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MEETING  
STATE LANDS COMMISSION

ROOM 2170  
STATE CAPITOL  
SACRAMENTO, CALIFORNIA

THURSDAY, AUGUST 31, 1978  
10:00 A.M.

ORIGINAL

Wendy E. Stewart

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MEMBERS PRESENT

Hon. Kenneth Cory, Controller, Chairman  
Ms. Betty Jo Smith, representing Mervyn M. Dymally  
Mr. Sid McCausland, representing Roy Bell

STAFF PRESENT

Mr. William F. Northrop, Executive Officer, State Lands Commission  
Mr. James F. Trout, Manager, Land Operations, State Lands Commission  
Mr. Robert C. Hight, Staff Counsel, State Lands Commission  
Mr. R.S. Golden, Assistant Executive Officer, State Lands Commission

ALSO PRESENT

Jan Stevens, Attorney General's Office

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P R O C E E D I N G S

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2  
3 CHAIRPERSON CORY: Call the meeting to order.  
4 Any corrections or additions to the minutes of the last  
5 meetings?

6 Without objection, confirmation as presented.  
7 Report of the Executive Officer.

8 EXECUTIVE OFFICER NORTHROP: Mr. Chairman and  
9 members, it is with sadness that I report the untimely death  
10 of Dick Shroeder who worked in the Commission's Long Beach  
11 office for nearly 11 years. Only 51, Dick was stricken  
12 with a heart attack last Sunday while at his vacation home  
13 in Arrowhead Springs. He served as an analyst for the  
14 Commission, principally striving to make the operations of  
15 staff run more effectively by critically reviewing its  
16 programs and performing organizational studies. Dick's  
17 friendship and expertise will be greatly missed. With the  
18 Commission's approval, an appropriate letter of condolence  
19 will be sent to the Shroeder family.

20 The Energy Commission, the wood energy staff of  
21 the Department of Forestry and the University of California  
22 are exploring the use of fuelwood in energy production.

23 CHAIRPERSON CORY: Pardon me. The wood energy  
24 staff, who's wood? Is that a person?

25 EXECUTIVE OFFICER NORTHROP: That is a wood like

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1 tree wood. It probably should not be capitalized.

2 CHAIRPERSON CORY: I'm sorry I asked. Go ahead.

3 EXECUTIVE OFFICER NORTHROP: They requested use  
4 of State-owned school land parcels in the vicinity of  
5 Southern California Edison's energy development facility  
6 at Daggett for growing fuelwood, chiefly eucalyptus, with  
7 irrigation. Technical assistance and --

8 CHAIRPERSON CORY: Daggett?

9 EXECUTIVE OFFICER NORTHROP: That's near Barstow  
10 in San Bernardino County.

11 CHAIRPERSON CORY: I know where Daggett is. If  
12 you get sagebrush to grow you're doing a hell of a job.

13 EXECUTIVE OFFICER NORTHROP: They think with  
14 irrigation eucalyptus will do well there.

15 (Thereupon a brief discussion was  
16 held off the record.)

17 EXECUTIVE OFFICER NORTHROP: Technical assistance  
18 and consultation will be provided by the Department of Forestry.  
19 You haven't seen the best part. DOE is going to give a  
20 grant to do this.

21 CHAIRPERSON CORY: What's wrong with the area where  
22 the good Lord was able to grow trees without any help?

23 EXECUTIVE OFFICER NORTHROP: I think the energy  
24 production, the need is greater down there.

25 CHAIRPERSON CORY: We're going to ship water from

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1 up here to the desert -- go ahead.

2 EXECUTIVE OFFICER NORTHROP: It's going to be  
3 called the experimental energy farm. It will be funded by  
4 a Federal Department of Energy grant.

5 The proponents would like Commission cooperation  
6 in at least the Federal grant request. We think this  
7 project has desirable features and warrants Commission  
8 support at least in the preliminary stages.

9 With the Commission's approval of the concept,  
10 and subject to the availability of suitable lands, we will  
11 advise them of this interest. The staff will also go into  
12 the experimental project in more detail as the project  
13 proceeds.

14 CHAIRPERSON CORY: Is there any way we cannot  
15 stand in the way without approving this?

16 EXECUTIVE OFFICER NORTHROP: Mr. Trout has been  
17 doing some extensive surveying work on --

18 CHAIRPERSON CORY: I've got no problem with it,  
19 approving growing trees in the desert. They probably grow  
20 fast there.

21 MR. TROUT: The main reason Southern California  
22 Edison is already building the solar plant right at this  
23 site. They just want to combine several of these experimental  
24 energy source activities in a central location.

25 MR. McCAUSLAND: Put all their eggs in one basket.

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1 The Executive Officer's report is probably not appropriately  
2 worded. I think it's fair to say that the Commission has  
3 no objections to this project proceeding and for the use of  
4 the State school lands for that purpose if it's within  
5 our purview to do so; but the words "approval" and "interest"  
6 probably are inappropriate.

7 EXECUTIVE OFFICER NORTHROP: Thank you very kindly.  
8 The staff will be guided by those comments.

9 Yesterday the 1978-79 Long Beach unit unsecured  
10 property tax of about a quarter of a million dollars was  
11 paid to Los Angeles and Orange County. With these payments  
12 were letters from the Commission staff, as representative  
13 of the participants in the Long Beach unit, protecting the  
14 tax and requesting a refund. The reason for this is the  
15 unresolved question as to whether the Jarvis-Gann one-percent  
16 tax limitation applies to the unsecured property. The issue  
17 will be resolved in the courts in the future, but we have  
18 put our notice of protest on record at this time.

19 As a result of the approvals by the State Lands  
20 Commission at their July 19th and August 8th meetings concerning  
21 the sell-off of eight percent of the crude oil allocated to  
22 the Long Beach Harbor Department Tidelands Parcel, Wilmington  
23 Oil Field, Powerine Oil Company, the current purchaser of  
24 the crude oil, offered to match the bid and therefore was  
25 allowed to continue its purchases at this higher price in

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1 accordance with the Department of Energy's supplier/purchaser  
2 rule.

3 This demonstration of willingness to pay ceiling  
4 prices for domestic oil is encouraging in that approximately  
5 1,450 barrels of additional tidelands oil in the prior  
6 development are available for sell-off. Unfortunately,  
7 these Long Beach tideland contracts contain a 180-day prior  
8 notice clause. One of the contractors has agreed to reduce  
9 the return notice; and, therefore, there may be a possibility  
10 of a reduced notice time on the take side of the parcel.

11 The six-month period required by the contracts  
12 would start sell-offs just shortly before the May '79  
13 crude oil price control end. There is a question as to  
14 whether a meaningful bid would be obtained or that any real  
15 financial advantage would be gained if the price control  
16 ended.

17 The staff feels there may be some interest in asking  
18 for a shorter time; and if the Commission desires, we would  
19 like to move to sell-off, and we can request the City of  
20 Long Beach to attempt to reduce that four and a half-month  
21 period. If there is no objection, we will move in that area.

22 At the Commission's regular meeting in June 1978,  
23 the City of Long Beach requested the Commission approval of  
24 an agreement and assignment to provide for the partition of  
25 jointly held Nonoperating Contractors' interest in the

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1 Contractors' agreement for the Long Beach Unit. These  
2 interests are jointly held by Atlantic Richfield and Chevron  
3 U.S.A.

4 During consideration of this item the Commission  
5 took no action because it was their conclusion that no benefit  
6 would accrue to the State in partitioning the ARCO-Chevron  
7 jointly held interest. A representative of the City of  
8 Long Beach commented that ARCO desired to partition its  
9 interests so they could in turn assign their interest to an  
10 independent, Century Resources Development, Inc.

11 The current situation is that Atlantic Richfield  
12 Company, which is the Tract II Contractor and the holder  
13 with Chevron of the non-operating interests in Tract I of  
14 the Long Beach Unit, is proposing to assign its interests in  
15 both the Tract II agreement and the Contractors' agreement  
16 for Tract I. The proposal includes splitting the interest  
17 held jointly with Chevron in Tract I and then assignment of  
18 that severed interest and the entire Tract II interest to  
19 Century Resources Development. Century would then assign  
20 all of its interests in Tracts I and II to Petro-Lewis  
21 Corporation in return for the right to purchase the crude  
22 oil allocated to these interests.

23 I am told that representatives from Atlantic  
24 Richfield, Century and Petro-Lewis have met with the  
25 Commission's staff, and they have discussed the various

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1 assignment proposals with respect to Tract II. I am informed  
2 they are meeting with the City of Long Beach with respect to  
3 Tract I assignment proposals, with which we probably would  
4 have to deal at some later time. To be effective, both  
5 Tract I and Tract II assignments must be approved by the  
6 Commission. Atlantic Richfield has made a prerequisite to  
7 all assignments to Century that the State with respect to  
8 Tract II and the State and the City of Long Beach with respect  
9 to Tract I release Atlantic Richfield from all liability for  
10 the future performance of any and all obligations under the  
11 two contracts as a criteria of the agreement.

12 The three companies involved have requested that  
13 this matter be on the Commission's agenda next month.  
14 The representatives are expected to be in the audience today.  
15 Because of their tight time schedule and the need to firm  
16 up financial commitments, it is highly desirable at this  
17 time to obtain any direction from the Commission as to  
18 their feelings regarding such an assignment.

19 What really looks like is going to happen,  
20 Mr. Chairman and members, is that ARCO would like to assign  
21 CHAIRPERSON CORY: I think we understand the issue.  
22 To put it right up front, I've got absolutely no interest as  
23 a commissioner of ever voting for that proposal. It just  
24 seems to me that you're taking a lesser quality contractor,  
25 and I see absolutely nothing in it for the State. I understand

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1 what's going on in the private sector, but I don't see how  
2 I could, in good conscience, lessen the State position without  
3 a corresponding benefit. I don't see what there is to  
4 discuss. It's not a calendar item at this point.

5 EXECUTIVE OFFICER NORTHROP: Before we spend a  
6 great deal of time and a lot of money going into this  
7 assignment, it would be well to get some direction because  
8 it may well be that it would be fruitless for us to continue.

9 MR. McCAUSLAND: I think, given the net profits  
10 nature of this particular arrangement, it would not be to  
11 our advantage to voluntarily subject ourselves to the  
12 possibility of a subsequent default.

13 EXECUTIVE OFFICER NORTHROP: If ARCO modified  
14 their position of a secondary to take a secondary role but  
15 step back in in case of a default, would that alter the  
16 Commission's outlook?

17 CHAIRPERSON CORY: I would think that unless  
18 there's some benefit to us, we should always be looking to  
19 ARCO as primary responsibility.

20 MS. SMITH: At the same time, I don't think now is  
21 the appropriate time to commit ourselves.

22 MR. McCAUSLAND: If I understood what you just said,  
23 I'd be willing to say that I could support a staff recommendation  
24 that incorporated that type of fall-back protection for the  
25 State's interest. That assumes I understand what you just

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1 said.

2 CHAIRPERSON CORY: What I'm worried about is that  
3 legally would mean that we'd have to litigate against  
4 Century and go through all of that process to collect; and  
5 if we failed there, then we could start the process anew  
6 with ARCO.

7 MR. McCAUSLAND: Is that part of what you said?

8 CHAIRPERSON CORY: Isn't that the net effect?

9 EXECUTIVE OFFICER NORTHROP: I suppose.

10 CHAIRPERSON CORY: I would find that unacceptable.  
11 I mean, we got somebody that's going to have some money to  
12 pay us with. We know where to find them. We're going to  
13 get a new set of problems if ARCO wants to underwrite where  
14 the day the check isn't there we can walk over to ARCO and  
15 pick up our check, but I'd just as soon not have to litigate  
16 it twice.

17 MR. McCAUSLAND: Is that adequate guidance for  
18 the staff?

19 CHAIRPERSON CORY: That's what I'm worried about.

20 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, that  
21 concludes my report.

22 CHAIRPERSON CORY: Mr. Golden.

23 MR. GOLDEN: Mr. Chairman and members, in this  
24 report I will detail several problems that have confronted  
25 State Lands staff as a result of current permit applications

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1 before the San Francisco Bay Conservation and Development  
2 Commission and the State Coastal Commission. Also, another  
3 land use problem tangential to State Lands' interest will  
4 be mentioned for your information.

5 First on the San Francisco Bay Conservation  
6 and Development Commission, Pickleweed Associates, a joint  
7 venture partnership, is proposing to build 92 housing units  
8 on about a 7-acre site on the north side of Miller Avenue  
9 between the Redwoods Retirement Center and the Northwestern  
10 Pacific Railroad right-of-way in the City of Mill Valley,  
11 Marin County.

12 One of the requirements of the AcAteer-Petris Act,  
13 which BCDC administers, is that the proposed developer must  
14 present evidence of title to the property before his permit  
15 can be considered.

16 A title status determination made by our Title  
17 Unit indicated that the parcel appeared to have significant  
18 State title claims. Our Title Settlements Section is in  
19 contact with the applicant and a title evidence study is  
20 in progress.

21 This project has been under consideration for a  
22 long period of time at the city level getting the necessary  
23 permits. Our first notice of the developer's intentions  
24 were when he requested the BCDC permit. This puts the  
25 State Lands' staff in an uncomfortable position of delaying

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1 a project at a rather late stage in its development. We  
2 are working diligently to outline the degree to which our  
3 concerns affect the total project.

4 The State Coastal Commission has struggled with  
5 the problem of protective shoreline structures as these  
6 problems arise in permit actions confronting them. Recently  
7 due to the severe winter storms on the coast, this type of  
8 development has become an increasing problem. The Coastal  
9 Commission has adopted interpretive guidelines for some  
10 regions, notably the San Diego region, which deal with  
11 seawalls; however, there is currently no governmental  
12 entity which has promulgated policies dealing with this  
13 problem on a comprehensive basis.

14 There is currently much expert opinion (geologists,  
15 engineers and oceanographers) that would indicate that  
16 protective measures from high storm waves are only short-  
17 term Band-Aid solutions. The homeowners immediately  
18 adjacent to eroding bluffs or beaches, however, are concerned  
19 only with protecting their investments.

20 Though hindsight might indicate that certain  
21 coastal developments initially should not have been allowed,  
22 we are nevertheless confronted with the situation of private  
23 property protection versus long-term usefulness. In fact,  
24 groups of property owners are combining financial resources  
25 with the intention of building massive seawalls and bulkheads.

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1 Though in many instances these structures may encroach upon  
2 State-owned lands, the State Lands Commission is not obligated  
3 to endorse such projects automatically.

4 The Commission should examine the problem in a  
5 comprehensive, in-depth manner, not case-by-case, to ascertain  
6 the most appropriate type and location of protective shore  
7 line structures. This effort will have to be closely  
8 coordinated with the Coastal Commission.

9 Finally, the Eagle Lake Basin comprehensive plan.  
10 The State Lands Commission is currently engaged in a multi-  
11 agency effort to prepare management guidelines for the  
12 Eagle Lake Watershed Basin in Lassen County. The Commission  
13 has financially contributed to this effort \$3,000 to enlist  
14 the services of a planning consultant. To the dismay of  
15 the State Lands' staff and the three other member agencies,  
16 the U.S. Forest Service, U.S. Bureau of Land Management  
17 and Resources Agency of the State acting through the  
18 State Department of Fish and Game, the county is proceeding  
19 with a major development project which may jeopardize and  
20 preclude future options for the management plan. The county  
21 has proposed the use of a Negative Declaration for a residential  
22 subdivision project involving 540 homes to be built on a  
23 900-plus acre tract in the Lake Basin. Strong objections  
24 have been presented by the State and Federal agencies. The  
25 respective spokesmen for the five agencies recommended that

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1 this project be withheld from consideration until February  
2 1979 at which time the interim management plan is scheduled  
3 for completion and that a full environmental impact report  
4 should be prepared.

5 The county has agreed at this point to review its  
6 earlier position. If, however, the county should persist,  
7 action by the Office of the Attorney General will be sought  
8 by the Resources Agency.

9 That concludes my report, Mr. Chairman.

10 CHAIRPERSON CORY: Questions from the Commissioners?

11 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, we've  
12 got considerable arrangement on the calendar this morning.  
13 Item C1 and C10 are off calendar. Items 39,42 and 46 are  
14 off. C2 and C4 were inadvertently placed on the consent  
15 calendar. Staff recommends that they be treated at the  
16 end of the meeting.

17 CHAIRPERSON CORY: C2 and C4?

18 EXECUTIVE OFFICER NORTHROP: C2 and C4 to be  
19 treated at the end of the meeting.

20 CHAIRPERSON CORY: Is there anybody in the audience  
21 who has any objection to the remaining items on the consent  
22 calendar? Those are the items designated with the letter  
23 C prior to the number. I would to disqualify myself on C12  
24 because there is a list of recreational pier permits and one  
25 of them is a close personal acquaintance. So, the record

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1 will show that the calendar was approved by unanimous  
2 consent for all items save C12, and C12 was approved by the  
3 remaining two commissioners because of my relationship  
4 with the individuals.

5 The next item is Item 25, natural gas pricing.

6 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, for  
7 the record, I would like to place in the proceedings of the  
8 panel arbitrator in the record.

9 CHAIRPERSON CORY: That would go into the record.  
10 Mr. McCausland.

11 MR. McCAUSLAND: I believe that this Commission  
12 has held extensive hearings on this matter, perhaps more  
13 extensive than any we've ever held on a contract-related  
14 issue. I've reviewed the findings of the arbitration panel.  
15 I've reviewed the extensive record that we've built at our  
16 earlier hearings, and I would like to move adoption of this  
17 recommendation, which is essentially the price of a dollar  
18 and twenty per mBtu based on a thirty-three and a third  
19 percent load factor.

20 MS. SMITH: I would like to second that motion.

21 CHAIRPERSON CORY: Discussion from anybody in  
22 the audience?

23 Without objection, the item is unanimously approved.  
24 Item 26.

25 EXECUTIVE OFFICER NORTHROP: This is an agreement

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1 on the Ellwood Pier, Mr. Chairman.

2 CHAIRPERSON CORY: Anybody in the audience on  
3 Item 26? This is a problem, as I understand it, that we  
4 may lose some OCS federal by pulling our shoreline in, but  
5 if we don't we're going to have to eat the pier.

6 EXECUTIVE OFFICER NORTHROP: Using the numbers  
7 of staff, if we run them off, the loss of revenue, if we  
8 use the \$12,000 figure times 80, may well be less than what  
9 we would lose if we had to take the pier out ourselves.

10 CHAIRPERSON CORY: And we've got the liability  
11 of something going wrong. It's substantially less.

12 MS. SMITH: Bob, did you contact anyone to  
13 determine whether or not we are bound by the previous  
14 stipulated judgment in California versus United States?

15 MR. HIGHT: I would prefer to discuss that with  
16 you in executive session.

17 MS. SMITH: I'm not prepared to vote on this item.

18 CHAIRPERSON CORY: If we put this item over, where  
19 are we?

20 MR. McCAUSLAND: Can we turn off the mikes and  
21 have an executive session in the middle of the agenda?

22 CHAIRPERSON CORY: We're now in executive session  
23 up here concerning litigation. The attorneys will confer  
24 with us in what we're doing.

25 (Thereupon a brief discussion was held

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1 off the record in executive session.)

2 CHAIRPERSON CORY: We're back in session. The  
3 item before us is Item 26. Any discussion by the Commissioners?

4 Anybody in the audience on Item 26?

5 MR. McCAUSLAND: No objection.

6 CHAIRPERSON CORY: Without objection, Item 26  
7 will be approved as presented.

8 Item 27, settlement of title and boundary problems  
9 in Humboldt Bay.

10 MR. McCAUSLAND: No objection.

11 CHAIRPERSON CORY: Anybody in the audience on  
12 Item 27?

13 Without objection, Item 27 will be approved as  
14 presented.

15 Item 28, approval of settlement of title and  
16 boundary problems in the Humboldt Bay area.

17 MR. McCAUSLAND: No objection.

18 MR. CORY: Anybody in the audience on Item 28?

19 Without objection, Item 28 will be approved as  
20 presented.

21 Item 29, the airport property in Seal Beach,  
22 County of Orange, 2.7 acre negative declaration. Anybody  
23 in the audience on this item?

24 MR. McCAUSLAND: No objection.

25 MS. SMITH: No objection.

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1 CHAIRPERSON CORY: Without objection.

2 Item 30, fuel line agreement consent to San Diego  
3 Gas and Electric. This is the one where we're going to  
4 allow in advance creditors the right to transfer to certain  
5 specified potential future holders if there is a financial  
6 calamity with San Diego Gas and Electric.

7 MR. McCAUSLAND: You said that well.

8 CHAIRPERSON CORY: Is there anybody in the audience  
9 on this item? Any questions from members?

10 MS. SMITH: No.

11 MR. McCAUSLAND: I think this is probably an  
12 extension of the earlier discussion we had today.

13 CHAIRPERSON CORY: Without objection, Item 30  
14 will be approved as presented.

15 Item 31, approval of final EJR and awarding  
16 contracts for site preparation and planting on the Watershed  
17 and Forest rehabilitation project.

18 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, there  
19 is some additional language in Item 31 you have in front  
20 of you. Mr. Trout may care to address the change in the  
21 language.

22 MR. TROUT: Just very briefly, we had eight  
23 parcels that were put out to bid --

24 (Thereupon a brief discussion was held  
25 off the record.)

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1 MR. TROUT: We had eight parcels that we wanted  
2 cleared. We went out to bid and only received three bids,  
3 which are on the second page of the attachments. We talked  
4 to the Department of General Services, and they say under  
5 the circumstances as a State agency we may negotiate directly  
6 with people with tractors and equipment who can do this  
7 kind of work. We would recommend or propose then that  
8 Recommendations 8 and 9 on your calendar become 9 and 10 and  
9 a new Recommendation Number 8 as you have before you be  
10 inserted which would authorize the staff to contract directly  
11 without advertising for mechanical site clearance work as  
12 necessary on parcels not receiving bids in the bid opening  
13 held August 12, 1978. The contracts would be subject to  
14 the approval of the Department of General Services under  
15 the State Administrative Mandate.

16 CHAIRPERSON CORY: We tried to get bids and nobody  
17 wanted to play.

18 MR. TROUT: That's right. Only three people  
19 wanted to play out of the eight parcels we had.

20 MS. SMITH: Am I correct in understanding that  
21 the Department of General Services has already approved our  
22 advertising procedure?

23 MR. TROUT: They approved the advertising procedure,  
24 and they also advised us that after the advertising, if we  
25 had no bids, it would be appropriate to enter into contracts

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1 by negotiation. They have a review role to continue to  
2 play.

3 MS. SMITH: No objection.

4 MR. McCAUSLAND: No objection.

5 CHAIRPERSON CORY: Without objection, Item 31  
6 with the amendments will be approved.

7 Item 32, timber harvesting. You want three new  
8 positions to expand the rate of timber harvest to get  
9 additional harvest revenues in to offset Prop. 13 losses in  
10 our give away of tax money.

11 MR. McCAUSLAND: I'll abstain on that.

12 CHAIRPERSON CORY: Anybody in the audience on  
13 this item?

14 MS. SMITH: No objection.

15 CHAIRPERSON CORY: Item 32 is approved.

16 Item 33, preexchange escrow agreement, lands in  
17 Union City, Alameda County.

18 EXECUTIVE OFFICER NORTHROP: This is some tide  
19 and submerged lands, Mr. Chairman, and we have an agreed  
20 value settlement of \$39,204 for the property.

21 CHAIRPERSON CORY: Anybody in the audience on this  
22 item? Sid?

23 MR. McCAUSLAND: No objection. I'd like to go back  
24 to 32 for a second.

25 CHAIRPERSON CORY: Without objection, 33 will be

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1 approved as presented.

2 32?

3 McCAUSLAND: We will go back to it at the end.

4 CHAIRPERSON CORY: Item 34, Harold Claude and  
5 Carol G. Taylor dba Tiki-Lagun Marina.

6 EXECUTIVE OFFICER NORTHROP: Right. It's in  
7 Whiskey Slough of San Joaquin County, Mr. Chairman.

8 CHAIRPERSON CORY: This is a lease. Is there  
9 anybody in the audience on this item?

10 MR. McCAUSLAND: No objection.

11 CHAIRPERSON CORY: Without objection, Item 34 will  
12 be approved as presented.

13 Item 35, Emmett O'Neill, 15-year lease, South  
14 Lake Tahoe. Anybody in the audience on this item?

15 MR. McCAUSLAND: No objection.

16 MS. SMITH: No objection.

17 CHAIRPERSON CORY: Without objection, Item 35  
18 will be approved as presented.

19 Item 36, mineral extraction maintenance dredging  
20 permit for one year to remove approximately 80,500 cubic  
21 yards from Guadalupe Slough, Moffett Naval Air Station,  
22 Santa Clara County. Anybody in the audience on this item?  
23 Any questions from commissioners?

24 MR. McCAUSLAND: No objection.

25 CHAIRPERSON CORY: Without objection, 36 will be

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1 approved as presented.

2 37, maintenance dredging permit, 10,000 yards,  
3 Napa River, Napa County. Anybody in the audience on this  
4 item?

5 Okay. Mr. Kay Bell, Jr. wants to go exploring  
6 in San Francisco Bay for other than oil, gas and geothermal.  
7 Is there anybody in the audience on this item?

8 MR. McCAUSLAND: No objection.

9 MS. SMITH: No objection.

10 CHAIRPERSON CORY: Without objection, 38 will  
11 be approved.

12 39 is off calendar. Item 40.

13 EXECUTIVE OFFICER NORTHROP: Subventions,  
14 Mr. Chairman, listed \$11,600 to five cities and two counties.

15 MS. SMITH: No objection.

16 CHAIRPERSON CORY: Without objection, the item  
17 is approved.

18 Item 41, litigation, Smith River at Ranch Bar,  
19 Del Norte County. This is a settlement on some gravel that  
20 was taken. Is there anybody in the audience on this item?

21 MR. McCAUSLAND: Has the party agreed to the  
22 settlement?

23 MR. HIGHT: The party has tentatively agreed to  
24 the settlement, and the lease is not signed at the present  
25 time. We have no reason to believe that it will not be.

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1 In the event that the party should change his mind then  
2 we will be back.

3 MR. McCAUSLAND: No objection.

4 CHAIRPERSON CORY: Without objection, the item  
5 is approved.

6 Item 42 is off calendar. Item 43. 43, 44 and 45  
7 are all disclaimers. Is there anybody on any of these  
8 items in the audience? 46 is off calendar. Is there anybody  
9 on 43 through 45?

10 Without objection, authorized. Status of major  
11 litigation.

12 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, we  
13 have item C4 and C2.

14 CHAIRPERSON CORY: Okay. C2.

15 EXECUTIVE OFFICER NORTHROP: C4 I think we want  
16 to take up next.

17 (Thereupon a brief discussion was  
18 held off the record.)

19 CHAIRPERSON CORY: C4, City of Los Angeles, 49-  
20 year general permit public agency use, Owens River. Anybody  
21 in the audience on Item C4?

22 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, we  
23 have discussed this in the past, that there was flooding of  
24 areas in Owens River, and perhaps Mr. Everitts of our staff  
25 would like to address the problems he's had with this on

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1 our mineral recovery.

2 MR. McCAUSLAND: While he's coming up, it seems  
3 to me that last winter the water in the lake began rising  
4 and jeopardizing the actions of our VC that was recovering  
5 trona, and once the water intruded into the area, the recovery  
6 of the trona would become virtually impossible in the flooded  
7 areas. We had some preliminary discussion with L.A. Water  
8 and Power about the possibility of diking the area or not.

9 EXECUTIVE OFFICER NORTHROP: Or diverting the  
10 flow, right.

11 MR. McCAUSLAND: We made no progress in those  
12 discussions; is that correct?

13 EXECUTIVE OFFICER NORTHROP: That's correct.

14 MR. EVERITTS: We had some correspondence with  
15 the Department and we've had one or two meetings. I think  
16 our problems didn't end up being as severe as we thought  
17 they might be. They did flood out part of our operations.  
18 In fact, that's one map Mr. Thompson is putting up there  
19 right now and the map that Mr. Trout is hanging up is generally  
20 the reservoir system showing the Owens River and the various  
21 gates they have for dumping water at various sites. They  
22 did continue to divert water into the lake, and for a while  
23 they stopped. Then they diverted again because of turbidity  
24 problems. They couldn't put it into some of the areas down  
25 lower.

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1 MR. McCAUSLAND: Causing what kind of problems?

2 MR. EVERITTS: Turbidity. The water was quite  
3 turbid, and they couldn't put it into their regular system.  
4 So, then again they were diverting into the lake. They have  
5 been limited to some extent in, I think it's the higher  
6 reservoir, by Dam Safety saying they couldn't fill that  
7 reservoir over a certain height. We did write to the Dam  
8 Safety folks, and they did -- State Lands did -- as did the  
9 Department of Water and Power; and we were allowed some  
10 relief by additional storage in that reservoir. The red  
11 line represents the high water mark.

12 MR. WILLARD: It was 3553 on June 16th.

13 MR. EVERITTS: It's going down now, but it flooded  
14 out that one yellow area there. That's the storage. The  
15 big area is one panel that was flooded out, and they quit  
16 operating. In that area they were still able to operate, but  
17 water flowing across the road quite often washed the road  
18 out. So, we did have some trouble operating at that time.

19 One of the things we asked the Department to do  
20 was to consider making exchanges with the municipal water  
21 district. We asked them to consider dumping the water into  
22 the Pacific Ocean. Either one of them is a waste. You dump  
23 it into Owens Lake, it's a waste; to dump it into the Pacific  
24 Ocean, but at least you don't waste our mineral resource  
25 that we're trying to mine. It did slow us up some. It did.

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1           When we asked them if they would consider this,  
2 they said, there were a lot of legal problems; but we have  
3 not heard whether they gave any further consideration or  
4 not.

5           MR. McCAUSLAND: What kind of legal problems?  
6 Are you aware?

7           MR. EVERITTS: No.

8           CHAIRPERSON CORY: Anybody from the city here?  
9 Would you identify yourself?

10          MR. GEORGESON: I'm Duane Georgeson with the  
11 Los Angeles Department of Water and Power. I have with me  
12 Chuck McCauley who is our resident engineer up in the Owens  
13 Valley. I'd be happy to answer any questions or if you'd  
14 like I could briefly summarize.

15          CHAIRPERSON CORY: Let me summarize for you. You  
16 want a permit. We don't want to be flooded out. It seems  
17 to me reasonable people should be able to settle this. I'm  
18 waiting for an offer.

19          MR. GEORGESON: We are perfectly willing to  
20 commit ourselves to do everything humanly possible to keep  
21 any runoff from the Owens watershed from getting into the  
22 Owens Lake, and we operated our aqueduct at capacity 24  
23 hours a day, 7 days a week ever since it started to rain  
24 last January. There is nothing further that Los Angeles  
25 could have done to prevent water from getting on Owens Lake.

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1 The flooding that took place to the westerly lease to lake  
2 minerals is not a result of any release of water from the  
3 Los Angeles aqueduct system. That flooding was a result of  
4 rainfall on the bed of the lake during the winter and from  
5 runoffs not tributary to our aqueduct system, primarily  
6 from the east and south part of the lake. There was some  
7 runoff, as was mentioned by the previous speaker, from  
8 Cottonwood Creek during May and June when the water was  
9 extremely turbid. Had we taken out of Cottonwood Creek  
10 into the aqueduct at that point, there was danger of plugging  
11 the aqueduct with sand, which would have caused much larger  
12 flooding. So, we really don't feel that there was anything  
13 further that we could have done during this past year.

14 MS. SMITH: What are the legal problems that you've  
15 encountered?

16 MR. GEORGESON: There was a suggestion made, I  
17 think in a letter from the State of California, either  
18 State Lands or the Attorney General, that if necessary  
19 we dump water from our aqueduct into the ocean or exchange  
20 with the Metropolitan Water District. It turns out that  
21 was unnecessary. We were able to use beneficially the entire  
22 flow of both of our aqueducts throughout the winter, spring,  
23 summer and fall. Well, we're not in the fall yet. So,  
24 that alternative did get our consideration, but it did not  
25 turn out to be necessary.

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1           There was about 15,000 acre-feet of water from  
2 Cottonwood Creek that flowed into Owens Lake during the  
3 period of May and June.

4           MR. McCAULEY: And during this period the  
5 evaporation was great enough so that the water surface was  
6 actually dropping in the lake when we were releasing or  
7 letting the Cottonwood Creek go over our aqueduct. During  
8 the maximum flow from Cottonwood Creek, which is a natural  
9 creek and had so much sand and debris in it we could not  
10 take it in the aqueduct, during that period the lake was  
11 dropping. Also, we've got a letter from the Lake Minerals  
12 Corporation saying that we appreciate everything that you've  
13 done in the past.

14           What that amounted to was taking water in the  
15 aqueduct when the turbidity was down and also during times  
16 when the amount of debris, the sand that came in the aqueduct  
17 was not really enough to stop our operation.

18           MS. SMITH: What is our loss again? We're losing  
19 certain minerals if Owens Lake is flooded.

20           CHAIRPERSON CORY: It's that yellow area. They  
21 had to stop mining because it was flooded. What is the date  
22 of the high water?

23           MR. WILLARD: It was June 16th.

24           CHAIRPERSON CORY: What I'm having trouble with is  
25 that if that was the peak, your statement that May and June

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1 the evaporation was greater than the inflow, how did it  
2 peak after that?

3 MR. GEORGESON: I believe the point is that there  
4 was a lot of water that got on the lake during the heavy  
5 rains of January, February and March. Then there was very  
6 little flow onto the rain in later March and April when the  
7 runoff started, when the snow melted. There was additional  
8 water from the Cottonwood Creek flowed across our aqueduct  
9 onto the lake, but by that time the weather was hot enough  
10 and the lake may have gone up very slightly and reached a  
11 peak in mid-June, but there was very little change in the  
12 level of the lake from March until June. Then by mid-June  
13 the evaporation was actually dropping the level of the lake,  
14 even though there was some water continuing to flow onto the  
15 lake from Cottonwood Creek.

16 MS. SMITH: Should next year you find that the  
17 level isn't low enough, would you be willing to divert the  
18 water?

19 MR. GEORGESON: We have, I guess, a goal of our  
20 operation to put the water in the aqueduct, the water that  
21 is available to this city from its various water rights, in  
22 lieu of letting it onto the lake. We also have, as a matter  
23 of law, an injunction under the California Supreme Court case  
24 1951, People versus Los Angeles, and that in effect says  
25 that Los Angeles must, to the extent that it can, take water

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1 into its aqueduct system in lieu of putting it into the  
2 lake. So, we will continue to do that.

3 MR. McCAUSLAND: What is the natural outfall of  
4 Owens Lake? Is there a natural exit, or does all the water  
5 that comes into Owens Lake stay in it until it evaporates?

6 MR. GEORGESON: That's essentially true. In  
7 prehistoric times the lake level was, oh, three, four  
8 hundred feet high. The lake was very deep and there was a  
9 natural outflow down into China Lake, Searles Lake and  
10 eventually Death Valley, but that's many thousands of years  
11 ago.

12 MR. McCAUSLAND: Does our staff have a comment  
13 on the statement that the majority of water in the lake was  
14 placed there by rainfall and natural runoff during the  
15 winter months and that the lake level was sufficiently high  
16 that by the time the Cottowood turbidity problem surfaced,  
17 the addition of that water was not a substantial contributor  
18 to the problem at hand?

19 MR. EVERITTS: The only comment I could make is  
20 that any water on the lake is going to contribute to a  
21 slowdown of operations. As long as that one panel is wet,  
22 we can't mine it. So, any water added to it is going to  
23 slow up the time that we can get back to that one panel.  
24 Any water added to it is going to affect the roads.

25 MR. McCAUSLAND: One of the problems that I had

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1 is that I had the initial impression that once trona became  
2 saturated, recovery would be, I guess I would say impossible;  
3 but I think what you're telling me in part is once it becomes  
4 saturated, it then takes a long time for it to dry out  
5 again before you can go back. We're not talking about a  
6 dispersion in the resource to the degree that it's no  
7 longer economically feasible to mine. We're just saying it  
8 has to be precipitated again.

9 MR. EVERITTS: As a matter of fact, if you kept  
10 redesolving it and reprecipitating it, you might actually  
11 refine it to a certain extent.

12 MR. McCAUSLAND: So, in reality, we always are  
13 faced with the probability that if we had a heavy rainfall  
14 we were going to have a lot of wet trona on our hands and  
15 we wouldn't be able to get to it.

16 MR. EVERITTS: That's once of the reasons the  
17 previous operators ended up going broke.

18 MS. SMITH: Mr. Chairman, I'd like to move the  
19 adoption of Calendar Item C4.

20 MR. McCAUSLAND: We appreciate the fact that you  
21 have given us a commitment today that you will work towards  
22 making utilization of your water resources so that it  
23 minimizes its impact upon our resource, and we will proceed  
24 in that friendly vein for at least another year.

25 MR. GEORGESON: Thank you, Mr. McCausland. I

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1 wonder if I might leave with the staff and members of the  
2 Commission just a brief summary paper of how our operations  
3 are conducted and a little bit of background. If you have  
4 any questions of the staff, we'd be happy to meet with you.

5 MR. McCAUSLAND: Our staff will be watching  
6 awfully closely to see that you live up to the full intent.

7 Without objection, Item C4 is adopted.

8 Item C2, the City of Brisbane. Are the represen-  
9 tatives of the City of Brisbane here?

10 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I  
11 think our legal staff has a statement they'd like to make.

12 MR. McCAUSLAND: On C2?

13 MR. HIGHT: Mr. Chairman, this is a lease of some  
14 submerged lands to the City of Brisbane. The staff has  
15 received letters alluding to the fact that this transaction  
16 in some ways contains a hidden exchange of land feature.  
17 This transaction involves no exchange of land. It is a  
18 lease of tide and submerged lands, the portion of which is  
19 in disputed ownership. No rental on this disputed ownership  
20 will be charged pending the outcome of the suit Murphy versus  
21 the City of Brisbane.

22 MR. McCAUSLAND: Thank you, Mr. Hight. I'd like  
23 to stipulate that all members of the Commission have received  
24 considerable correspondence from one individual directly to  
25 the point which you've addressed, and I appreciate your

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1 clarification on that issue.

2 MR. SILVESTRI: My name is George Silvestri,  
3 Brisbane city attorney, and Brad Kerwin, Brisbane city  
4 manager is present. We came prepared to answer questions  
5 you might have and also to make a comment on another aspect  
6 of it, and that is we're protesting, but not too loudly,  
7 the fact that the rental rate is unspecified; and this is  
8 a small city of approximately 3,000 population and is looking  
9 at this project as a possible revenue producer for the city.  
10 It ties our hands, obviously, to try and make commitments  
11 and so forth not knowing what rent you may or may not set  
12 in the future.

13 I'd just like to state for the record that your  
14 staff has assured me, although not in writing, that any  
15 rental rates to be set, by operation of law, have to be  
16 reasonable, whatever that means, and other --

17 MR. McCAUSLAND: The three of us on this Commission  
18 find ourselves eminently reasonable.

19 MR. SILVESTRI: Like beauty, I think reasonableness  
20 is in the eye of the beholder. But the other concerns for  
21 the most part have been accommodated in the lease.

22 MR. McCAUSLAND: Would the staff like to make  
23 any comment at all on the rental issue?

24 MR. TROUT: I think that Mr. Silvestri has a good  
25 point. I think our concern is that the overall picture, the

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1 revenues from trust lands can only be used for trust  
2 purposes; and, therefore, what we might charge would depend  
3 on both the extent of the revenues and the potential  
4 disposition of those revenues. They couldn't take revenues  
5 from tidelands and take them downtown and use them for a  
6 new whatever. It would require that they be dedicated to  
7 commerce, navigation and fisheries. The lease has been  
8 significantly amended, the standard lease document, and the  
9 package makes reference to that to provide for many of the  
10 concerns of the city. I think that your staff is unwilling  
11 at this point to try and do crystal balling and say in the  
12 future what some rental rate might ought to be. I think  
13 we would say that the Commission's rental procedure, the  
14 establishment of rates, involves public hearings, involves  
15 a regulation process which has to be approved by the  
16 Commission; and the city would have every opportunity, both  
17 at the time the rental rates are adjusted or at the time  
18 any rental rate proposed is brought to the Commission, to  
19 discuss the reasonableness of that with the Commission.

20 We just can't support at this point in time  
21 trying to make a long-term revenue commitment in an area  
22 where we're uncertain what the revenues are going to be or  
23 how the project is ultimately going to derive. We have said  
24 that no rental would be charged for an initial period of  
25 time to allow the area to be built and for them to develop

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1 a history of revenue. It may be that, as with many public  
2 leases, staff would recommend no rental. We want to keep  
3 that option open on behalf of the Commission.

4 MR. McCAUSLAND: Part of what you're saying is  
5 that if the revenues produced by this project ultimately  
6 exceed the absorption capacity in terms of the ability to  
7 plow more money back in fisheries, commerce and navigation  
8 programs in the City of Brisbane, wherever they be in that  
9 city, then the State would essentially want to increase its  
10 share of those revenues through the rental process to the  
11 point where there was some equity established.

12 MR. TROUT: Yes. I think that once the costs are  
13 recovered, the investment repaid to the Department of  
14 Navigation and Ocean Development and there are significant  
15 dollars left, that those dollars might be shared between  
16 the Commission and the city and the city using its portion  
17 to further develop commerce, navigation and fisheries in the  
18 city and the Commission to put its share into the coffers  
19 for development by the State.

20 MR. McCAUSLAND: Now you can see how reasonable  
21 we are.

22 MR. SILVESTRI: Well, Mr. McCausland, as I'm sure  
23 you can guess, my role is a devil's advocate and envisioner  
24 of all the horrible things happening and after all these  
25 reasonable people have left this scene, I have to envision

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1 the possibility of less reasonable people interpreting and  
2 applying these provisions. And obviously there's a less  
3 than the fully mutual arm's length transaction. It's a  
4 very unilateral, unfettered kind of discretion that the  
5 State is retaining here; and I just think it's not unreasonable  
6 for us to request, under the circumstances of financial  
7 pictures that the city operates under currently, which is  
8 quite severe, I think it's fair for the State to encourage  
9 us rather than discourage us from going ahead and turning  
10 this into a revenue-producing situation for the city.

11 Obviously, we all have our Proposition 13 problems, but our  
12 problems existed even prior to June 6 as far as economics go.

13 MR. McCAUSLAND: Let me ask you a problem, because  
14 some of the cities in the south, particularly, have had a  
15 relationship with the State over the years where there has  
16 been a very serious question about how they've utilized  
17 the proceeds from their tidelands, and we're faced with the  
18 administration of a constitutional and a statutory constraint  
19 which says all revenues produced by the tidelands must go  
20 to fisheries, commerce and navigation. I as an individual  
21 find that an onerous restriction; but in my role as a member  
22 of the State Lands Commission, I don't have the option to  
23 say it's all right to run the hook and ladder truck off of  
24 that. It's all right to run your fire boat off of that,  
25 but it's not all right to run your hook and ladder truck

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1 unless you've got a lot of warehouses.

2 As I envision your statement and your needs --  
3 and they're legitimate needs -- you would like your waterfront  
4 development to be able to run a lot of the general costs  
5 of city hall. I have no objection to you having that as a  
6 goal, except that I believe it takes a change in the State  
7 constitution and the State statutes for that to be a part  
8 of the package.

9 MR. SILVESTRI: I'm not proposing anything so bold  
10 as to change the State constitution.

11 MR. McCAUSLAND: Well, maybe you should. Maybe  
12 in light of Prop. 13 one of the things to do is to expand  
13 the ability to generate revenue for use in general government  
14 services. That's not something we're going to advocate.  
15 That's something for you to advocate.

16 MR. SILVESTRI: That may well be, but being  
17 somewhat familiar with the vagaries of interpretation as  
18 history passes on, cases such as Marks versus Whitney come  
19 to mind where one man's definition of commerce, fisheries  
20 and navigation at one point in time may be quite different  
21 from another justice's definition at a subsequent time.  
22 So, I can envision without too much difficulty ways of  
23 justifying maintaining bird habitats, et cetera, that may  
24 not have been -- I'm sure would have been scoffed at not  
25 too many years ago before Marks versus Whitney.

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1 All I'm saying is that we would prefer to have  
2 this tied down. I realize from your staff's standpoint  
3 what your historical reasons for not doing so are. I'm  
4 merely trying to make the point for the record that  
5 circumstances have changed as far as economics.

6 MR. McCAUSLAND: Let me ask a question because  
7 I haven't studied the specific language of the agreement  
8 in terms of your negotiations with the private developer,  
9 which I believe is what you're talking about the need for  
10 clarity in, you are assured that you will have how many  
11 years of non-rental use of the land?

12 MR. TROUT: At least until completion of construction  
13 of the facilities.

14 MR. McCAUSLAND: And what kind of protection does  
15 he have for recovery of costs during the initial phase of  
16 operation? How many years does he have favored treatment  
17 for recovery of costs? Do we have any guidance in that area?

18 MR. TROUT: No, Mr. Chairman. We don't. What we  
19 have done, I think perhaps if I could direct your attention  
20 to page 17 at the top of the page, page 17 of your calendar,  
21 is the paragraph involving rental. What we're basically  
22 proposing is a rent-free lease, reserving to the Commission  
23 the right upon completion of construction to set a monetary  
24 rental if warranted. What we've tried to do is to box it in  
25 to the extent the staff deems prudent. That is that we have

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1 offered a rental rate at a percentage based on analysis  
2 of market and other considerations, which would be typically  
3 the way you do it. We look at, say, Dana Point Harbor,  
4 something like that, and see what Orange County might be  
5 getting as a percentage of channel resales or docking fees  
6 or ship brokerage fees or something like that or eight  
7 percent of the appraised value, which are both within the  
8 rules and regulations adopted by the Commission, and would  
9 be setting a minimum rental.

10 Now, right now it would be the staff's feeling that  
11 it would be some considerable period of time before we  
12 even start to look at the possibility of recommending the  
13 collection of rent. Portions of the facilities, as I  
14 understand it, are to be built with a loan from the  
15 Department of Navigation and Ocean Development. We relied  
16 very heavily on that department in the economic analysis of  
17 this project. Based on that economic analysis, it's quite  
18 always downstream before we could expect that there would be  
19 significant excess revenues.

20 I think, much as the Legislature does not want to  
21 tie the hands of subsequent Legislatures, we are reluctant  
22 at this point in a long-term arrangement to box in what the  
23 rental rates might be.

24 MS. SMITH: Why can't we make it a short-term  
25 arrangement?

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1 MR. TROUT: I think Mr. Silvestri's problem is  
2 with the long term rather than the short term.

3 MR. SILVESTRI: If we get through the eighteen  
4 zillion hurdles facing us and this is successful, which is  
5 when you would start licking your collective chops, I'm sure,  
6 then we would like to be rewarded with the primary value  
7 of that effort. We're the ones that are really taking the  
8 major risk at this point; and, granted, you have a stake  
9 here as well, and I should mention also that it's possible  
10 that this may become academic if in fact the land swap  
11 which was earlier alluded to is effectuated. But that's too  
12 far down the line right now to really go into.

13 MS. SMITH: Is there a problem with having a rent  
14 review set within two or three years after you've had a  
15 chance to study the economic situation?

16 MR. McCAUSLAND: That's basically what the staff  
17 would be doing.

18 MR. TROUT: Yes.

19 MS. SMITH: But bring it back to the Commission.

20 MR. TROUT: Mr. Chairman, I might just discuss  
21 this. We're very reluctant to talk about any kind of a  
22 land swap because of the State's position in the Murphy case.  
23 If the State's position were to be sustained in the ultimate  
24 result of that case, the alleged owners of the property would  
25 have nothing to exchange. So, I don't think we want to look

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1 at an exchange as any kind of a long-term solution.

2 One of the reasons for getting this on the calendar  
3 this month was so the Bay Conservation Development Commission  
4 might also consider this project at their next meeting.  
5 I'd like to suggest that perhaps Mr. Silvestri and our staff  
6 could get together and we could look at some language  
7 contained in some of the legislative grants which defines  
8 some kind of a ceiling after which the State begins to  
9 share the excess revenues. I'm not saying that at this  
10 point staff would recommend that, but we certainly would be  
11 open to discussion of that kind of a modification to the  
12 rent agreement.

13 I suspect if this is not passed, however, today  
14 the City of Brisbane may not have the option next week of  
15 having it heard by the Bay Conservation and Development  
16 Commission.

17 MR. McCAUSLAND: I'm personally disposed to act  
18 on the item today in the form recommended by staff because  
19 I believe that is substantially the way we're treating  
20 everyone else in the State of California. Equity demands  
21 that; and, by the way, many people view our actions as being  
22 fairly capricious. So, I suggest you watch our collective  
23 chops closely and see what you can do in this area, but it  
24 is worth your review of the documentation on how granted lands  
25 are being dealt with in these circumstances.

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1 MR. SILVESTRI: I appreciate that. As I said,  
2 I really want to raise this point for the record. I'm not  
3 protesting that loudly. In the interest of the city, my  
4 city council picked up on that point and asked me to convey  
5 that concern. I hope you can appreciate our position as well.

6 MS. SMITH: I'm prepared to vote on the item;  
7 however, if you would like to sit down with our staff and  
8 go over some of the other agreements, I am prepared also to  
9 delay my vote until next month's meeting.

10 MR. SILVESTRI: I think we're in a bind here because  
11 of the BCDC position that they won't proceed. I would prefer,  
12 I think, that it be voted on, and we would be glad to take  
13 staff up on the opportunity extended to review grant-type  
14 language to see how that might be modified in the future,  
15 if that's acceptable.

16 MR. McCAUSLAND: Are you tentatively scheduled  
17 for the first meeting of the BCDC?

18 MR. KERWIN: No, we are apparently not. But the  
19 Commission staff will not do any of the preliminary processing  
20 until the State Lands Commission has acted.

21 MR. McCAUSLAND: If you want us to proceed, I  
22 have no objection.

23 MS. SMITH: I move the adoption of C2.

24 MR. McCAUSLAND: Without objection, Item C2 is  
25 approved. Thank you, gentlemen.

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1 I have two little items I'd like to mention before  
2 we leave. The first is on Item 25, the natural gas pricing  
3 issue. We took action today which I believe was 100-percent  
4 retroactive. Are you now in the process of reviewing the  
5 price proposals for the current year?

6 EXECUTIVE OFFICER NORTHROP: Yes, we are.

7 MR. McCAUSLAND: I believe that this issue should  
8 not be resolved without further discussions of what the  
9 appropriate levels of gas prices are. Our action today  
10 confirmed, on the basis of last year's record, prices that  
11 were not inappropriate; but in terms of prices that we're  
12 willing to accept this year, I think that entire issue has  
13 to be readdressed in terms of total mix of gas utilization  
14 in the State of California and the true market value of the  
15 resource we have. Whether it's been there for ten million  
16 years, or one year it's natural gas. That's probably the  
17 most precious of all natural gas used in California. I  
18 think it should be priced at an appropriate level, and I  
19 think we'll probably have to go through the same lengthy  
20 hearing process again this year. I don't think we should  
21 just assume going out of the gate that we're going to accept  
22 the same price as we did this last time around. Does anyone  
23 want to comment on that?

24 MS. SMITH: No.

25 MR. McCAUSLAND: On Item 32 regarding harvesting of

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1 our timber, is that item in response to the discussion that  
2 we had in a Commission meeting a couple months ago that  
3 said let's take a look at increasing a more proactive  
4 management of our timber?

5 EXECUTIVE OFFICER NORTHROP: I think that's in  
6 response to that.

7 MR. McCAUSLAND: I would hope that before we go  
8 too far down that line that we could have a fairly serious  
9 policy discussion of how far we want to go in this timber  
10 management business. I don't know for sure that we want to  
11 try to turn it into a real moneymaker on the one hand; and,  
12 on the other hand, it may be that we don't want to let our  
13 trees get so mature that they lose their market value.  
14 Before we get too far down that path, the Commission should  
15 try to deal with the issue.

16 EXECUTIVE OFFICER NORTHROP: Staff hears what  
17 you're saying. The situation is that has come to our  
18 attention in the past, we have lost much timber by either  
19 fire, pesticides or thieves. The management, the good  
20 stewardship of that timber, when it becomes a detriment to  
21 the environment by not being harvested or the best  
22 environmental management as well as timber management would  
23 be harvesting; but staff takes seriously what you've said,  
24 and we shall prepare some kind of a program so we can make  
25 a record or at least present for the record what we plan on

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1 doing in this area, or at least some alternatives for the  
2 Commission to decide which avenue they would like to see  
3 us proceed on.

4 MR. McCAUSLAND: Thank you. Any other business  
5 to come before the State Lands Commission?

6 If not, the next meeting of the State Lands  
7 Commission will be held here in Sacramento on September 27th,  
8 1978. Without objection, the meeting is adjourned.

9 (Thereupon the meeting of the  
10 State Lands Commission was adjourned  
11 at 11:08 a.m.)

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