

MINUTE ITEM

This Calendar Item No C30 was approved as Minute Item No. 30 by the California State Lands Commission by a vote of 2 to 2 at its 10-30-07 meeting.

**CALENDAR ITEM
C30**

A 6,7,8,11,13,14

10/30/07

S 2,3,5,7

PRC 8736

WP 8736.1

J. McComas

**APPROVAL OF TWO AGREEMENTS AND
CONSENTS TO ENCUMBRANCING OF LEASE**

LESSEE/APPLICANT:

Trans Bay Cable LLC
Two Harrison Street, 6th Floor
San Francisco, California 94105

COLLATERAL AGENT FOR SECURED PARTY LENDERS:

Bayerische Landesbank
Attn: Loan Administration
Bayerische Landesbank, acting through its New York Branch
560 Lexington Avenue
New York, NY 10022

AREA, LAND TYPE, AND LOCATION:

53.65 acres, more or less, of sovereign lands in the Carquinez Strait, San Francisco, San Pablo, and Suisun Bays, between the San Francisco county line to the city of Pittsburg, Marin, Solano and Contra Costa counties.

AUTHORIZED USE:

Construction, installation, operation, maintenance, and use of a ten-inch diameter submarine cable bundle, consisting of a high voltage, direct current transmission cable, return cable, and a fiber optic communication cable.

LEASE TERM:

25 years, beginning December 15, 2006.

CONSIDERATION:

\$100,000 per year, with the State reserving the right to fix a different rent periodically during the term of the lease. 60 days prior to the start of construction, the rent will increase to \$389,000.

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SPECIFIC LEASE PROVISIONS:

Insurance:

Liability Insurance: Combined single limit coverage of \$10,000,000, commencing 60 days prior to the start of construction

Bond:

\$1,000,000, commencing 60 days prior to the start of construction

OTHER PERTINENT INFORMATION:

1. Lessee has the right to use the uplands adjoining the termination points of the lease premises.
2. On December 14, 2006, the Commission authorized a 25-year General Lease – Right of Way Use to Trans Bay Cable LLC (TBC) and on May 10, 2007, the Commission authorized an assignment of the Lease to Pittsburg Power Company. The effective date of the assignment will be the Closing Date as defined in a Purchase and Sale Agreement between TBC and Pittsburg Power Company entered into on November 6, 2006.
3. The Trans Bay Cable Project consists of installation of a 55-mile long High Voltage Direct Current (HVDC) cable in San Francisco Bay, from a terminous in the City of Pittsburg in Contra Costa County to a terminous in the City of San Francisco, in the vicinity of Potrero Point. The Project is proposed to transmit electric power and provide a dedicated connection between the East Bay, which has excess electrical capacity and transmission grid congestions, and the electrical transmission and distribution facilities in San Francisco. The Project is designed to be a cost effective, energy efficient solution addressing San Francisco's need for additional transmission capacity and in-city generation, while improving transmission generation facilities in San Francisco, eliminating associated air emissions. The installation in the Bay of the DC cable is scheduled to commence in June 2008 and the commencement of commercial Operations to begin in the 1st or 2nd quarter of 2009.
4. TBC has obtained senior indebtedness in the original principal amount of \$299,500,000 and subordinated indebtedness in the original principal amount of \$247,500,000, pursuant to the terms and conditions of a Common Terms Agreement dated as of August 31, 2007 for the permanent financing or refinancing of existing debt and for the improvements to be constructed, maintained, repaired or reconstructed for

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CALENDAR ITEM NO. C30 (CONT'D)

high voltage direct current transmission system.

5. Lessee has requested approval to encumber the leasehold estate interest as partial security for the indebtedness as described above.

EXHIBIT:

- A. Location Map

RECOMMENDED ACTION:

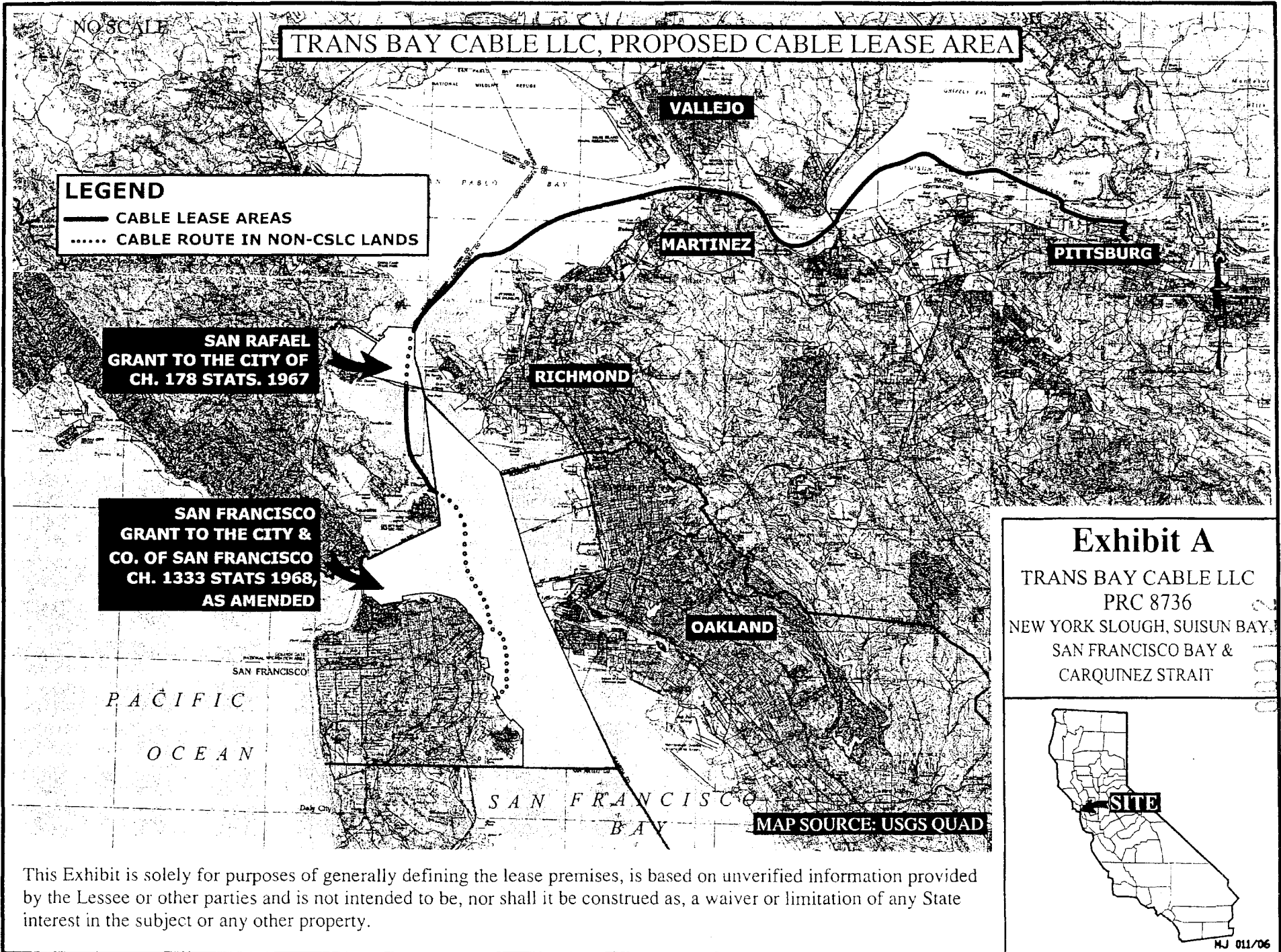
IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 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:

AUTHORIZE EXECUTION BY THE EXECUTIVE OFFICER OR HIS DESIGNEE OF TWO "AGREEMENT AND CONSENT TO ENCUMBRANCING OF LEASE" ALLOWING LESSEE'S RIGHT, TITLE, AND INTEREST IN LEASE NO. PRC 8736.1 TO BE PLEDGED AS PARTIAL SECURITY FOR A SENIOR INDEBTEDNESS IN THE PRINCIPAL AMOUNT OF \$299,500,000 AND A SUBORDINATE INDEBTEDNESS IN THE PRINCIPAL AMOUNT OF \$247,500,000, IN FAVOR OF BAYERISCHE LANDESBANK, AS COLLATERAL AGENT FOR SECURED PARTY LENDERS.



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.