

MINUTE ITEM

This Calendar Item No. C01 was approved as Minute Item No. 01 by the California State Lands Commission by a vote of 3 to 0 at its 04-01-03 meeting.

**CALENDAR ITEM
C01**

A	15		04/07/03
S	5	PRC 8450	W 25838 L. Burks

GENERAL LEASE - RIGHT OF WAY USE

APPLICANT:

CPN Pipeline Company
60 River Road
Rio Vista, California 94571

AREA, LAND TYPE, AND LOCATION:

0.66 acres, more or less, of tide and submerged lands in the Sacramento River, between Brannan Island and the Montezuma Hills, near the city of Rio Vista, Sacramento and Solano counties.

AUTHORIZED USE:

Construction of a horizontal directionally drilled, 12-inch high-pressure natural gas pipeline.

LEASE TERM:

20 years, beginning April 7, 2003.

CONSIDERATION:

\$690 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:

Liability insurance: Coverage of no less than \$50,000,000 per occurrence for bodily injury and property damage.

Bond: Corporate Guarantee

OTHER PERTINENT INFORMATION:

1. Applicant has a right to use the uplands adjoining the lease premises.
2. CPN Pipeline Company (CPNPC), is engaged in exploring the Rio Vista Gas Unit (RVGU) near Rio Vista, California to determine the field's potential for additional gas reserves and to increase current production rates both for CPNPC's benefit and to benefit the State of California's

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need for additional natural gas supply for the power generation industry. The proposed pipeline is sized to carry existing production capacity that is presently curtailed approximately 43 percent due to lack of sufficient pipeline capacity. The purpose, therefore, of the proposed Rio Vista Pipeline Project (Project) is to provide CPNPC with the capacity to deliver the full production to market.

3. CPNPC proposes the installation of a 12-inch diameter natural gas pipeline under the Sacramento River, near Rio Vista, Solano County. It will connect Calpine's Rio Vista Unit (RVGU) Well No. 162 on Brannan Island with the existing and new pipelines approximately six miles west of the city of Rio Vista in Solano County for gas distribution to the new Delta and Los Medanos power plants and storage facilities. The total Project length is approximately eight miles. The pipeline across the Sacramento River and the adjoining State Highway 160 will be installed by horizontal directional drilling method (HDD). The total length of pipeline installed by the HDD method is about 4,850 feet, of which only about 2,800 feet will be underneath the Sacramento River. The pipeline will be installed at a minimum depth of 75 feet below the river bottom.
4. The proposed pipeline will be designed and constructed in accordance with all national and state safety codes including 49 CFR Part 192-United States Department of Transportation (DOT) Minimum Safety Standards for Natural Gas Pipelines. CPNPC has also developed an Operations and Maintenance (O&M) Procedures Manual which will be fully implemented during the operational phase of the project and will reduce the potential for hazards and the risk of upset. SLC staff will also be on site for the monitoring the HDD across the Sacramento River. Long Beach engineering staff has reviewed the pipeline specifications and indicates that the design has been conceived with good engineering practice considering all applicable codes and standards. A Section 401 Water Quality Certification will be issued by the Regional Water Quality Control Board for this project. The Board has indicated that there will not be any significant potential impacts to water quality for the HDD across the Sacramento River.
5. Calpine Corporation has provided a Guarantee for the performance of the lease obligations of its subsidiary, CPN Pipeline Company.
6. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 15025), the staff has prepared a Proposed Mitigated Negative Declaration identified as CSLC ND 715, State Clearinghouse No. 2002082006. Such Proposed

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Mitigated Negative Declaration was prepared and circulated for public review pursuant to the provisions of the CEQA.

Mitigation Measure Air-a-3 on Page 2-17 of the Mitigated Negative Declaration requires the Applicant to reduce the potentially significant short-term NOx emissions from the project to less than significant levels by employing one or more possible options, which must be approved by staff prior to Commission consideration of the project.

On Wednesday, April 2, 2003, representatives of the Yolo-Solano and the Sacramento Air Quality Management Districts and CSLC staff agreed to the Applicant's proposal to: 1) retire existing emission credits as specified by the Districts at the conclusion of construction; 2) require the use of PuriNOx fuel for construction equipment used on the proposed project; and, 3) pay for the retrofit of one piece of diesel-fueled equipment, up to a specified amount, as agreed by the Districts.

The Mitigation Monitoring Program has been modified accordingly, and is on file in the Sacramento office of the California State Lands Commission.

Based upon the Initial Study, the Proposed Mitigated Negative Declaration, and the comments received in response thereto, there is no substantial evidence that the project will have a significant effect on the environment; Title 14, California Code of Regulations, section 15074(b).

7. A Mitigation Monitoring Program has been prepared in conformance with the provisions of the CEQA (Public Resources Code section 21081.6).

APPROVALS OBTAINED:

United States Army Corps of Engineers; Regional Water Quality Control Board; United States Fish and Wildlife Service; National Marine Fisheries; California Department of Fish and Game; California Department of Transportation; Yolo-Solano Air Quality Management District; Sacramento Metropolitan Air Quality; Sacramento and Solano counties; The Reclamation Board; and Brannan-Andrus Levee Maintenance District.

EXHIBIT:

- A. Site Plan and Location Map

PERMIT STREAMLINING ACT DEADLINE:

September 10, 2003

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RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

1. CERTIFY THAT A PROPOSED MITIGATED NEGATIVE DECLARATION, CSLC ND NO. 715, STATE CLEARINGHOUSE NO. 2002082006 WAS PREPARED FOR THIS PROJECT PURSUANT TO THE PROVISIONS OF THE CEQA, THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN AND IN THE COMMENTS RECEIVED IN RESPONSE THERETO AND THAT THE MITIGATED NEGATIVE DECLARATION REFLECTS THE COMMISSION'S INDEPENDENT JUDGMENT AND ANALYSIS.
2. ADOPT THE PROPOSED MITIGATED NEGATIVE DECLARATION AND DETERMINE THAT THE PROJECT, AS APPROVED, WILL NOT HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT.
3. ADOPT THE MITIGATION MONITORING PROGRAM, ON FILE IN THE SACRAMENTO OFFICE OF THE CALIFORNIA STATE LANDS COMMISSION.

SIGNIFICANT LANDS INVENTORY FINDING:

FIND THAT THIS ACTIVITY IS CONSISTENT WITH THE USE CLASSIFICATION DESIGNATED BY THE COMMISSION FOR THE LAND PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6370, ET SEQ.

AUTHORIZATION:

AUTHORIZE ISSUANCE TO CPN PIPELINE COMPANY OF A GENERAL LEASE - RIGHT OF WAY USE, BEGINNING APRIL 7, 2003, FOR A TERM OF 20 YEARS, FOR CONSTRUCTION OF A HORIZONTAL DIRECTIONALLY DRILLED, 12-INCH DIAMETER HIGH-PRESSURE NATURAL GAS PIPELINE ON THE LAND SHOWN ON EXHIBIT A ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF; ANNUAL RENT IN THE AMOUNT OF \$690.00, WITH THE STATE RESERVING THE RIGHT TO FIX A DIFFERENT RENT PERIODICALLY DURING THE LEASE TERM, AS PROVIDED IN THE LEASE; LIABILITY INSURANCE WITH COVERAGE OF NO LESS THAN \$50,000,000 PER EACH OCCURRENCE FOR BODILY INJURY AND PROPERTY DAMAGE; SURETY IN THE FORM OF A CORPORATE GUARANTEE.

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REVISED 04-03-03

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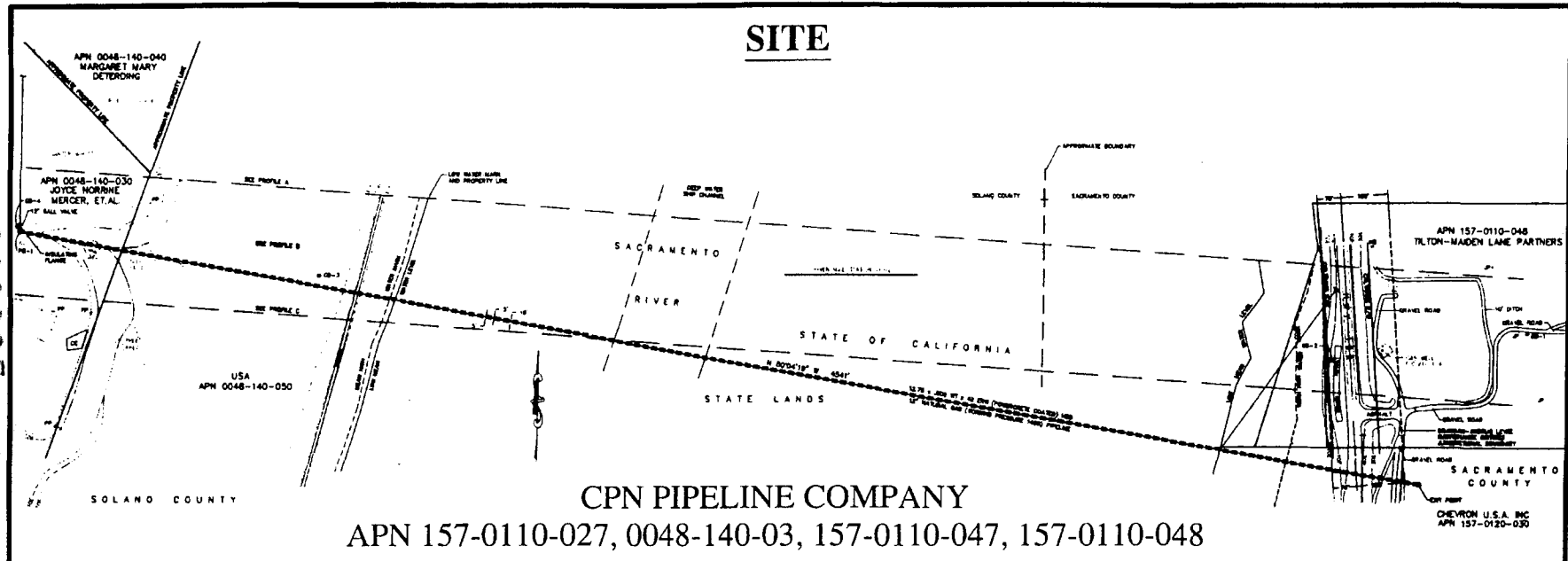
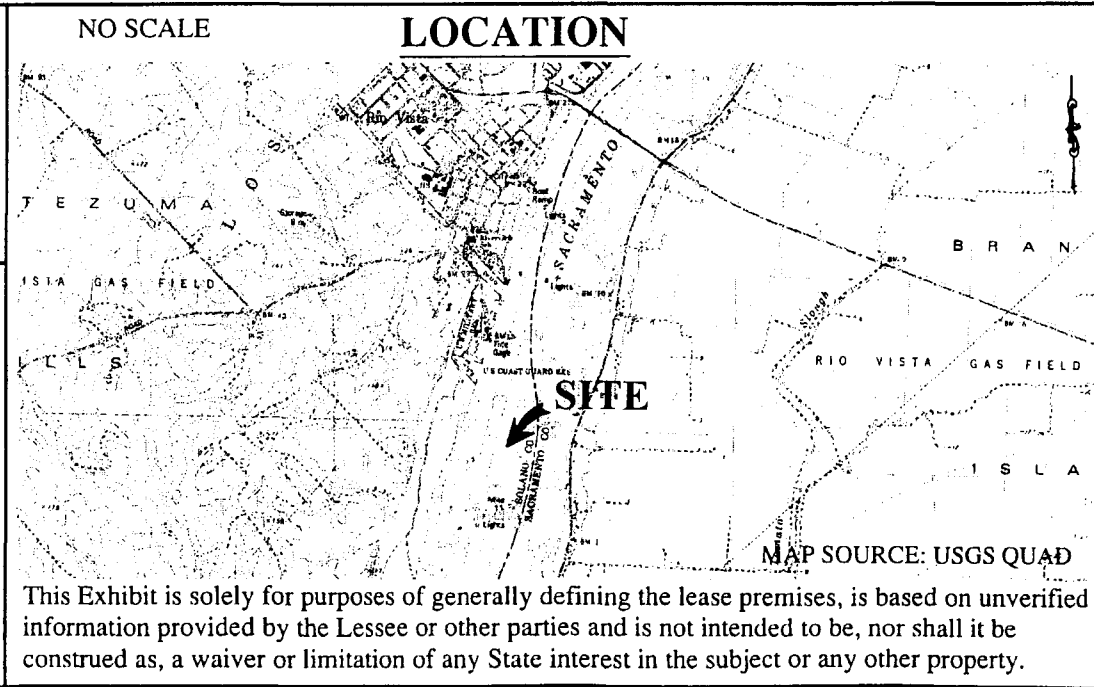


Exhibit A
 W 25838
 GENERAL LEASE
 RIGHT OF WAY USE
 SACRAMENTO RIVER
 SOLANO/SACRAMENTO
 COUNTY



NO SCALE

