigned to lease to GRI Development and Exploration Corporations (GRI). The Commission has previously approved the assignment. The Central California Power Agency, No. 1 (CCPA) a joint powers agency composed of the Sacramento Municipal Utility District, Modoc Irrigation District, and the city of Santa Clara will build and operate a power plant utilizing steam supplied by GRI.

GRI proposes to develop a steamfield to supply a 550 MW power plant. The plant area covers 686 acres - 420 acres in PRC 5217 and 266 acres in the southern half of Section 36, T12N, R9E, which the State sold pursuant to the provisions of Ch. 303, Statutes 1921, and 40 acres of private land to the west of the State lease.

The sale contract sets the base price of steam deliveries to CCPA at \$1.77 per 1,000 pounds. This price is effective on July 1, 1983, and is adjusted semi-annually thereafter on each succeeding January 1 and July 1. The adjustment is in proportion to interim increases or decreases in the Gross National Product Implicit Price Deflator Index (GNP Deflator), weighted 75 percent, and the Fuel/Power Component of the Producer's Price Index (Fuel Power Index), weighted 25 percent. Based on a price of \$1.77 per 1,000 pounds of steam, 80 percent plant efficiency and a royalty rate of 10 percent on PRC 5217, and the State's interest in lands sold pursuant to Ch. 303, Statutes of 1921, income to the State from the area will be about one million per year by 1987.

Since GRI operations also includes private lands there is a need to develop cost allocation procedures. The staff and GRI are currently working on developing such procedures. The Steam Sales Agreement is a very complex contractual agreement involving a substantial economic participation by CCPA. The effects of the participation on the net profits account have not been fully analyzed. However, staff and GRI are currently discussing

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Terms of the Steam Sales Agreement and whether or not they should be considered as credits or costs to the generator's account, and if so, how such credits or costs are to be allocated. Such terms include but are not limited to the following:

1. Costs borne by GMI pursuant to Article 6(a)(1) for location of the generating plant.
2. Accounting for revenue from CCPA for shared roadway costs pursuant to Article 6(b).
3. The allowability of reduction of such payments pursuant to Article 7(a) and (b) due to failure of GMI to provide the daily steam requirement.
4. Delay payments paid by CCPA to GMI pursuant to Article 9.
5. The allowability and accounting of costs advanced by CCPA pursuant to Articles 9 and 29.
6. Allowability and accounting for costs for atmospheric emission control borne by GMI pursuant to Article 12 and incurred in operation of the generating plant.
7. The propriety, and accounting of reimbursement for waste disposal costs.

An LIS (SC# 75090204) covering the area was certified by the State Lands Commission prior to issuing the lease. Pursuant to the Commission's determination of authority and the State CEQA Guidelines (14 Cal. Reg. Code 15001), the staff has determined that this activity is exempt from the requirements of the California Environmental Quality Act (CEQA) because it is not a "project" as defined by CEQA and the State CEQA Guidelines (authority: PUC 21005 and 14 Cal. Reg. Code 15370).

LIMITS:

1. Location map.
2. Plans Area A-1.

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IT IS RECOMMENDED THAT THE COMMISSION:

I. FIND THAT THIS ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE IT IS NOT A PROJECT AS DEFINED IN PRC 21065 AND 14 CAL. ADM. CODE 15378.

II. APPROVE THE GEOTHERMAL STEAM SALES AGREEMENT DATED MARCH 31, 1983, BETWEEN GRI DEVELOPMENT CORPORATION, GRI EXPLORATION CORPORATION, AND CENTRAL CALIFORNIA POWER AGENCY NO. 1 (CCPA NO. 1), SUBJECT TO THE FOLLOWING CONDITIONS:

A. THIS APPROVAL SHALL NOT BE CONSTRUED SO AS TO VEST IN THE LESSEES NOR IN ANY PARTY TO THE STEAM SALES AGREEMENT, ANY RIGHT, TITLE OR INTEREST IN THE SUBJECT LANDS IN ADDITION TO THOSE CONVEYED BY LEASE PRC 5217 ISSUED BY THE STATE LANDS COMMISSION, NOR IS IT INTENDED IN ANY WAY TO AFFECT LEASE P.L.C. 5217.

B. IN THE EVENT OF ANY CONFLICT BETWEEN THE TERMS AND CONDITIONS OF THE STEAM SALES AGREEMENT, ON THE ONE HAND, AND THOSE OF LEASE PRC 5217, OR RULES AND REGULATIONS OF THE STATE LANDS COMMISSION, ON THE OTHER, THE TERMS AND CONDITIONS OF LEASE PRC 5217 AND THE RULES AND REGULATIONS SHALL PREVAIL AS BETWEEN THE STATE, AND ITS LESSEE.

C. THIS APPROVAL SHALL NOT BE CONSIDERED AS A PRIOR APPROVAL BY THE COMMISSION OF ANY ASSIGNMENT OF ANY LEASE, OR OF ANY RIGHT, TITLE, OR INTEREST IN THE LANDS COVERED BY LEASE PRC 5217.

D. THIS APPROVAL SHALL NOT CONSTITUTE PRIOR APPROVAL BY THE COMMISSION OF FUTURE AGREEMENTS BETWEEN THE PARTIES WITH RESPECT TO PLANT AREAS OTHER THAN THE ONE IDENTIFIED AS PLANT AREA A-1, WHICH IS MORE PARTICULARLY DESCRIBED IN EXHIBIT "A" ATTACHED HERETO, WHETHER OR NOT FURTHER AGREEMENTS ARE PROVIDED FOR IN THE STEAM SALES AGREEMENT.

III. FIND THAT THIS APPROVAL OF THE STEAM SALES AGREEMENT IS NOT INTENDED, NOR SHALL IT BE CONSTRUED TO BE, A PRIOR DETERMINATION AND APPROVAL OF CREDITS, PROFITS, OR ALLOCATIONS TO THE NET PROFITS ACCOUNT OF THE LESSEE.

- III. THAT THE APPROVAL OF THE SALES OF TRACT AND THE ASSIGNMENT IS NOT AN APPROVAL OF ANY POOLING OR UNITIZATION OF THE STATE LEASE OR THE STATE'S INTEREST IN ANY GIVEN LAMES WITHIN PLANT AREA A-1. ANY POOLING OR UNITIZATION OF THE STATE LEASE AND/OR THE STATE'S INTEREST IN ANY OTHER LAMES SHALL REQUIRE PRIOR WRITTEN APPROVAL OF OF THE COMMISSION.
- IV. THAT BY APPROVING THE NTLM SALES AGREEMENT BETWEEN GRI AND CCPA, IT IS NOT THE INTENT OF THE STATE TO GRANT CCPA ANY RIGHTS IN, LEASE PRC 5217. WHEN THE LEASE IS TERMINATED FOR ANY REASON, CCPA SHALL HAVE NO FURTHER RIGHT TO OBTAIN STIPUL FROM THE LEASED STATE LANDS.

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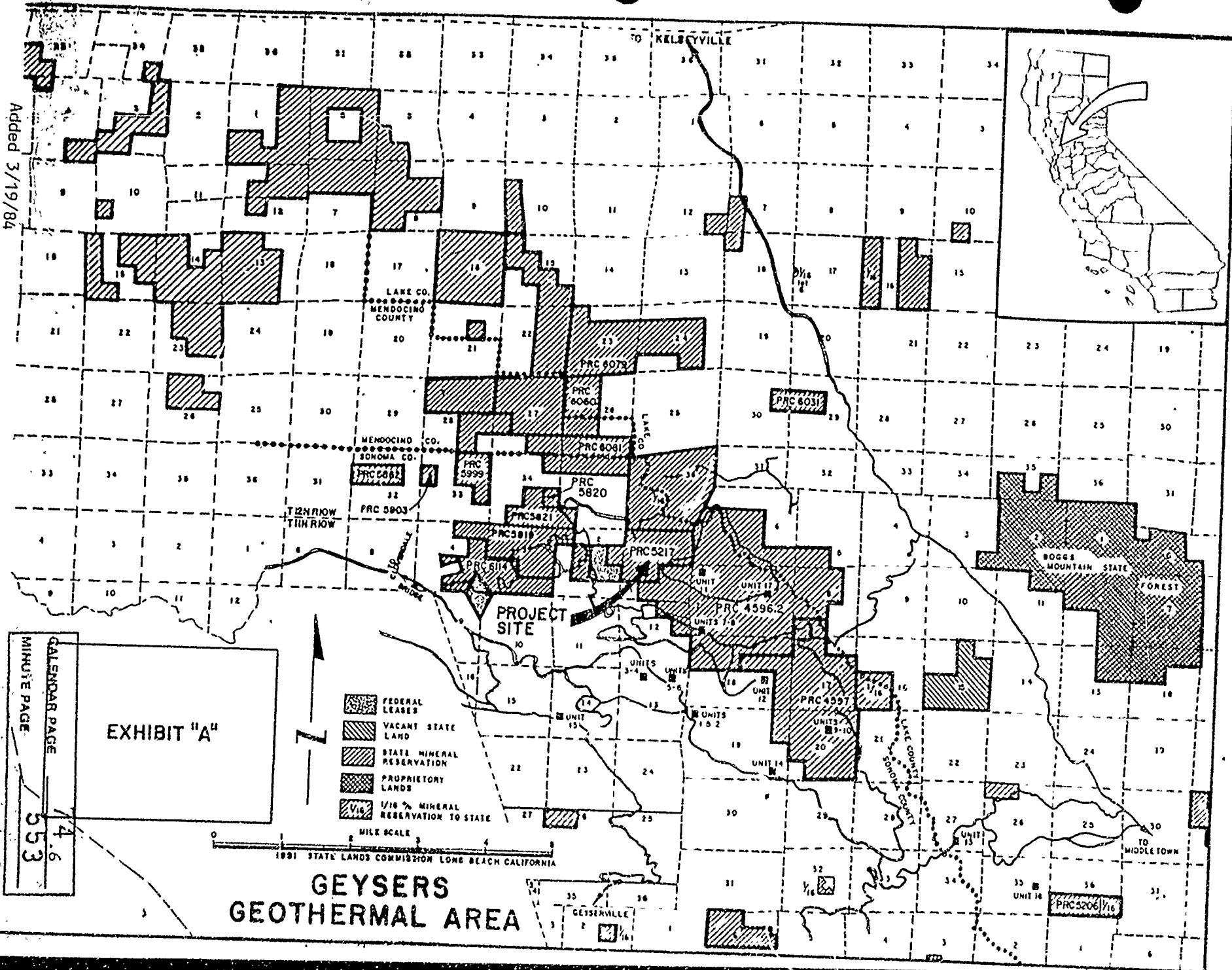


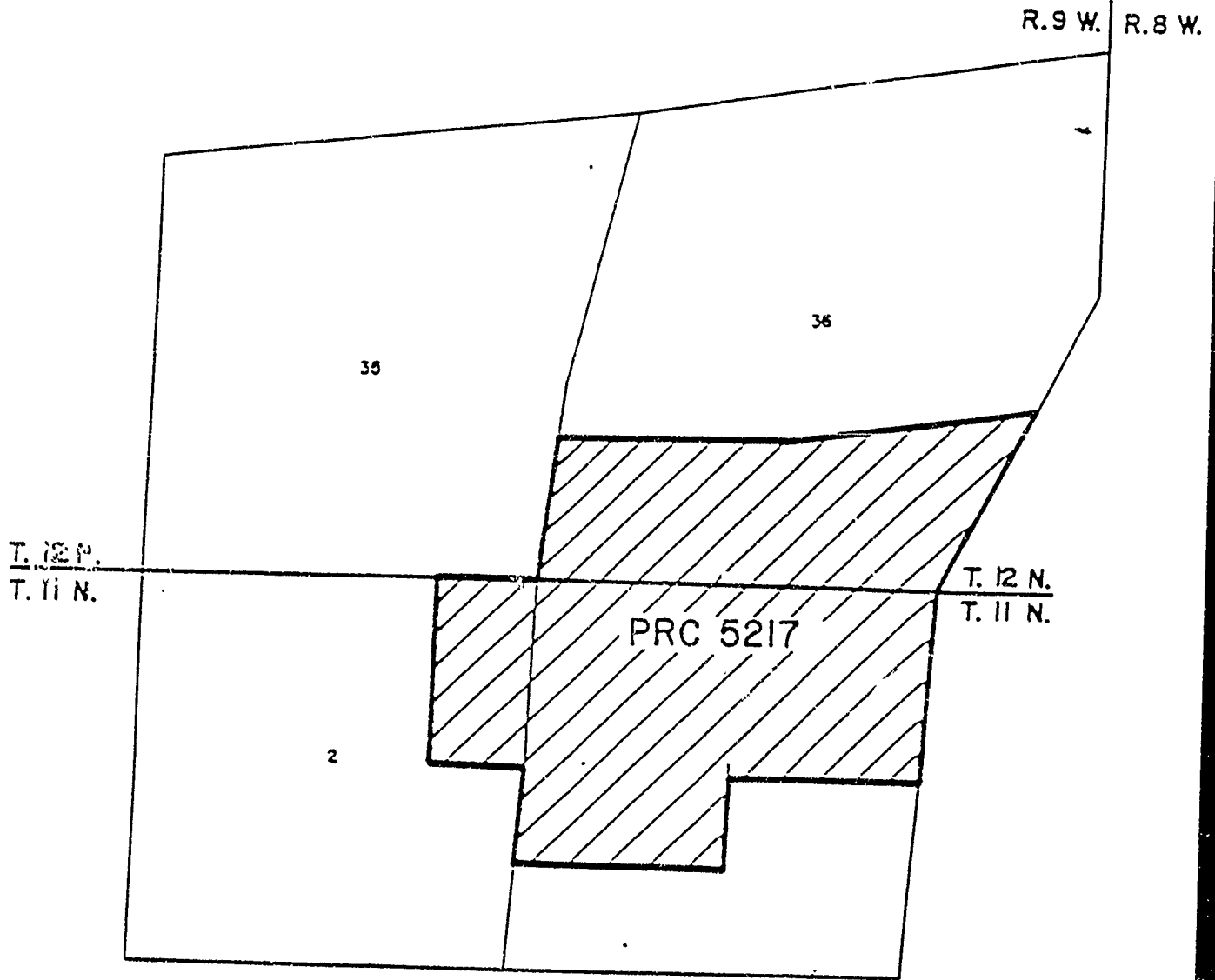
EXHIBIT "A"

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GEYSERS GEOTHERMAL AREA

EXHIBIT B



OUTLINE OF
PLANT AREA A-1
SONOMA AND LAKE COUNTIES, CALIFORNIA

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