

**CALENDAR ITEM
C55**

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J. McComas
C. Spurr

**CONSIDER ADOPTION OF AN ENVIRONMENTAL
IMPACT REPORT AND ISSUANCE OF A
GENERAL LEASE - RIGHT OF WAY USE**

APPLICANT:

Pacific Gas and Electric Company
P. O. Box 770000
Mail Code N10A
San Francisco, California 94177

AREA, LAND TYPE, AND LOCATION:

0.41 acres, more or less, of sovereign lands in the Mokelumne and the Cosumnes rivers, near the city of Elk Grove, Sacramento and San Joaquin counties.

AUTHORIZED USE:

The construction, use, operation and maintenance of a 24-inch diameter welded steel natural gas pipeline and maintenance of four existing slurried deactivated eight-inch diameter pipelines.

LEASE TERM:

20 years, beginning March 25, 2008.

CONSIDERATION:

\$230 per year; with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

SPECIFIC LEASE PROVISIONS:

Insurance: Liability insurance of no less than \$10,000,000. Applicant may satisfy all or part of the insurance requirements through maintenance of a self insurance program as outlined in the Lease.

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Bond:

1. Surety Bond: \$50,000
2. Construction Performance Bond: In an amount equal to the construction cost for those portions of the new pipeline that cross sovereign lands and to be submitted prior to the start of construction.
3. Mitigation Monitoring Program Bond: \$150,000

Other:

Applicant is required to submit for Commission staff's review and approval the final engineering design and construction plans at least 60 days prior to construction for those portions of the project crossing sovereign lands.

OTHER PERTINENT INFORMATION:

1. Applicant has the right to use the uplands adjoining the lease premises.
2. Pacific Gas and Electric (PG&E) is proposing to replace approximately 11 miles of a partially inactive, 16-inch diameter natural gas transmission line, Line 108, which extends from the Thornton Station, just south of the Mokelumne River in San Joaquin County, to the Elk Grove Station, just south of Elk Grove Boulevard in Sacramento County. The diameter of the proposed new pipeline would be increased from 16 inches to 24 inches in order to meet projected capacity requirements for the area. The majority of the project will utilize PG&E's existing land rights by paralleling the deactivated, or downgraded 16-inch pipeline, which was originally installed in the 1930s. PG&E would also install a pressure limiting station at the Elk Grove Station and remove a bridge that historically supported the Line 108 pipeline across the Cosumnes River.

While the majority of Line 108 was originally a 16-inch diameter pipeline, manifolds were installed on each side of the Mokelumne River crossing to split the line into four eight-inch diameter pipelines for the crossing and then to consolidate the pipelines back into a 16-inch pipeline on the uplands. In 1995, sections of Line 108 crossing the Mokelumne and Cosumnes Rivers were deactivated. The pipeline was removed from the Cosumnes River bridge and the pipelines crossing the Mokelumne River were filled with slurried concrete. The original pipeline crossing the Mokelumne River was installed approximately five feet under the River bottom and the proposed pipeline will be placed approximately 70 feet below the bottom of the River.

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3. Due to extensive residential and commercial growth throughout the greater Sacramento region, PG&E anticipates the capacity of its existing local gas transmission system will be unable to maintain minimum pressures during projected Abnormal Peak Day design load conditions.

The Sacramento Local Gas Transmission System currently serves approximately 600,000 customers located in some of the fastest growing counties in California, with the majority of the customers located in Sacramento County. PG&E's current load growth forecast for the System projects an average annual increase of 22,330 new gas customers over the next five years with the majority of new customers to be served from Line 108 in Elk Grove/Laguna.

4. PG&E has identified the following objectives for the Line 108 Natural Gas Pipeline Project:
- To serve new gas distribution customers in Elk Grove and southeast Sacramento County, south of Mack Road and Gerber Road;
 - To increase the level of reliability by creating a looped network with PG&E's Line 196, which would be available to approximately 150,000 gas customers currently served by Line 108 in Sacramento County, including Galt;
 - To create a greater pipeline system capacity to serve future large industrial transmission customers expected along the Interstate 80 and Highway 65 corridors;
 - To increase capacity of the Sacramento Local Transmission System in order to transport gas to other high growth areas in North Sacramento, South Placer and El Dorado counties, by shifting one of the largest and fastest growing areas off of the Sacramento Loop; and
 - To increase operational flexibility by allowing gas received from California Production via Line 196 west of Stockton into the Sacramento Local Transmission System.

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5. A combination of construction techniques will be used to install the new pipeline, including open trench, Horizontal Directional Drilling (HDD) and hammer bore. The open trench pipeline construction technique uses conventional trenching and backfilling for pipeline installation. The HDD construction technique uses a hydraulically-powered horizontal drilling rig to tunnel vertically and/or horizontally under large sensitive features such as water courses, levees and wetlands. Hammer boring is a non-steerable pipeline construction technique that drives an open-ended pipe a short distance under surface features such as roads using a percussive hammer.

The pipeline would cross the Mokelumne and the Cosumnes rivers, portions of the Cosumnes River Preserve and Stone Lakes National Wildlife Refuge, and other sensitive areas using the HDD construction technique, a distance totaling approximately 17,200 feet in length. The south end of the Project will be at the Thornton Station, just south of the Mokelumne River. From the station, the pipeline would be trenched north approximately 100 feet to the proposed exit hole location of the Mokelumne River/Cosumnes River HDD. The HDD would be approximately 2,600 feet long, approximately 70 feet below the ground surface, of which approximately 355 linear feet will occupy State lands, and would start approximately 750 feet north of the Cosumnes River.

6. The pipeline will be designed, constructed, and tested in accordance with all applicable requirements included in the U. S. Department of Transportation (DOT) regulations in 49 Code of Federal Regulations (CFR) 192, *Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards*. The proposed Project would also be subject to California Public Utilities Commission (CPUC) standards as embodied under General Order 112E. These regulations, which are intended to protect the public and to prevent natural gas facility accidents and failures, include specifications for material selection and qualifications; ordorization of gas; minimum design requirements; and protection of the pipeline from internal, external and atmospheric corrosion. Once constructed, the pipeline system will be operated and maintained in accordance with all applicable Federal and State regulations.

7. **Environmental Process:**

On October 10, 2006, the Commission issued a Notice of Preparation (NOP) for the preparation of an environmental impact report (EIR) for the

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proposed Project. The NOP was sent to federal, state and local agencies; environmental and public interest groups; affected landowners; local libraries, newspapers and other interested parties.

Two public scoping meetings were held to provide an opportunity for the general public to learn about the proposed project and to participate in the environmental analysis by providing oral or written comments on the proposed project to be included in the Draft EIR. The meetings were held on November 2, 2006, at 3:00 p.m. and 6:00 p.m. in Sacramento, California.

The Draft EIR was circulated for a 45-day public review period that started on November 30, 2007, and ended on January 14, 2008.

On November 30, 2007, the Commission issued a Notice of Availability of the Draft EIR and Notice of Public Hearings to federal, state and local agencies; environmental and public interest groups; affected landowners; local libraries, newspapers and other interested parties.

PG&E provided a comment letter dated January 14, 2008, that included proposed modifications to the project description to allow for potential use of Franklin Boulevard in the vicinity of Twin Cities Road and Lambert Road for construction staging and/or relocation of a portion of the new pipeline into the Sacramento County right-of-way of Franklin Boulevard. This potential realignment is proposed to provide flexibility in the event that PG&E is unable to secure sufficient easements for the originally proposed alignment in those areas. The modifications to the proposed Project description have been reviewed as a part of the Final EIR to assess whether any new potentially significant impacts would result relative to the environmental issue areas discussed in the Draft EIR.

Issues raised during the scoping and public comment period on the Draft EIR were addressed in the Final EIR that was released in March, 2008. In March 2008, the Commission issued a Notice of Intent to Certify an EIR to federal, state and local agencies; environmental and public interest groups; affected landowners; local libraries, newspapers and other interested parties.

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8. **Significant Environmental Issues:**

Pipeline Risk of Upset - The Final EIR found that although the likelihood of an accident is very low, there are potentially unavoidable public safety impacts including the potential for accidental release of natural gas resulting in a fire or explosion that may result in injury or fatalities to the nearby public. Mitigation measures would reduce by approximately 50 percent the likelihood of accidental fire or explosion from a pipeline rupture. Despite these measures, the individual risk would still exceed significance thresholds and this residual impact would be considered significant. This Class I impact would be long term. A Statement of Overriding Considerations was made in conformance with the State CEQA Guidelines (Title 14, California Code of Regulations, section 15093) and is contained in Exhibit E, attached hereto.

Historic Pipeline Bridge - The proposed Project includes removal of a pipeline suspension bridge built in 1932 (the original line 108 bridge). The consultant who evaluated the bridge determined that it is potentially eligible for nomination to the National Register of Historic Places. The Final EIR found that despite the implementation of mitigation measures that would include documentation of the pipeline suspension bridge to Historic American Engineering Record (HAER) standards, removal of the bridge would be considered significant. This Class I impact would be permanent. A Statement of Overriding Considerations was made in conformance with the State CEQA Guidelines (Title 14, California Code of Regulations, section 15093) and is contained in Exhibit E, attached hereto.

Since the Commission is not the owner of the bridge, it is not necessary for the Commission to formally consult with the State Historic Preservation Office (SHPO) as provided in the CEQA Guidelines section 15064.5(b)(5); however, staff provided SHPO with the opportunity to comment on the bridge removal. On January 22, 2008, staff contacted the State Department of Parks and Recreation (DPR), and provided a copy of the bridge's evaluation and a comment letter from the Cosumnes River Preserve requesting that the bridge be removed due to safety issues. The U. S. Army Corps of Engineers (Corps) sent a Section 106 consultation letter on February 2, 2008, to DPR. The Corps' letter requested that SHPO evaluate both their request and the Commission's request concurrently. As of this date, the SHPO responded to Commission staff indicating their preliminary evaluation shows the bridge appears to be

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eligible under National Register of Historic Places criterion C, which would likely require HAER documentation of the bridge. However, the Commission has not yet received a copy of the formal response from the SHPO to the Corps Section 106 request for evaluation.

9. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 15025), the staff has prepared an EIR identified as CSLC EIR No. 737, State Clearinghouse No. 2006102033. Such EIR was prepared and circulated for public review pursuant to the provisions of CEQA. A Mitigation Monitoring Program has been prepared in conformance with the provisions of the CEQA (Public Resources Code section 21081.6), contained in Exhibit C, attached hereto.

Findings made in conformance with the State CEQA Guidelines (Title 14, California Code of Regulations, section 15091) are contained in Exhibit D, attached hereto.

A Statement of Overriding Considerations made in conformance with the State CEQA Guidelines (Title 14, California Code of Regulations, section 15093) is contained in Exhibit E, attached hereto.

10. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code sections 6370, et seq. Based upon the staff's consultation with the persons nominating such lands and through the CEQA review process, it is the staff's opinion that the project, as proposed, is consistent with its use classification.

APPROVALS REQUIRED:

U. S. Army Corps of Engineers, U. S. Fish and Wildlife Service, National Marine Fisheries Service, Bureau of Land Management, Central Valley Regional Water Quality Control Board, California Department of Fish and Game, California Department of Transportation, State Reclamation Board, California Office of Historic Preservation, Sacramento Metropolitan Air Quality Management District, San Joaquin Valley Air Pollution Control District, Sacramento and San Joaquin counties, and Reclamation Districts 348 and 1002

EXHIBITS:

- A. Site and Location Map
- B. Land Description

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- C. Mitigation Monitoring Program
- D. CEQA Findings
- E. Statement of Overriding Considerations

PERMIT STREAMLINING ACT DEADLINE:

June 24, 2008

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

CERTIFY THAT EIR NO. 737, STATE CLEARINGHOUSE NO. 2006102033, WAS PREPARED FOR THIS PROJECT PURSUANT TO THE PROVISIONS OF THE CEQA; THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN AND THAT THE EIR REFLECTS THE COMMISSION'S INDEPENDENT JUDGEMENT AND ANALYSIS.

ADOPT THE MITIGATION MONITORING PROGRAM, AS CONTAINED IN EXHIBIT C, ATTACHED HERETO.

ADOPT THE FINDINGS, MADE IN CONFORMANCE WITH TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15091, AS CONTAINED IN EXHIBIT D, ATTACHED HERETO.

ADOPT THE STATEMENT OF OVERRIDING CONSIDERATIONS MADE IN CONFORMANCE WITH TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15093, AS CONTAINED IN EXHIBIT E, ATTACHED HERETO.

SIGNIFICANT LANDS INVENTORY FINDING:

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

AUTHORIZATION:

AUTHORIZE ISSUANCE OF A GENERAL LEASE – RIGHT OF WAY USE TO PACIFIC GAS AND ELECTRIC COMPANY, BEGINNING MARCH 25, 2008, FOR A TERM OF 20 YEARS, FOR THE

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CONSTRUCTION, USE, OPERATION, AND MAINTENANCE OF A 24-INCH DIAMETER WELDED STEEL NATURAL GAS PIPELINE AND MAINTENANCE OF FOUR SLURRIED DEACTIVATED EIGHT-INCH PIPELINES AS SHOWN ON EXHIBIT A ATTACHED AND DESCRIBED ON EXHIBIT B ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF; CONSIDERATION IN THE AMOUNT OF \$230 PER ANNUM; WITH THE STATE RESERVING THE RIGHT TO FIX A DIFFERENT RENT PERIODICALLY DURING THE LEASE TERM, AS PROVIDED IN THE LEASE; GENERAL LIABILITY INSURANCE IN THE AMOUNT OF NO LESS THAN \$10,000,000; APPLICANT MAY SATISFY ALL OR PART OF THE INSURANCE REQUIREMENTS THROUGH MAINTENANCE OF A SELF INSURANCE PROGRAM AS OUTLINED IN THE LEASE; SURETY BOND IN THE AMOUNT OF \$50,000; A CONSTRUCTION PERFORMANCE BOND IN AN AMOUNT EQUAL TO THE CONSTRUCTION COST OF THOSE PORTIONS OF THE NEW PIPELINE THAT CROSS SOVEREIGN LANDS; AND A MITIGATION MONITORING BOND IN THE AMOUNT OF \$150,000.