1. INTRODUCTION

1.1 PURPOSE OF THE ENVIRONMENTAL IMPACT REPORT

On September 30, 1999, Pacific Gas and Electric Company applied to the California Public Utilities Commission (Commission or CPUC) for permission to sell its hydroelectric generating assets through an auction. Pacific Gas and Electric Company's Application (Application No. 99-09-053) was made pursuant to provisions of California law that require the CPUC to establish the market value of Pacific Gas and Electric Company's hydroelectric facilities by December 31, 2001. Because Pacific Gas and Electric Company proposed to use an auction to establish this value, the Commission is considering whether to allow Pacific Gas and Electric Company to sell its facilities.

Pacific Gas and Electric Company submitted its Proponent's Environmental Assessment (PEA) to the CPUC on October 29, 1999. The PEA contains Pacific Gas and Electric Company's own assessment about the scope of its application and its environmental effects. The information in the PEA was supplemented by requests to the Applicant for additional information. Most notably, on February 1, 2000, an Addendum to the Application was submitted to include additional lands in the proposed auction, and to make revisions in various proposed agreements and contracts.

As the Lead Agency in this matter, the CPUC determined that the California Environmental Quality Act (CEQA) required it to prepare an Environmental Impact Report (EIR). The EIR evaluates the auction with two goals in mind: ensuring the CPUC is aware of the environmental consequences of Pacific Gas and Electric Company's proposal and informing the public of these consequences as well. The EIR studies a specific "project". The project is a sequence of related activities — from the competitive auctioning of Pacific Gas and Electric Company's hydroelectric assets, through transfer of ownership to the successful bidders, to the subsequent operation, use, and management of the assets by new owners.

1.2 REQUESTED ACTIONS

In its Application, Pacific Gas and Electric Company requests the CPUC to act in two phases. In Phase 1, the CPUC is asked to:

- Approve the proposed auction process, including the appropriate bundles for sale;
- Approve the proposed contracts, including the Service Agreements between Pacific Gas and Electric Company and the new generators;
- Approve the proposed accounting and ratemaking treatment;
- Determine that the fair market value of the hydroelectric generating facilities and related assets will be the proceeds received from the winning bidder(s) at closing;

- Determine that the Operation and Maintenance Agreement to be used for a third-party sale is reasonable; and
- Determine that having the purchaser accept assignment of Pacific Gas and Electric Company's Reliability Must Run Contract will satisfy Public Utilities Code Section 362's requirement to "ensure that facilities needed to maintain the reliability of the electric supply remain available and operational" for any generating facility the Independent System Operator (ISO) designates as must-run for reliability.

In Phase 2, upon Pacific Gas and Electric Company's submission of a Compliance Filing that the prescribed auction process was followed, along with the final contracts and information concerning the accounting and ratemaking adjustments for the transactions, the CPUC is asked to issue a final decision to:

- Approve the terms and price of each transaction;
- Approve Pacific Gas and Electric Company's accounting and ratemaking adjustments; and
- Make the findings required by Section 32(c) of the Federal Public Utility Holding Company Act of 1935 in order for the hydroelectric facilities to obtain exempt wholesale generator status from the Federal Energy Regulatory Commission (FERC).

1.3 PROJECT OVERVIEW

1.3.1 HISTORIC OVERVIEW OF PACIFIC GAS AND ELECTRIC COMPANY

Pacific Gas and Electric Company, a regulated investor-owned utility, provides natural gas and electric service to customers in much of Northern and Central California. Pacific Gas and Electric Company is a subsidiary of PG&E Corporation, a holding company headquartered in San Francisco, California. The Corporation also owns PG&E National Energy Group (PG&E NEG)[1], a Maryland corporation that builds, acquires, and operates independent electric generating facilities in various parts of the country.

Over the past two years, Pacific Gas and Electric Company has divested six fossil-fuel power plants and its geothermal operations through two separate auctions. It still owns generating assets. These include its extensive hydroelectric system, which is the subject of this EIR, as well as fossil-fuel power plants at Hunters Point in San Francisco and Humboldt in Eureka, California, and the Diablo Canyon nuclear power plant in San Luis Obispo County. Pacific Gas and Electric Company also owns, operates, and maintains an extensive electric transmission and distribution system throughout its service area.

Over the past century, Pacific Gas and Electric Company has become the largest producer of hydroelectric power in the State, through development of its own facilities and through acquisitions. The network of hydroelectric generation assets owned and operated by Pacific Gas and Electric

[1] In its Application, Pacific Gas and Electric Company identified its affiliate as PG&E Generating Company (PG&E Gen). The name of this affiliate has since been changed to PG&E National Energy Group (PG&E NEG), which is the name that is used to identify the affiliate throughout this EIR.

Company is the largest privately-owned hydroelectric system in the nation. From year to year, the amount of hydropower generated varies considerably. The potential to generate hydropower depends on the amount of water available in reservoirs and in river flows. Key factors affecting water availability are the timing and nature of storm events, and the volume, moisture content, and melt rate of the snow cover in the mountains.

Pacific Gas and Electric Company's hydroelectric generation facilities produced an average of 11,832 gigawatt-hours (GWh) of electricity annually between 1975-1999[2]. In recent years, hydroelectric generation has varied from 6,050 GWh in a drought year to 18,085 GWh in a wet year, underscoring the variability in the system. About 250,000 GWh of electric energy is consumed in the State annually; currently, about five percent of the energy consumed in California is generated by Pacific Gas and Electric Company's hydroelectric system.

1.3.2 ELECTRICITY RESTRUCTURING AND DIVESTITURE

Since 1911, California's investor-owned electric utilities have been regulated by the CPUC. Commission-regulated utilities provide electricity and have certain obligations within specified service areas. Under comprehensive regulation, utilities have developed, owned, operated and maintained electricity generation, transmission, and distribution facilities. Utilities recovered the costs of their prudent investments and of their operations, and were allowed a certain rate of return on prudent investments. Generally, utilities were vertically integrated, generating, transmitting, and distributing electricity to customers. This institutional model changed as a result of the restructuring of the electricity industry in 1996. Restructuring produced a partial deregulation of electric generation. Utilities divested some of their generation facilities and the responsibility for determining the price of electricity was allocated to the market, not the CPUC.

Restructuring of the electric power industry in California was mandated when Assembly Bill 1890 (AB 1890) became law in September 1996. AB 1890 called for an unregulated electric generation industry — one separate from power transmission and distribution services, which continue to be regulated. The drafters of the new framework intended to encourage competition, and customers were allowed to choose their supplier of electric power (Public Utilities Code Section 330[d]). It is currently being debated whether a competitive market can be or has been established. While AB 1890 made the generation function market based, delivery of electricity over transmission and distribution systems continues "to be regulated to ensure system safety, reliability, environmental protection, and fair access for all market participants." (Public Utilities Code Section 330[f]).

The law also established two non-profit, private corporations that operate the State's transmission system and control wholesale pricing policies. The California ISO manages most of the State's electrical power grid. The Power Exchange (PX) operates various markets, allowing buyers and sellers of electricity to trade with one another. The ISO and the PX began operating in 1998.

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2 A gigawatt is equal to 1,000 megawatts, or 1,000,000 watts.

Southern California Edison Company (SCE) has divested 12 of its 13 fossil-fuel power plants, and has applied to the CPUC to have its hydroelectric assets market valued and then operated by a regulated affiliate. Pacific Gas and Electric Company has sold most of its fossil-fuel plants as well as its geothermal generation assets. The third largest regulated investor-owned utility, San Diego Gas & Electric Company (SDG&E Co.), has divested all of its fossil-fuel power plants.

Public Utilities Code Section 368(a) provides:

> "The cost recovery plan shall set rates for each customer class, rate schedule, contract, or tariff option, at levels equal tot he level as shown on electric rate schedules as of June 10, 1996, provided that rates for residential and small commercial customers shall be reduced so that these customers shall receive rate reductions of no less than 10 percent for 1998 continuing through 2002. These rate levels for each customer class, rate schedule, contract, or tariff option shall remain in effect until the earlier of March 31, 2002, or the date on which the commission-authorized costs for utility generation-related assets and obligations have been fully recovered. The electrical corporation shall be at risk for those costs not recovered during that time period. Each utility shall amortize its total uneconomic costs, to the extent possible, such that for each year during the transition period its recorded rate of return on the remaining uneconomic assets does not exceed its authorized rate of return for those assets. For purposes of determining the extent to which the costs have been recovered, any over-collections recorded in Energy Costs Adjustment Clause and Electric Revenue Adjustment Mechanism balancing accounts, as of December 31, 1996, shall be credited to the recovery of the cost."

SDG&E Co. has ended its rate freeze. However, price spikes in the summer of 2000 led to the passage of AB 265, on September 6, 2000. This bill establishes a ceiling of 6.5 cents per kilowatt hour for residential and small commercial customers[3], retroactive to June 1, 2000, and is in effect through December 2002. Customers who have overpaid since June 1 will have those amounts credited to their accounts. Signed the same day, AB 970, known as the California Energy Security and Reliability Act of 2000, provides $57 million to implement energy conservation and demand-side energy programs. It also establishes the Governor's Clean Energy Green Team, consisting of the heads of the various agencies, boards, and commissions involved in electricity production and usage. In September 2000, two more electricity-related bills were enacted. SB 1388 and SB 1194 streamline the process of building new power plants, give incentives for innovation and prudence in grid operation and investment, and contain numerous other provisions to improve the reliability and cost of electricity service in California.

AB 1890 does not require Pacific Gas and Electric Company to divest its hydroelectric generation assets. The only requirement is that the CPUC determine the market value of the assets. Current law requires the CPUC to determine the market value of Pacific Gas and Electric Company's non-nuclear generating assets by December 31, 2001. These assets need to be valued for the

3 Small commercial customers are defined with particularity in AB 265.

purpose of calculating the amount of transition costs Pacific Gas and Electric Company will recover. The market value of the assets is to be compared to the book value. If the market value of the assets exceeds their book value, the net excess value is to be used to pay off other transition costs. If the net market value of the assets is less than book value, this is a transition cost and may be collected by Pacific Gas and Electric Company from ratepayers. As of June 30, 2000, Pacific Gas and Electric Company listed the net book value of its hydroelectric generation assets as $1.059 billion[4].

AB 1890 provides that market value of assets can be determined by a sale or other divestiture, or by appraisal[5]. Pacific Gas and Electric Company used the sale valuation method previously to market value its fossil-fueled power plants and geothermal generating facilities These auctions resulted in transfer of the facilities to new owners. Pacific Gas and Electric Company proposes a similar approach to establish a market value for its hydroelectric assets, and to transfer ownership of the assets to other parties. By way of contrast, SCE is proposing that its hydroelectric assets be market valued by appraisal, as its intention is to keep these assets within a regulated company rather than offer them for sale.

1.3.3 PACIFIC GAS AND ELECTRIC COMPANY'S PROPOSED AUCTION PROCESS

Pacific Gas and Electric Company proposes a two-stage auction to be administered by Pacific Gas and Electric Company under the purview of an Independent Auditor selected from a major accounting firm. The auction is intended to establish a market value for Pacific Gas and Electric Company's hydroelectric generating assets and to sell these assets to the highest successful bidder(s). The proposed auction would result in (1) a market value being established for Pacific Gas and Electric Company's hydroelectric power generation system, and (2) the system being owned and eventually operated by one or more unregulated entities.

Pacific Gas and Electric Company has grouped its hydroelectric assets into five regional bundles, which are in turn made up of local bundles. Twenty local bundles cover the entire hydroelectric system. Pacific Gas and Electric Company has grouped these bundles in consideration of geography, hydrology, water rights, operating interconnectivity, and similar criteria. Ownership could potentially be divided among bundles in a number of ways. At its simplest, there could be a single owner for all hydroelectric assets. Conversely, there could be multiple owners. They could own all of one or more regional bundles, or could own individual local bundles within one or more regions. Thus, there could be as many as 20 owners, or as few as one.

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4 Assets are depreciated over their useful lifetime. Net book value represents the remaining un-depreciated value of the assets carried on Pacific Gas and Electric Company's books.

5 Public Utilities Code Section 367(b) states "For those assets subject to valuation, the valuations used for the calculation of the uneconomic portion of the net book value shall be determined not later than December 31, 2001, and shall be based on appraisal, sale, or other divestiture."

Under the proposed auction, the highest total price bid for a region's assets would prevail. That is, the highest price could be either a single bid for an entire regional bundle, or the sum of separate bids on the local bundles within the region.

In the first phase of the auction, lasting approximately six weeks, the public and potentially interested parties would be given notice of the availability of Pacific Gas and Electric Company's hydroelectric assets. Pacific Gas and Electric Company proposes that PG&E NEG, an unregulated subsidiary of PG&E Corporation, participate in the auction on the same basis as other bidders.

At the close of the first phase of the auction, each interested bidder would submit a sealed Statement of Qualification and Interest. The Statement would describe the bidder's financial and operational qualifications, explain purchase financing plans, and relate the bidder's experience owning and/or operating power plants in general and as a FERC licensee. The Statement would address certain policies and practices of the bidder with regard to selecting contractors and suppliers, and would identify the bundle or bundles on which the bidder would wish to conduct additional due diligence review. Based on an assessment of each bidder's financial and business qualifications (no specific criteria), Pacific Gas and Electric Company and its advisors would invite qualified bidders to proceed to the second stage of bidding.

During the second stage, bidders would be given an opportunity to conduct additional due diligence review. At the close of the second stage, bidders would submit sealed, binding bids. These would be price-only bids, based upon the final Agreements and contracts provided. Exceptions to contract terms would not be permitted and could make bids non-responsive. The winning bid for an asset bundle would be selected based on price. The successful bidder would immediately sign the Purchase and Sale Agreement and associated contracts, and post a letter of credit as a deposit for each bundle on which they were the successful bidder. The second stage would occur over approximately 14 weeks.

Pacific Gas and Electric Company requested interim authorization to begin the due diligence process prior to any ruling by the CPUC on its Application. On June 27, 2000, the Administrative Law Judge (ALJ) denied the motion, but did allow Pacific Gas and Electric Company to "begin activities it identifies in its application as 'stage 1' up to, but not including, the tendering by bidders of Statements of Qualifications and Interest without any authorization from the Commission" (ALJ Ruling, June 27, 2000, Application 99-09-053).

1.3.4 KEY AREAS OF ENVIRONMENTAL CONCERN

This EIR has considered all potential environmental impacts arising from the proposed divestiture. However, based on the nature of the assets and the nature of hydroelectric generation facilities, some resources are more vulnerable than others to changes. During the scoping and public information phases of the EIR preparation (see Section 1.6.3), a number of individuals, agencies, organizations, and governments provided useful insights on key environmental concerns.

Any change in resource use and facility operations has the potential for creating environmental impacts. Therefore, how the Pacific Gas and Electric Company's hydroelectric system assets are operated and managed under new ownership is of concern. Fundamental questions include:

- Would changes in ownership (and in regulatory oversight) create local or regional environmental impacts?
- Would these potential impacts occur if the assets were retained by the utility?
- Would any such impacts be "significant" in the context of CEQA?

Pacific Gas and Electric Company or any new owner would be operating the hydroelectric power plants in a deregulated generation market. Therefore, a distinction is drawn between changes that result from legislatively mandated deregulation, which is not subject to environmental review, and changes that result from decisions by owners based on their respective business strategies.

Important resource issues, such as ensuring minimum downstream water flows or maintaining certain minimum/maximum water levels in reservoirs, are often determined at their extremes by FERC license conditions, or are the subject of enforceable agreements with other parties. Within such limits, flexibility to make changes may remain that, if exercised, could have adverse environmental effects.

The following have been identified as topics of great concern: water resource management, water supply, land use, recreation, biological resources, protection of Native American cultural sites and resources, and timber harvesting. Examples of potential impacts include changes in water management, including the rate of flow release, the timing of releases, and changes in storage practices; changes in informal practices and agreements regarding land and water resources; changes in timber harvesting; changes in grazing practices; changes in recreational access to waterways, reservoirs, and lands; changes in land use; and changes in air emissions by non-hydroelectric power plants.

Concerns have also been identified related to the potential effects deriving from disaggregating a single system into smaller, uncoordinated operations under various owners, and from cessation of CPUC regulatory oversight. The EIR also considers the potential impacts of re-operation (operational changes) or decommissioning of facilities, which could be reasonably foreseen to result from divestiture.

1.4 CPUC DECISION-MAKING PROCESS

The CPUC evaluates applications thoroughly before approving, denying, or conditionally approving them, by using two processes known as the environmental evaluation and the general proceeding. For its evaluation of the proposed sale, the CPUC is conducting these two processes concurrently, and has also referred to them as the "CEQA phase" and the"divestiture phase."

During the general proceeding/divestiture phase, the CPUC is reviewing the overall proposal by Pacific Gas and Electric Company, the proposed method of sale, and the issues related to utility

rates. The general proceeding is a formal process in which an ALJ oversees formal testimony and cross-examination by participants. Based on the information received in the general proceeding and from results of the environmental evaluation/CEQA phase, the ALJ will prepare a proposed decision for consideration by the five Commissioners, who are the decisionmakers.

1.4.1 GENERAL PROCEEDING

The CPUC's general proceeding is a formal review process that considers how the project could potentially benefit or harm the public, including its potential effects on utility ratepayers. The CPUC will make a decision about whether divestiture is in the public interest that strikes a balance among power production, water uses, recreation, and environmental stewardship. CPUC Commissioner Loretta Lynch and Administrative Law Judge (ALJ) Barbara Hale are in charge of the general proceeding, which will occur while the environmental review is underway. The environmental review is managed by the Commission's Energy Division (CPUC Staff). The general proceeding includes prehearing conferences, evidentiary hearings, and public participation hearings.

The scoping prehearing conference was the first open forum in the general proceeding. It followed the filing of initial responses to the Company's application. Its purpose was to determine the potentially affected parties, specific project issues, and to develop a preliminary hearing schedule. After the conference, the assigned ALJ and Commissioner issued a scoping memo that identified the issues, and a schedule for addressing them in the general proceeding. The scoping prehearing conference for this project was held in December 1999, and the Scoping Memo Ruling was released in January 2000.

The evidentiary hearing is a formal courtroom proceeding. Participants may present their "case" through the testimony of experts who are subject to questioning from other participants. Its purpose is to gather information on disputed issues so that the ALJ and the Commissioner fully understand the issues of the case.

Another way to participate in the general proceeding is to attend the public participation hearings that are planned for Winter 2001. At these hearings, the general public may provide perspectives related to the proposed project or alternative projects. During the hearing, the ALJ will give each participant an opportunity to speak. Often the ALJ must limit each individual's time to ensure that all attendees will be given a change to voice their opinions.

1.4.2 DECISIONMAKING

When both the environmental evaluation (see Section 1.6, CEQA Process) and general proceeding are complete, the ALJ will prepare a proposed decision for consideration by the five CPUC Commissioners. The ALJ will base the proposed decision on the general proceeding evidence, the environmental study findings, and the public comments received. A Commissioner may draft an

alternative proposed decision for consideration by the CPUC. All five Commissioners may then vote on the proposed decision and any alternates at a public business meeting of the Commission.

Once any divestiture, if authorized, is complete, the new owner of a hydroelectric facility will need to request that the FERC transfer the license to it from Pacific Gas and Electric Company. The new owner will also assume responsibility for license renewal before the FERC.

1.5 CEQA PROCESS

The CPUC Staff has determined that the Application is subject to review under CEQA. The CPUC Staff has prepared this Environmental Impact Report (EIR) to analyze the potential environmental effects associated with the project, and to identify mitigation measures and alternatives to the project.

For purposes of this EIR, the proposed "project" is the transfer of ownership of Pacific Gas and Electric Company's hydroelectric assets to one or more entities through the auction process proposed by Pacific Gas and Electric Company. Such a sale could result in operational changes of the hydroelectric generation assets, and changes in the use and management of associated watershed lands. These potential changes are considered in the EIR. A necessary component of the EIR is the consideration of alternatives to the proposed project, including the No Project Alternative. The fundamental question to be addressed in the EIR is whether the change in ownership, and potential changes in operation of hydroelectric generation assets, would create local or regional environmental impacts that would not occur should the assets be retained by Pacific Gas and Electric Company. The EIR also considers whether any expansion, modification, or dismantling of facilities would be reasonably foreseeable as a result of divestiture.

1.5.1 ENVIRONMENTAL EFFECTS

The environmental analysis considers a broad range of ownership interests that may affect the operation, and the impacts from the proposed transfer, of assets. For example, entities may purchase assets because of interests in consumptive water uses or power generation. The environmental analysis includes, among other things, consideration of the effect of the project on water systems and watershed management, timber management, agriculture, recreation, and biology.

The EIR addresses both site-specific and cumulative effects. The following operating scenarios are considered:

- Existing Conditions (Baseline);
- No Project Condition (No Project Alternative);
- Project Conditions After Divestiture Under an Energy Profit Maximizing Strategy (PowerMax Scenario); and
- Project Conditions After Divestiture Under a Water Supply Maximizing Strategy (WaterMax Scenario).

The EIR focuses on the topical areas that could be affected by the project, including: Land Use; Forestry; Hydrology and Water Quality; Fisheries and Aquatic Biology; Terrestrial Biology; Recreation; Cultural Resources; Agriculture; Hazards and Hazardous Materials; Population, Employment, and Housing; Public Services and Utilities; Transportation; Noise; Air Quality; Aesthetics; and Geology, Soils, and Minerals.

1.5.2 ALTERNATIVES

The EIR contains an analysis of alternatives to the sale of the assets and bundles of assets proposed by Pacific Gas and Electric Company. A number of parties have proposed alternative approaches to Pacific Gas and Electric Company's divestiture method, including, for example, different bundling of assets, no bundling of assets, retention of assets by the utility, conservation easements on the lands, decommissioning of facilities that are uneconomic to run on a stand-alone basis or where environmental damages of a change in ownership outweigh the energy-associated economic benefits, and limited-time State ownership. These and other alternatives are considered in the EIR. The potential environmental effects of a reasonable range of feasible alternatives have been studied in the EIR.

1.5.3 PUBLIC AND AGENCY CONSULTATION

1.5.3.1 Notice of Preparation

In accordance with CEQA Guidelines §15082, the CPUC Staff prepared a Notice of Preparation (NOP) for this EIR, which was mailed on April 27, 2000, to local, State, and Federal agencies, and to the State Clearinghouse for a 30-plus day review period that ended on June 1, 2000. The text of the NOP may be viewed on the project website (http://cpuc-pgehydro.support.net).

The NOP provided a general description of the project, including a review of the assets proposed to be divested, and a summary of the main regulations and permit conditions that cause special concerns in light of the potential for sales of the assets to multiple owners. Responses from these agencies and organizations helped to determine relevant environmental issues associated with the project that are addressed and analyzed in the EIR.

1.5.3.2 Public Agency Participation Program

In order to gather information relating to possible environmental effects of the project, the CPUC consulted other affected agencies and jurisdictions. The CPUC's public agency outreach program was developed for the purpose of establishing early contact and opening lines of communication with key public agencies directly affected by the divestiture plan proposed by Pacific Gas and Electric Company in its Application, and to obtain insights and information useful for this EIR. More than 450 entities affected by the project were notified by a mailing of the NOP, including Native American tribes, State, local, Federal, trustee, and responsible agencies. In addition, the

CPUC contacted over 300 agencies and special districts by facsimile, electronic mail, and telephone to invite participation in the agency meetings.

1.5.3.3 Public Scoping for Environmental Review

Although scoping meetings are not required under CEQA, the CPUC Staff conducted scoping meetings in May 2000 to provide the public and government agencies opportunities to identify environmental issues, and to propose alternatives that should be considered in the preparation of the EIR. The CPUC Staff initiated an extensive notification effort to inform agencies and interested members of the public of the scoping meetings and comment opportunities. The CPUC Staff published display advertisements in 32 newspapers throughout the State twice before each meeting. The CPUC Staff also mailed a notification flyer to more than 9,500 stakeholders, homeowners, residents, interest groups, city and county officials, and Federal, State and local agencies (including all property owners within 300 feet of the affected facilities).

The CPUC Staff conducted 18 public meetings and nine agency meetings between May 1 and June 1, 2000. The meetings assisted the CPUC Staff in identifying the range of actions, alternatives, perspectives, and potential effects associated with the proposed sale of the hydroelectric facilities and associated lands. More than 700 people attended the agency and public meetings. All issues raised in the scoping meetings were reviewed by the CPUC Staff to determine the appropriate consideration and level of analysis for each issue raised by commenters.

The CPUC Staff also evaluated the range of environmental issues by meeting with individual trustees and responsible agencies prior to and during preparation of the EIR. As a follow-up to the EIR scoping process, the environmental team performed additional outreach to inform Native American tribes about the project and the EIR process, and to assess the interest in, and need for, additional information or individual consultation. This effort found that the tribes most seriously interested in the project had already commented during the EIR scoping process. However, it has been productive in ensuring awareness among the tribes and in surfacing further concerns and information relevant to the evaluation of cultural resources impacts.

Additionally, the environmental team has been extensively informed as to the information received in the general proceedings, and at the ALJ's direction, met with interested participants to describe the planned approach to the EIR.

1.5.4 DRAFT EIR

This document constitutes the Draft EIR. It contains a description of the project, description of the environmental setting, identification of project and cumulative impacts, and mitigation measures for impacts found to be significant, as well as an analysis of project alternatives.

1.5.5 FINAL EIR CERTIFICATION

Written and oral comments received in response to the Draft EIR will be addressed in a Response to Comments document that, together with the Draft EIR, will constitute the Final EIR. The CPUC will then consider certification of the Final EIR. Upon EIR certification, the CPUC may proceed with project-approval actions. If the CPUC approves the project even though significant impacts identified by the EIR cannot be mitigated, the CPUC must state in writing the reasons for its actions in a Statement of Overriding Considerations.

1.5.6 MITIGATION MONITORING AND REPORTING

CEQA requires lead agencies to "adopt a reporting and mitigation monitoring program for the changes to the project which it has adopted or made a condition of project approval in order to mitigate or avoid significant effects on the environment." The specific reporting and monitoring program is not required to be included in the EIR. Throughout the EIR, however, mitigation measures have been clearly identified and presented in language that will facilitate establishment of a monitoring program. The CPUC would adopt a Mitigation Monitoring and Reporting Program if it approves the project. Any measures adopted by the CPUC as conditions for approval of the project will be included in a Mitigation Monitoring and Reporting Implementation Program to verify compliance.

1.6 ORGANIZATION OF THE EIR

The EIR is organized in eight chapters plus appendices.

Chapter 1, Introduction, describes the purpose of the EIR, summarizes the proposed action, provides an overview of Pacific Gas and Electric Company, reviews electricity restructuring in California and the divestiture process, discusses the CEQA process and requirements, and outlines the EIR document organization.

Chapter 2, Project Description, states the objectives of Pacific Gas and Electric Company and the CPUC, details the Company's proposed auction process, describes the bundling of assets for auction and the terms of the sale, describes how properties would be transferred to new owners, reviews the hydroelectric power system and the generating process, discusses the deregulated energy market in California, reviews Pacific Gas and Electric Company's historic use of hydroelectric resources, characterizes the hydroelectric and land assets proposed for auction, describes each bundle of assets to be sold, and explains the intended uses of the EIR.

Chapter 3, Approach to Environmental Analysis, reviews what constitute impacts and mitigation measures, identifies changes under restructuring and divestiture, presents the analysis years used for analysis, describes the environmental baseline, and examines assumptions regarding potential future changes.

Chapter 4, Environmental Setting, Impacts, and Mitigation Measures, establishes standards of significance for impacts, and then reviews in detail the regulatory context, setting, impacts, analytical methods, standards of significance, and potential mitigation measures for each resource topic.

Chapter 5, Additional CEQA Considerations, reviews growth-inducement potential, cumulative impacts and mitigation measures, effects considered but eliminated from detailed analysis, and significant irreversible commitments of resources.

Chapter 6, Alternatives, discusses a wide range of alternatives to the proposed project and compares them with the project.

Chapter 7, Report Preparation, documents the team that worked on researching and writing the EIR, and lists persons and organizations consulted in its preparation.

Chapter 8, Glossary and Acronyms, provides a guide to terms and abbreviations used throughout the document.

Appendices

The Appendices provide a variety of more detailed information to assist with in-depth review of various topics. A list of all Appendices is provided in the Table of Contents.