



December 27, 2013

Advice 4337-E
(Pacific Gas and Electric Company D U 39 E)

Public Utilities Commission of the State of California

Subject: Deer Creek Land Donation - Request for Approval under Decision (D.) 08-11-043, D.10-08-004 and Public Utilities Code Section 851

Purpose

Pursuant to the streamlined procedures adopted by the California Public Utilities Commission (Commission or CPUC) in Decision (D.) 08-11-043 (as modified by D.10-08-004), PG&E requests a Commission resolution approving PG&E's donation of fee simple title to the 151-acre Deer Creek property to the United States Forest Service (USFS). This donation is being made in the public interest with the intent to provide for: (1) the preservation of land areas to protect the natural habitat of fish, wildlife and plants; (2) protection of riparian, outdoor recreation by the general public, sustainable forestry, agricultural uses, and historic values; and (3) the prevention of other uses that would significantly impair or interfere with those values. This donation is in accordance with the terms and conditions specified in the Settlement Agreement and Stipulation that were approved by the Commission in D.03-12-035.

Background

Pursuant to the Settlement Agreement and Stipulation, the Pacific Forest and Watershed Lands Stewardship Council (Stewardship Council) was established in 2004 to develop a plan to permanently protect, for the benefit of the citizens of California, more than 140,000 acres of watershed lands (Watershed Lands) currently owned by PG&E. This effort is known as PG&E's "Land Conservation Commitment" (LCC). PG&E is fulfilling its LCC through fee donation of certain Watershed Lands and/or the conveyance of conservation easements, or satisfactory assurance in another form that the land will be managed consistent with the purpose of the Land Conservation Commitment, to public agencies and/or qualified conservation organizations. Detailed description of this proposed donation, which addresses the requirements set forth in Section 12(a) of the Stipulation, is provided in the attached Land Conservation and Conveyance Plan (Attachment A) prepared by the Stewardship Council. Land Conservation and

Conveyance Plans will be issued serially and cumulatively for all Watershed Lands and together will comprise the Land Conservation Plan Volume III.

Property Specific Considerations

The USFS informed the Stewardship Council that applicable law or policy precludes it from accepting donations Watershed Lands encumbered with conservation easements and provided the Stewardship Council with an explanation of the basis for determination. The Stewardship Council Board determined a conservation covenant in the form attached as Attachment A, page 32 provides satisfactory assurance that the Property will be managed consistent with the purpose of the LC. Therefore, a conservation covenant will encumber the Property rather than a conservation easement. For the complete text of the conservation covenant, see Attachment A, page 32.

In accordance with the streamlined procedure adopted by the Commission in D.08-11-043, PG&E provides the following information as required by Ordering Paragraph 2:

(1) Identity of the Conservation Property

Deer Creek is one legal parcel of approximately 151 acres located in Tehama County along USFS Road 28N29, about 25 miles north of Chico. A map showing the Deer Creek property and the surrounding area is included in Attachment A, page 3. The property is surrounded by public lands managed by the Lassen National Forest, including the Ishi Wilderness Area located immediately to the west of the property. The property provides important outdoor recreation, cultural resources and wildlife habitat in the canyons of Deer Creek and serves as a gateway to a variety of recreation activities in Lassen National Forest lands and on Deer Creek. Common recreational activities in the area include backpacking, hiking, horseback riding, mountain biking, fishing and whitewater boating. The parcel is zoned as natural resource lands and recreation (Tehama County Ord. Code, Section 17.44.010).

The State Board of Equalization estimates the value of the Deer Creek Property is \$4,562 (Attachment B).

(2) Type of Property Interest Disposition

PG&E intends to convey fee simple title to the 151 acre Deer Creek property to the USFS. USFS will then immediately convey a conservation covenant to the Sierra Nevada Conservancy that will permanently protect the beneficial public values present on the property. PG&E will receive nor claim any monetary proceeds or tax benefits from this transfer.

A. Property Encumbrances and Uses

There are no existing economic uses or agreements on the Deer Creek Property. No reserved rights in favor of PG&E are needed for the continued operation of PG&E's hydroelectric facilities and water delivery facilities and PG&E will not be reserving rights associated with the Property.

B. PG&E's Assumption of Liability

Section 12(f) of the Stipulation approved by the Commission in D.03-12-035 requires that PG&E hold the donee harmless for hazardous waste or substance liability. Fulfillment of this obligation as it relates to the property is reflected in the Environmental Agreement, attached hereto as Attachment C.

(3) Legal Name and Location of Receiving Parties

United States Forest Service
 Attention: Jerry Bird, Forest Supervisor
 Lassen National Forest
 2550 Riverside Drive
 Susanville, CA 96103.
 Telephone: (530) 257-2151
 Email: jbird@fs.fed.us

Sierra Nevada Conservancy
 Attention: Executive Director
 11521 Blocker Drive, Suite 205
 Auburn, CA 95603
 Telephone: (530) 823-4667
 Email: jbranham@sierranevada.ca.gov

(4) Proposed Uses and Conservation Management Objectives:

As set forth in the Settlement Agreement and Stipulation, the cornerstone of the Land Conservation Commitment is its requirement that the Watershed Lands be preserved and enhanced for the following broad range of beneficial public values:

- A. Protection of the Natural Habitat of Fish, Wildlife, and Plants
- B. Preservation of Open Space
- C. Outdoor Recreation by the General Public
- D. Sustainable Forestry
- E. Agricultural Uses
- F. Historic Values

A. Protection of the Natural Habitat of Fish, Wildlife, and Plants

The conservation covenant (Attachment A, page 32 Recital C; and page 34 Section 1(b) and (d)), permanently protect habitat requiring the USFS to manage the Property in conformity with a land and resource management plan (LRMP) prepared with public involvement including full compliance with the National Environmental Policy Act and the Multiple Use Sustained Yield Act. Furthermore, the USFS will manage the Property for wildlife and fish habitat consistent with the multiple uses identified in the LRMP and in full compliance with the Endangered Species Act.

The conservation covenant (Attachment A, page 5,3 Section 4) states the USFS will amend the LRMP to incorporate language into the management area descriptions stating the Property was donated with the intent of ensuring the permanent protection of the Property's natural resources. The amendment will include the objectives for the protection of the Beneficial Public Values identified in Stewardship Council's Land Conservation Plan, and will require all future amendments to the LRMP include reference to the conservation covenant. Furthermore, the conservation covenant recording information will be included in LRMP revisions to assure perpetual access to the intent of the donation.

B. Preservation of Open Space

The conservation covenant provides that the Property will be managed by the USFS for public uses and protection of natural resources as a component of the National Forest System subject to applicable laws and regulations. (Attachment A, page 32, Recital C; and page 34, Section 1(c))

C. Outdoor Recreation by the General Public

The conservation covenant states that the Property will be open to the public for outdoor recreation such as, camping, hunting and fishing, subject to reasonable regulations and state fish and game laws and consistent with the long term protection of the natural resources of the Property. (Attachment A, page 32, Recital C; and page 34, section 1(c)).

D. Sustainable Forestry

The conservation covenant requires that forested lands will be managed for sustainable forestry in accordance with LRMP and other applicable laws and regulations. (Attachment A, page 32, Recital C, and page 34, Section 1(b))

E. Agricultural Uses

The conservation covenant requires the property be managed for agricultural values such as forage ~~or~~ lands in accordance with the LRMP and other applicable laws and regulations. (Attachment A, page 32, Recital C; and page 34, Section 1(e))

F. Historic Values

The conservation covenant protects historical and archaeological resources in conformity with the National Historic Preservation Act and the Archaeological Resources Protection Act. (Attachment A, page 32, Recital C; and page 34, section 1(f))

(5) Environmental Information

The proposed transaction constitutes a change in ownership with no proposed changes to land uses; thus, no direct or indirect environmental impacts will occur as a result. Therefore, the transaction does not constitute a "project" under the California Environmental Quality Act (CEQA). Accordingly, as stated in D.99-12-030 (page 7 and 9), this advice letter process is not subject to review under CEQA.

PG&E's Review & Finding

PG&E has reviewed the transaction and documents herein, and has determined that the proposed transaction is compliant with requirements of the Settlement Agreement and Stipulation.

Lastly, the Stewardship Council intends to provide funding to satisfy property tax payments in perpetuity for the Property. After the CPU has approved the fee title donation of the Property, Tehama County may select the option of either receiving a lump sum payment or an annual payment from a trustee selected by the Stewardship Council. PG&E requests the Commission dispose of this advice letter by Commission resolution.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail by facsimile or electronically, any of which must be received no later than January 27, 2014, which is 31 days² after the date of this filing. Protests should be mailed to:

¹ The Stewardship Council interprets the Settlement Agreement to include in lieu payments to counties to achieve property tax neutrality as an allowable use of a portion of the \$70 million provided to the Stewardship Council to implement the Land Conservation Commitment.

² The 30-day protest period concludes on a weekend, therefore PG&E is moving this date to the following business day.

CPUC Energy Division
 ED Tariff Unit
 505 Van Ness Avenue, 4th Floor
 San Francisco, California 94102

Facsimile: (415) 703-2200
 E-mail: EDTariffUnit@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission.

Brian K. Cherry
 Vice President, Regulatory Relations
 Pacific Gas and Electric Company
 77 Beale Street, Mail Code B10C
 P.O. Box 770000
 San Francisco, California 94177

Facsimile: (415) 973-7226
 E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to this advice letter; the requirements for responding to advice letters are set forth in General Order 96-B, Rules 3.11; see also Decision 08-11-043 (as modified by Decision 10-08-004).

Effective Date

Pursuant to the review process outlined in D.08-11-043 (as modified by D.10-08-004), PG&E requests that this Category 2b advice filing become effective upon disposition by a Commission resolution.

Notice

In accordance with General Order 96-B, Section IV, and D.08-11-043, a copy of this advice letter is being sent electronically via e-mail and mail to parties shown on the attached list, Service List A.08-04-020, dAppA and additional parties identified by the Stewards Council. Address changes to the General Order 96-B service list should be directed to e-mail PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Send all electronic approvals to

PGETariffs@pge.com. Advice letter filings can also be accessed electronically at:
<http://www.pge.com/tariffs>.

Brian Cherry /IG

Vice President, Regulatory Relations

Attachments

List of Attachments:

- A Land Conservation and Conveyance Plan
- B State Board of Equalization Land Appraisal Record
- C Environmental Agreement (fee grantee)

Note: (1) the Donation Letter Agreement between PG&E and USFS is available upon request.

(2) Conservation Covenant, Exhibit B was completed by SNC in time to include it in the filing of this Advice Letter. The forthcoming information in Exhibit B "Description of Benefited Properties," contains no information determinative of the conditions of the transfer or of the conservation values protected by the Conservation Covenant and will be provided if it is received in advance of a decision from the Commission.

cc: Service List Appendix A - Advice Letter 4337-E
Service List A.08-04-020
Additional Parties Identified by the Stewardship Council

***** SERVICEIST Advice 4337-E *****
APPENDIX

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***** AGENCIES *****

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Lassen National Forest
2550 Riverside Drive
Susanville, CA 96103.
Telephone: (530) 257-2151
Email: jbird@fs.fed.us

Sierra Nevada Conservancy
Attention: Executive Director
11521 Blocker Drive, Suite 205
Auburn, CA 95603
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