EXHIBIT E – PG&E Line 406/407 Natural Gas Pipeline Project

STATEMENT OF OVERRIDING CONSIDERATIONS

ENVIRONMENTALLY SUPERIOR ALTERNATIVE (THE PROPOSED PROJECT AS MODIFIED BY OPTIONS I AND L)

NOVEMBER 16, 2009

INTRODUCTION TO STATEMENT OF OVERRIDING CONSIDERATIONS

The California Environmental Quality Act (CEQA) requires a lead agency to balance the benefits of a project against the unavoidable environmental effects of such project in determining whether to approve the project. The Revised Final Environmental Impact Report (Revised Final EIR) consists of the April 2009 Draft EIR, comments received during the Draft EIR's 45-day public comment period, responses to those comments, and changes to the text of the Draft EIR. The Revised Final EIR supercedes and replaces the Final EIR circulated for public review on July 27, 2009.

The Revised Final EIR identifies significant impacts of the PG&E Line 406/407 Natural Gas Pipeline Project (Project or proposed Project) that cannot feasibly be mitigated to below a level of significance (Class I impacts). Therefore, the California State Lands Commission (CSLC), as the lead agency, must state in writing its specific reasons for approving the Project in a Statement of Overriding Considerations pursuant to sections 15043 and 15093 of the CEQA Guidelines.

Based on the Revised Final EIR, information provided by Pacific Gas & Electric Company (PG&E, or the Applicant), and information gained through the public involvement process that is documented in the administrative record, this Statement of Overriding Considerations provides the specific reasons supporting the approval of this Project by the CSLC. CEQA Guidelines section 15093(a) notes that, "If the specific economic, legal, social, technological, or other benefits of a proposed project outweigh the unavoidable adverse environmental effects, the adverse environmental effects may be considered 'acceptable'."

This Statement of Overriding Considerations presents the beneficial impacts derived from the Project, reasons for approving the Project, and a list of the specific significant effects on the environment attributable to the Project that cannot feasibly be mitigated to below a level of significance.

ADOPTION OF STATEMENT OF OVERRIDING CONSIDERATIONS BY THE LEAD AGENCY

The CLSC has balanced the benefits of this Project against significant unavoidable impacts that would remain after mitigation is applied. The CSLC adopts this Statement of Overriding Considerations with respect to the impacts identified in the Revised Final EIR that cannot be reduced, with mitigation stipulated in the Revised Final EIR, to a less than significant level.

Although the Applicant has designed the proposed Project to minimize environmental effects, and the CSLC has imposed additional mitigation measures to further reduce impacts, the following Project impacts remain that would be considered significant following application of all feasible mitigation (Class I impacts):

- Impact AQ-1: Construction or Operation Emissions Exceeding Regional Thresholds. The Project would result in construction or operational emissions that exceed quantitative significance thresholds (including quantitative thresholds for ozone precursors) established by air pollution control districts in which the Project would be constructed**.**

- Impact AQ-2: Construction or Operation Emissions Exceeding State or Federal Standards. The Project would result in emissions that substantially contribute to an exceedance of a State or Federal ambient air quality standard.

Impacts and mitigation measures are identified and discussed throughout section 4.0 of the Revised Final EIR. A summary of all impacts and mitigation measures is provided in the Mitigation Monitoring Program (MMP) in the Revised Final EIR.

<u>The Revised Final EIR found for the Air Quality impacts (AQ-1 and AQ-2) that:</u>

None of the operational air quality thresholds are anticipated to be exceeded. However, construction emissions for all major components of the proposed Project would exceed the local air districts significance thresholds for NO_x. In addition, Line 407 East, the DFM, and Line 407 West would exceed the Feather River Air Quality Management District's (FRAQMD) threshold for one of the ozone precursors reactive organic gases (ROG).

Applicant Proposed Measures (APMs) AQ-1 through AQ-11 reduce potential emissions from project construction. However, implementation of these APMs would not reduce construction impacts to a less than significant level. Implementation of APM AQ-1 will reduce expected NO_x emissions by 20 percent, but due to the magnitude of NO_x emissions, a 20 percent reduction would not reduce the impact to a less than significant level. Insufficient details and/or lack of a methodology prevent the quantification of reductions under APM AQ-2, APM AQ-3, APM AQ-4, APM AQ-5, APM AQ-7, APM AQ-8, and APM AQ-11. APM AQ-10 is an enhanced compliance measure for an existing

registration requirement. As a result, the CSLC has determined that all feasible mitigation consisting of Mitigation Measures (MMs) AQ-1a through AQ-1d be implemented. These mitigation measures would substantially reduce Air Quality Impacts AQ-1 and AQ-2. Despite these measures, construction of the Project is likely to adversely affect air quality, and, as such, would be considered a significant impact (Class I). (See Exhibit D for CEQA Finding No. AQ-1 and CEQA Finding No. AQ-2).

(1) The following mitigation measures would reduce air quality impacts to the maximum extent feasible:

MM AQ-1a. **Fugitive PM10 Control.** The following components shall be incorporated into the Dust Control Plan specified in APM AQ-3:

- Reduce speed on unpaved roads to less than 15 mph; and
- Apply soil stabilizers to inactive areas.

MM AQ-1b. **NO_X Mitigation Menu.** If, after completing the comprehensive inventory list identified in APM AQ-1 and associated fleet-wide NO_x and PM emission reductions, Project emissions still exceed the air district thresholds for NO_x, PG&E shall implement one or a combination of the following mitigation measures (as directed by the applicable air district) to achieve a reduction in NO_x to less than the applicable air district's daily threshold of significance for construction:

- Install diesel catalytic reduction equipment (Cleaire Lean NO_x Catalyst or equivalent) on some or all of the fleet of construction equipment during the construction Project;
- Install the same Lean NO_x Catalyst on third-party diesel equipment operating within the Yolo-Solano/Sacramento nonattainment area for a period not less than one year of operation; or
- Pay a mitigation fee to the respective local air districts to offset NO_x emissions which exceed the applicable thresholds after all other mitigation measures have been applied.

MM AQ-1c. **PCAPCD Mitigation.** In addition to the applicable APMs and MM AQ-1a and MM AQ-1b, the following measure shall be implemented for all construction activities occurring in Placer County:

a) PG&E shall submit a Construction Emission / Dust Control Plan to the PCAPCD. This plan must address the minimum Administrative Requirements found in section 300 and 400 of the PCAPCD Rule 228,

Fugitive Dust. PG&E shall not break ground prior to receiving PCAPCD approval of the Construction Emission / Dust Control Plan.

b) PG&E shall submit to the PCAPCD a comprehensive inventory (i.e. make, model, year, emission rating) of all the heavy-duty off-road equipment (50 horsepower or greater) that will be used an aggregate of 40 or more hours for the construction project. The inventory shall be updated, beginning 30 days after any initial work on the site has begun, and shall be submitted on a monthly basis throughout the duration of the project, except that an inventory shall not be required for any 30-day period in which no construction activity occurs. At least three business days prior to the use of subject heavy-duty off-road equipment, the project representative shall provide the PCAPCD with the anticipated construction timeline including start date, and name and phone number of the property owner, project manager, and on-site foreman.

c) PG&E shall provide a plan to the PCAPCD for approval by the PCAPCD demonstrating that the heavy-duty (>50 horsepower) off-road vehicles to be used in the construction project, including owned, leased and subcontractor vehicles, will achieve a project-wide fleet-average 20 percent NO_x reduction and 45 percent particulate reduction compared to the most recent CARB fleet average. Acceptable options for reducing emissions may include use of late model engines, low-emission diesel products, alternative fuels, engine retrofit technology, after-treatment products, and/or other options as they become available.

d) PG&E shall suspend all grading operations when fugitive dust exceeds PCAPCD Rule 228, Fugitive Dust, limitations. The prime contractor shall be responsible for having an individual who is CARB-certified to perform Visible Emissions Evaluations (VEE). This individual shall evaluate compliance with Rule 228 on a weekly basis. It is to be noted that fugitive dust is not to exceed 40 percent opacity and not go beyond property boundary at any time. If lime or other drying agents are utilized to dry out wet grading areas, they shall be controlled as to not exceed PCAPCD Rule 228, Fugitive Dust, limitations.

e) PG&E shall prepare an enforcement plan and submit to the PCAPCD for review, in order to weekly evaluate project-related on- and off-road heavy-duty vehicle engine emission opacities, using standards as defined in California Code of Regulations, Title 13, Sections 2180-2194. The CARB-certified individual that is hired by PG&E to perform VEE, shall routinely evaluate project-related off-road and heavy-duty

on-road equipment emissions for compliance with this requirement. Operators of vehicle and equipment found to exceed opacity limits will be notified by the PCAPCD and the equipment must be repaired within 72 hours.

f) PG&E shall suspend all grading operations when wind speeds (including instantaneous gusts) exceed 25 miles per hour and dust is impacting adjacent properties.

g) PG&E shall use CARB ultra low sulfur diesel fuel for all diesel-powered equipment. In addition, low sulfur fuel shall be utilized for all diesel-fueled stationary equipment.

MM AQ-1d. **SMAQMD Mitigation.** In addition to the applicable APMs and MM AQ-1a and MM AQ-1b, the following measure shall be implemented for all construction activities occurring in Sacramento County:

a) PG&E shall provide a plan, for approval by CSLC and SMAQMD, demonstrating that the heavy-duty (>50 horsepower) self-propelled off-road vehicles to be used in construction, including owned, leased and subcontractor vehicles, will achieve a project-wide fleet average of 20 percent NO_x reduction and 45 percent particulate reduction compared to the most recent CARB fleet average at the time of construction. (SMAQMD provides that acceptable options for reducing emissions may include use of newer model year engines, low-emission diesel products, alternative fuels, engine retrofit technology, after-treatment products, and/or other options as they become available.)

b) PG&E shall submit to CSLC and SMAQMD a comprehensive inventory of all off-road construction equipment, equal to or greater than 50 horsepower, that will be used an aggregate of 40 or more hours during any portion of the construction project. The inventory shall include the horse power rating, engine production year, and projected hours of use for each piece of equipment. The inventory shall be updated and submitted monthly throughout the duration of the construction, except that an inventory shall not be required for any 30-day period in which no construction activity occurs. At least 48 hours prior to the use of subject heavy-duty off-road equipment, PG&E shall provide SMAQMD with the anticipated construction timeline including start date, and the name and phone number of the project manager and on-site foreman.

c) PG&E shall ensure that emissions from all off-road diesel powered equipment used on the project site do not exceed 40 percent opacity for more than three minutes in any one hour. Any equipment found to

exceed 40 percent opacity (or Ringelmann 2.0) shall be repaired immediately, and SMAQMD shall be notified within 48 hours of identification of non-compliance equipment. A visual survey of all in-operation equipment shall be made at least weekly, and a monthly summary of the visual survey results shall be submitted throughout the duration of the project, except that the monthly summary shall not be required for any 30-day period in which no construction activity occurs. The monthly summary shall include the quantity and type of vehicles surveyed as well as the dates of each survey. The SMAQMD and/or other officials may conduct periodic site inspections to determine compliance. Nothing in this section shall supersede other SMAQMD or state rules or regulations.

And/or: If at the time of construction, the SMAQMD has adopted a regulation applicable to construction emissions, compliance with the regulation may completely or partially replace this mitigation. Consultation by PG&E with SMAQMD prior to construction will be necessary to make this determination.

(2) Implementation of mitigation measure AQ-1a would reduce the Project's construction-generated PM_{10} to less than significant. Implementation of mitigation measure AQ-1b would reduce the Project's construction-generated NO_x impact to less than significant for the YSAQMD, FRAQMD, SMAQMD, and PCAPCD.

(3) MM AQ-1c and MM AQ-1d were requested by the PCAPCD and SMAQMD, respectively, to further reduce air quality impacts associated with construction of the project in their respective jurisdictions. MM AQ-1c is applicable to all construction activities that would occur in Placer County, and would further reduce fugitive PM emissions (dust) and equipment exhaust emissions from project construction. MM AQ-1d is applicable to all construction activities that would occur in Sacramento County, and would further reduce construction equipment-generated emissions.

(4) While both ROG and NO_x are required for the formation of ozone and the reduction of either precursor affects the amount of ozone generated, the relationship between ROG and NO_x concentrations and the formation of ozone is nonlinear. Although implementation of MM AQ-1b would likely reduce ROG emissions associated with the Project, the amount of vicarious ROG reductions from implementation of the mitigation measure is unknown. Currently, there are no programs for offsetting construction emissions of ROG and impacts would be significant and unavoidable (Class I).

(5) According to the Draft Sacramento Regional 8-Hour Ozone Attainment and Reasonable Further Progress Plan (Draft 8-Hour Plan), reductions in NO_x

emissions are more effective at reducing high ozone levels in downwind areas than ROG reductions, based on a ton-per-ton comparison (CARB 2008c). However, reductions of both ROG and NO_x are required to reach attainment of the ozone standards. Therefore, since the Project's construction would exceed the regional ROG thresholds, the Project would substantially contribute to the existing exceedance for Federal and State ozone standards for the years of construction. Impacts would be significant and unavoidable (Class I).

BENEFICIAL IMPACTS OF THE PROJECT THAT MEET PROJECT OBJECTIVES

The State CEQA Guidelines, Section 15093(a) requires the decision-making agency to balance, as applicable, the economic, legal, social, technological, or other benefits of a proposed project against its unavoidable environmental risks when determining whether to approve the project.

PG&E's Sacramento Valley Local Gas Transmission System currently serves approximately 675,000 customers located in some of the highest growth counties in California, including Sacramento, Sutter, Placer, and El Dorado counties. PG&E's current load growth forecast for the system anticipates an average annual increase of 19,890 new gas customers over the next 10 years and a total increase in demand of 135 million cubic feet per day for residential customers and 22 million cubic feet per day for small commercial customers. PG&E's existing transmission system within the Sacramento Valley region has operated at maximum capacity over the last several years and can no longer provide sufficient capacity to deliver reliable natural gas service to existing customers or to extend service to planned development in the region. PG&E has indicated that without the addition of this Project, customer service reliability will be at risk and unplanned core customer outages could occur as early as 2009/2010. The main objectives of the Project include the following:

- Provide greater capacity and service reliability to the existing gas transmission and distribution pipeline system while minimizing costs to PG&E's customers;
- Extend natural gas service to planned residential and commercial developments in Placer, Sutter, and Sacramento Counties;
- Install Project facilities in a safe, efficient, environmentally sensitive, and cost-effective manner; and
- Locate the pipeline to minimize the potential of environmental impacts resulting from damage by outside sources. Outside forces include impact by mechanical equipment, such as bulldozers and backhoes; earth movements due to soil settlement, washouts, or geological hazards; weather effects, such as winds, storms, and thermal strains; and willful damage.

Meeting the project objectives would increase gas service reliability and avoid possible gas curtailments in the region served by the proposed Project, while helping to control costs to PG&E's customers. (Refer to a discussion of the capacity, service reliability, and planning for meeting existing and planned growth in the Introduction of the Draft EIR, Sections 1.1.1 through 1.1.3, as revised in the Revised Final EIR).

Benefits to the Local Economy

Some short-term benefits to the local community would be anticipated from Project construction. Property, office space, construction trailers, and equipment could be leased locally. The local labor force could also benefit from the Project's need for construction laborers. When available, up to 58 percent of the construction workforce would be local workers. Local business would benefit from the short-term influx of workers who need temporary housing, meals, and make local purchases. This activity is expected to generate local sales tax.

OVERRIDING CONSIDERATIONS CONCLUSION

The project objectives include increasing natural gas service reliability to existing customers in the Sacramento Valley region and providing service to new residential and commercial developments over the next 50 years. The Project is needed, in part, to service the following growth areas in Sacramento, Sutter, and Placer Counties:

- The Metro Air Park - an 1,800-acre commercial development just east of the Sacramento airport. The parcel is bound by West Elverta Road to the north, Lone Tree Road to the east, Interstate 5 to the south, and Powerline Road to the west and would consist of commercial uses that support airport related activity (hotels, car rental companies); and

- The Sutter Pointe Project - designates 7,500 acres of the 10,500-acre Industrial/Commercial Reserve area in southern Sutter County for residential, industrial, commercial, and educational development; and

- The Placer Vineyards Project - development of a planned 5,230-acre, mixed-use, master-planned community with up to 14,132 residential units, 101 acres of office development, 166 acres of retail commercial centers, and approximately 920 acres of new parks and open space in the southwest corner of Placer County; and

- The Sierra Vista Specific Plan - proposed to consist of approximately 2,100 acres of residential and commercial uses, schools, parks, and open space located west of Fiddyment Road, north of Base Line Road, and south of the city of Roseville's existing boundary; and

- The Curry Creek Community Plan – a mixed use development plan in Placer County. The plan area covers 2,828 acres north of Base Line Road, north of the Placer Vineyards Specific Plan and west of the West Roseville Specific Plan.

If the Project were not constructed, PG&E would be unable to meet its public utility obligations to provide natural gas service to its customers in accordance with the California Public Utilities Code and associated orders, rules and tariffs. The CSLC finds that the beneficial improvement in regional gas distribution, the avoidance of possible gas curtailments from insufficient local system capacity, the ability to provide natural gas service to planned developments, as well as the benefits of the proposed project to the local economy, outweigh the unavoidable adverse environmental effects of construction air emission impacts.

The CSLC, therefore, finds that in light of these benefits, that the adverse environmental effects and risks associated with the Project are acceptable. The data to support the overriding factors are found in the Introduction, Project Description, and Population and Housing sections of the Revised Final EIR.