



Land Conservation Plan Volume III Pilot Process

BACKGROUND AND INTRODUCTION

This document provides an overview of the Pilot Process for Volume III of the Land Conservation Plan (LCP). After providing a brief background on the LCP, this overview describes the process that has been developed to complete parcel-specific planning, transactional, and regulatory steps to implement land transactions and conservation easements. Completion of these steps will ensure the permanent preservation of the PG&E Watershed Lands (“Watershed Lands”). The Stewardship Council intends to apply this process in four “pilot” areas to learn from this effort, and then apply a refined process to the entire 140,000 acres of Watershed Lands across 22 counties in California.

Background on the Stewardship Council and LCP

The Stewardship Council was created out of a legal settlement agreement between the California Public Utilities Commission (CPUC) and Pacific Gas and Electric Company (PG&E).¹ The resulting Land Conservation Commitment requires the Stewardship Council to develop an LCP for 140,000 acres of Watershed Lands currently owned by PG&E. The goal of the Stewardship Council LCP is to preserve and enhance the Watershed Lands guided by six beneficial public values: outdoor recreation, sustainable forestry, agriculture, habitat protection, open space, and protection of cultural and historic resources.

Structure of the LCP

To address the challenge of a conservation effort of this large scope and unique nature, and to facilitate engagement of a wide range of stakeholders and interested members of the public, the Stewardship Council grouped the Watershed Lands into 47 planning units and established a phased approach to development and implementation of the LCP. This phased approach is intended to foster participation from all stakeholders, including the organizations who may at some point be the future stewards of these lands.

¹ On April 6, 2001 PG&E filed for Chapter 11 bankruptcy protection. Two years later, after a complex series of financial and rate analyses and negotiations, PG&E and CPUC staff announced a Proposed Settlement Agreement. In addition to settling a host of financial issues, the Proposed Settlement Agreement included a Land Conservation Commitment by which the PG&E Watershed Lands would be subject to conservation easements and/or be donated in fee simple to public agencies or non-profit organizations whose ownership would be consistent with the conservation objectives of the Land Conservation Commitment. The Stipulation, a supplementary document to the Proposed Settlement Agreement, was created in September 2003 to clarify outstanding issues pertaining to the Land Conservation Commitment.



The Stewardship Council elected to prepare the LCP in a series of three volumes:

- **Volume I: The Land Conservation Framework** establishes the overall framework for the LCP, including legal requirements, the planning process, methodologies, public involvement, and relevant regulatory processes. (Completed)
- **Volume II: Planning Unit Concepts** documents existing conditions and presents management objectives, potential measures, and conceptual plans to preserve or enhance the beneficial public values within each watershed and planning unit. (Completed)
- **Volume III: Disposition Packages** will encompass a series of real estate transaction packages that will detail the specific land conservation and/or disposition requirements for each parcel or parcel cluster. Each disposition package will propose the conveyance of a conservation easement or fee title plus a conservation easement (or other legal mechanism) to selected future land stewards.²

The Stewardship Council's Board of Directors adopted Volumes I and II of the LCP by consensus in November 2007, with the intent that the remaining Volume III Disposition Packages would be developed over the next five to seven years. Volumes I and II of the LCP focused on documenting existing conditions on the Watershed Lands and developing conceptual plans to preserve or enhance the beneficial public values. Now that this work has been completed, documented, and approved, the Stewardship Council will focus on developing the Volume III Disposition Packages. This next phase of work will consist of developing specific land conservation and conveyance measures, identifying fee title and/or conservation easement donees for the Watershed Lands, and executing land conveyance transactions.

Four Pilot Planning Units

Because of the large scope and unique nature of the overall land conservation and conveyance effort, the Stewardship Council elected to begin the next phase of work on four "pilot" planning units. This approach will allow the Stewardship Council to test and refine the process outlined in this document. As described in this document, the purpose of the pilot process is to describe the key steps and tasks, their sequence, outputs, and the roles and responsibilities associated with development of the Volume III Disposition Packages. Knowledge gained from the pilot projects will be used to refine the process and applied subsequently to the remaining 43 planning units.

² The Stipulation generally requires that any transfer of fee title pursuant to the Land Conservation Commitment must include a conservation easement to preserve and/or enhance the beneficial public values. However, there are two exceptions to this general requirement. A conservation easement is not required if either: (1) the Land Conservation Plan adopted by the Stewardship Council includes a determination that the particular parcel does not have significant public value; or (2) the chosen donee of fee title informs the Stewardship Council's board that applicable law or policy precludes its accepting a conservation easement, and the board receives satisfactory assurance in another form that the parcel will be managed consistent with the purposes of the Land Conservation Commitment.



Distributed geographically across the Watershed Lands, the following four pilot planning units each exhibit a unique set of land use and conservation challenges:

- Bucks Lake, located in Plumas County
- Doyle Springs, located in Tulare County
- Kennedy Meadows, located in Tuolumne County
- McArthur Swamp, located in Shasta County

Pilot Process Objectives

The following objectives guided the development of the pilot process:

- Consistency with the requirements of the Settlement Agreement and Stipulation, as well as the framework established in Volumes I and II of the LCP;
- Clear, efficient, and cost-effective process for achieving the goals and objectives of the LCP;
- Appropriate opportunities for engagement and involvement of all interested stakeholders and other interested parties;
- Well-defined tasks, outputs, and roles and responsibilities of all stakeholders;
- Flexibility to address site specific considerations and avoid a “one size fits all” approach; and
- Board approval at key decision points.

PROCESS OVERVIEW

The Stewardship Council will continue to place a high priority on soliciting input from stakeholders and interested entities across the Watershed Lands and will focus on building a land conveyance process that is fair, equitable, and responsive to public input. At the same time, the Stewardship Council will ensure that the land conservation and conveyance process satisfies the requirements of the Settlement Agreement and Stipulation, as well as the core values of the Stewardship Council (refer to LCP Volume I Section 1.2.3 for more information).

Preliminary work on the development of the pilot process began in late 2007. The Stewardship Council drew upon the pertinent knowledge and experience of individuals and organizations, including individual board members, land conservation organizations, and stakeholders representing diverse interests. The Stewardship Council also hosted public meetings in each of the four pilot areas in November and December 2007 and January 2008 to solicit community input on the development of the pilot process.

As the Stewardship Council developed the pilot process for the Volume III Disposition Packages, a new term evolved to more accurately describe the next phase of work, namely, the development and implementation of a plan to conserve the lands in perpetuity and convey conservation easements and/or fee simple ownership of lands. Accordingly, the Stewardship Council elected to replace the term “Volume III Disposition Package” with “Land Conservation and Conveyance Plan.”

Moreover, in developing the pilot process, it became apparent that the process consisted of three distinct but interrelated tracks. These three tracks are:

- Planning,
- Transactional, and
- Regulatory.

Figure 1 is a visual representation of the overall process that illustrates the key steps, sequence, and outputs. Opportunities for public involvement are highlighted in orange and discussed in more detail in the “Public Outreach” section of this document. Figure 2 describes the key tasks and outputs for each step in the process.

Planning Process

The Planning Process will involve extensive public input leading to the completion of a Land Conservation and Conveyance Plan (LCCP) for each planning unit. Formerly referred to as the “Volume III Disposition Package,” the LCCP will describe the specific land conservation and conveyance measures proposed for each parcel or cluster of parcels and will document compliance with the requirements of Section 12 (a) of the Stipulation. The LCCP will include the following elements:

- Description of the land parcel(s) to be protected via a conservation easement or conveyed via a fee simple title transfer [Sections 12(a)(1) and (3)];
- The identity of the parties that have been selected and recommended as holders of conservation easements or recipients of lands being conveyed via a fee title transfer, and a finding concerning the funding and capacity of the parties [12(a)(4)];
- An analysis of tax and other economic and physical impacts resulting from the proposed recommendations, and a recommendation for addressing changes to property tax revenue resulting from implementation of the LCCP [12(a)(5)];
- Disclosure of all known hazardous waste or substance liabilities [12(a)(6)];
- Description of any parcel splitting necessary for implementation of the LCCP [12(a)(7)];
- Description of any recommended physical measures to enhance the beneficial public values [12(a)(8)];
- A monitoring plan [12(a)(9)];
- A schedule for implementation of the LCCP [12(a)(10)].

The management objectives and conceptual plans in Volume II of the LCP will guide the development of each LCCP. The planning unit concepts described and illustrated in Volume II present the Stewardship Council’s recommendations for future land conservation of the Watershed Lands, and are intended to support future regulatory approvals (for land transactions/encumbrances) consistent with these recommendations.

FIGURE 1: PILOT PROCESS Overview

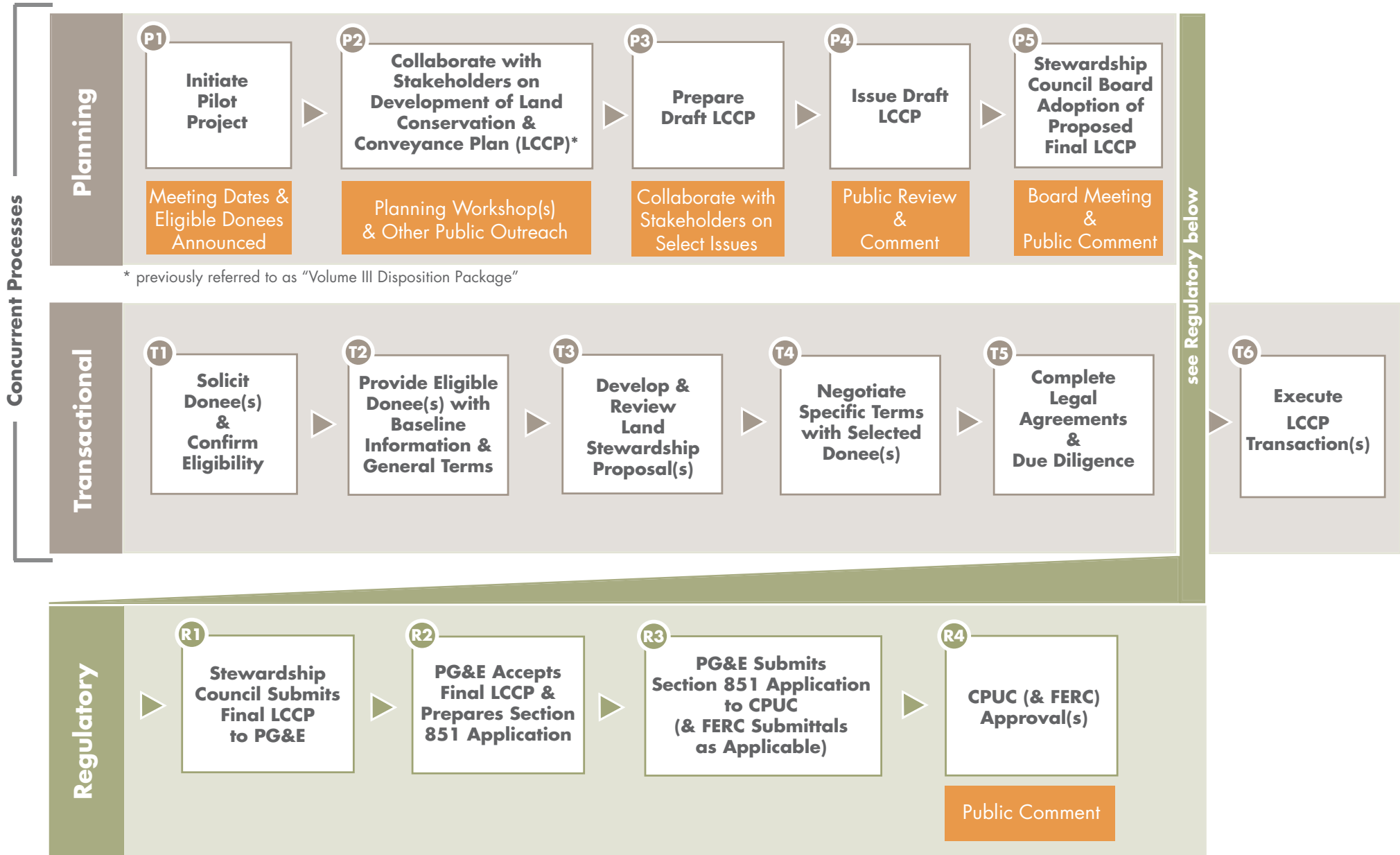


FIGURE 2: PILOT PROCESS Key Tasks

Planning

- P1 Initiate Pilot Project**
 - SC conducts additional donee outreach and announces donee registration deadline
 - SC announces Eligible Donees and date of planning workshop(s)
- P2 Collaborate with Stakeholders on Development of Land Conservation & Conveyance Plan (LCCP)**
 - SC conducts one or more public planning workshops with all interested Stakeholders and Eligible Donee(s)
 - SC solicits input on development of LCCP
- P3 Prepare Draft LCCP**
 - SC collaborates with Stakeholders on select issues
 - SC prepares draft LCCP
- P4 Issue Draft LCCP**
 - SC issues draft LCCP and solicits public comments (30 day comment period)
 - SC prepares a summary response to public comments
- P5 Stewardship Council Board Adoption of Proposed Final LCCP**
 - SC issues proposed Final LCCP with summary response to public comments
 - SC Board receives public comments on proposed Final LCCP at Board Meeting
 - SC Board considers adopting proposed Final LCCP

Transactional

- T1 Solicit Donee(s) & Confirm Eligibility**
 - SC announces donee registration deadline
 - SC confirms donee eligibility
- T2 Provide Eligible Donee(s) with Baseline Information & General Terms**
 - SC provides Eligible Donee(s) with baseline information, general terms, and proposal requirements
 - SC conducts informational meeting with Eligible Donee(s)
- T3 Develop & Review Land Stewardship Proposal(s)**
 - SC facilitates meetings with Eligible Donee(s) to develop Land Stewardship Proposal(s)
 - Donee(s) develop Land Stewardship Proposal(s)
 - SC approves Selected Donee(s)
- T4 Negotiate Specific Terms with Selected Donee(s)**
 - PG&E and Selected Donee(s) negotiate specific terms
 - SC facilitates negotiation and approves specific terms
- T5 Complete Legal Agreements & Due Diligence**
 - PG&E and Selected Donee(s) complete legal agreements and due diligence
 - SC approves legal agreements for consistency with Land Conservation Commitment
- T6 Execute LCCP Transaction(s)**
 - PG&E and Selected Donee(s) execute transaction(s)
 - SC facilitates execution of transaction(s)

Regulatory

- R1 Stewardship Council Submits Final LCCP to PG&E**
 - SC submits adopted Final LCCP to PG&E
- R2 PG&E Accepts Final LCCP & Prepares Section 851 Application**
 - PG&E accepts adopted Final LCCP
 - PG&E prepares Section 851 application
- R3 PG&E Submits Section 851 Application to CPUC (and FERC Submittals as Applicable)**
 - PG&E submits Section 851 Application to CPUC (and FERC submittals as applicable)
- R4 CPUC (& FERC) Approval(s)**
 - CPUC reviews and approves Section 851 Application
 - FERC approves as necessary

LCCP: Land Conservation and Conveyance Plan; previously referred to as “Volume III Disposition Package”

SC: Stewardship Council

Stakeholders include: Elected officials, government agencies, tribal governments, interested members of the public, community-based organizations, existing PG&E lessees, donees, and other interested parties

Step P1: Initiate Pilot Project

As shown in Figure 1, the Stewardship Council will begin the Planning Process by conducting additional outreach to potential donees and announcing a specific deadline for donee registration for the four pilot planning units.³ Following the deadline for donee registration, the Stewardship Council will confirm the eligibility of all registered donees and announce the names of the eligible donees. The minimum requirements for donee eligibility are described below in Step T1. The Stewardship Council will also announce the dates of the LCCP planning workshops for each of the four pilot planning units. The Stewardship Council will send a notice of the workshop dates to its email distribution list and post the information on its website.

Step P2: Collaborate with Stakeholders on Development of LCCP

For each pilot planning unit, the Stewardship Council will conduct one or more public planning workshops with all interested stakeholders to receive input on the development of the LCCP. The public planning workshops will focus on explaining the process for developing the LCCP, and soliciting input on the development of the LCCP, including potential measures to preserve and/or enhance the beneficial public values within each planning unit. Additional opportunities for public input on the development of LCCPs will be provided via the Stewardship Council's web site. The Stewardship Council will strive to encourage and maximize the participation of all interested stakeholders in the workshop(s). The input from these workshops will be collected, summarized, and posted. The Stewardship Council will also enter all workshop attendees into its extensive stakeholder database to ensure they receive ongoing updates and notices regarding availability of the draft for public review.

Step P3: Prepare Draft LCCP

The Stewardship Council will prepare a draft LCCP for each planning unit based on:

- existing conditions, management objectives, and other elements of the framework and concepts contained in Volumes I and II of the LCP;
- input received at the public workshop(s) and other venues;
- continued collaboration with stakeholders on select issues as they arise; and
- information generated from the Transaction Process.

Prior to its public release, the Stewardship Council's Planning Committee will review an internal draft of the LCCP for each planning unit. Stewardship Council staff will make any necessary revisions before issuing the draft LCCP for board review, as well as public review and comment.

³ In late January 2007, the Stewardship Council invited public entities, non-profit organizations, and recognized Tribal entities that are interested in partnering with the Stewardship Council to implement the LCP to register via the Stewardship Council's "Interested Donee Registry." When registering, potential donees provide organizational information and identify the watersheds and/or planning units of interest.



Step P4: Issue Draft LCCP

The Stewardship Council will seek public review and comment on the draft LCCP. The draft LCCP for each planning unit will be made available for public comment for 30 days following its release. Each draft LCCP will be posted on the Stewardship Council website and distributed on CD-ROM upon request. Hard copies will be made available for review in public buildings in each affected county. The Stewardship Council will send a notice of the public review period to its email distribution list, which includes all individuals in its stakeholder database.

The Stewardship Council staff will review all comments and prepare a summary response addressing the comments received. This summary will become a part of each final LCCP for board review and adoption.

Step P5: Stewardship Council Board Adoption of Proposed Final LCCP

The Stewardship Council Board of Directors and its Planning Committee will review the public comments, the summary response to comments received, and any proposed textual revisions to the draft LCCP. After staff has made any necessary revisions, the Planning Committee will recommend each LCCP for approval by the board. The Stewardship Council will provide the final version of the LCCP for each planning unit to the board and post it on the website 10 days prior to the board meeting to facilitate public review. As the final step, the board will adopt the final LCCP for each pilot planning unit.

The Stipulation requires the Stewardship Council Board of Directors to make each decision by consensus. In keeping with the Stewardship Council policies and procedures, the board meeting will be open to the public, and the board will accept public comments on the proposed final LCCP for each pilot planning unit at the meeting.

Transactional Process

As shown in Figure 1, the Transactional Process will occur concurrently with the Planning Process. During the Transactional Process, the Stewardship Council will select donees and facilitate negotiation and completion of all necessary legal agreements associated with each land conservation and conveyance. Implementation details, such as funding and monitoring, will be determined. During this process, the Stewardship Council will take the lead role in encouraging a collaborative effort among potential eligible donees and facilitating negotiations among selected donees and the current land owner (i.e., PG&E).

An important aspect of the Transactional Process is the development and submission of Land Stewardship Proposals by the eligible donees. The Stewardship Council will meet with all eligible donees and provide them with baseline information on the Watershed Lands located within the pilot units, pertinent information from the LCP, and the general terms that have been established by the Stewardship Council and PG&E for future conservation and conveyance of the Watershed Lands. The Stewardship Council will invite donees to prepare and submit a Land Stewardship Proposal that describes their qualifications as a donee, land interests, measures they

intend to implement, their financial strategy for implementation and monitoring, description of management and anticipated plans, and a monitoring plan (i.e., how they would implement the concepts described in Volume II of the LCP). Collaboration among the eligible donees will be strongly encouraged. The Stewardship Council will evaluate the proposals submitted and select donees based on a set of defined criteria intended to ensure compliance with the Settlement Agreement, Stipulation, California state legal requirements, and established land conservation standards. Donees that are selected by the Stewardship Council will be invited to negotiate specific terms and complete legal agreements with PG&E and/or other future landowners or easement holders, as facilitated by the Stewardship Council.

To ensure that the development of the LCCP through the Planning Process is coordinated with the development of Land Stewardship Proposals by eligible donees, eligible donees will be expected to actively participate in the Planning Process. This participation will include attendance at public workshops. An important consideration for the Stewardship Council in evaluating and selecting donees will include how well their Land Stewardship Proposals consider and reflect the public input received in the Planning Process. Conversely, the LCCPs will integrate the Land Stewardship Proposals of the selected donees, along with the final products of the Transactional Process, namely, the specific terms and legal agreements.

T1: Solicit Donee(s) and Confirm Eligibility

During the first step of the Transactional Process, the Stewardship Council will announce a specific deadline for potential donee registration for each pilot planning unit. Following the deadline, the Stewardship Council will evaluate each registered donee to confirm eligibility. Minimum eligibility requirements for organizations seeking to accept donation of the fee interest or a conservation easement interest covering a Watershed Land consist of the following:

- **Organization.** Organization is one of the following:
 - A nonprofit corporation that is a public charity exempt from federal taxation under Section 501(c)(3), qualified to do business, and in good standing in the State of California
 - A public entity
 - A recognized tribe
- **Programmatic.** Organization's mission and/or programs and activities include the protection and enhancement of beneficial public values, including protection of natural habitat, preservation of open space, sustainable forestry, agricultural uses, protection of cultural and historic resources, and/or outdoor recreation.⁴
- **Interest and Geographic Familiarity.** Organization has identified those particular Watershed Lands in which it is interested in holding the fee interest and/or a conservation

⁴ Programmatic requirement applies only to those organizations seeking to hold a conservation easement.



easement interest. Organization's mission and/or activities support the geographic region within which the applicable Watershed Land(s) of interest is located.

- **Experience.** Organization has demonstrated capability to hold, monitor, and manage similar real estate interests.
- **Financial.** Organization can provide audited financial statements, or if not available, (in order of preference) an independent auditor's review, an independent auditor's compilation with full footnote disclosure, and finally, a complete Income Statement and Balance Sheet with no independent review.

T2: Provide Eligible Donee(s) with Baseline Information and General Terms

The Stewardship Council will provide eligible donee(s) with baseline information, general terms, and Land Stewardship Proposal requirements. Background information will consist of LCP Volume II existing conditions and recommended measures text and maps, legal parcel information, pilot process information, and the Stewardship Council's criteria for evaluating eligible donees. As part of this step, Stewardship Council staff will conduct information meetings with eligible donees to review the process and begin a collaborative discussion.

The information provided will include a general description of the legal terms that are expected to be part of the land transactions. In some cases, the documentation will consist of a land transfer agreement conveying fee title from PG&E to a donee, accompanied by restrictions (a conservation easement or other satisfactory form of assurance) to ensure that the beneficial public values will be preserved. In other cases where PG&E will retain title to the land, it is anticipated that PG&E and the donee will enter into a conservation easement that recognizes the rights and obligations of both PG&E and the donee, as well as one or more separate access, land management, and improvement agreements. The following terms have been identified by Stewardship Council staff and PG&E for inclusion in such a conservation easement:

- **Interests Conveyed.** The purpose of the conservation easement will be to preserve or enhance the beneficial public values identified in the Land Conservation Plan. Rights conveyed to the donee will include the right to prevent activities prohibited by the conservation easement, the right to require restoration of the property in the event of damage, and the right to enter and inspect the property periodically.
- **Prohibited Uses.** Subject to certain rights reserved to PG&E, the conservation easement will prevent PG&E from engaging in or voluntarily permitting others to engage in uses that would significantly impair or interfere with the beneficial public values identified in the conservation easement.
- **Permitted Uses.** PG&E will retain all rights accruing from the ownership of the property not expressly prohibited by the conservation easement. At least annually, PG&E and donee are to

report to each other regarding any anticipated construction or development activities on the property.

- **Reserved Rights.** Consistent with the Stipulation and Settlement Agreement, the rights reserved by PG&E will include rights to operate and maintain its existing and future hydroelectric facilities and associated water delivery facilities, and to comply with Federal Energy Regulatory Commission (FERC) and other regulatory requirements, including project replacements and improvements to meet existing and future water delivery and other requirements for power generation and consumptive water use by existing and future users.
- **Third Party Rights.** The conservation easement will reserve PG&E's existing right to maintain, renew and replace existing third-party uses, such as leases for vacation home sites, resorts, campsites, and grazing, in a manner consistent with the beneficial public values identified in the conservation easement.
- **Enforcement and Disputes.** The conservation easement will provide remedies for default, following appropriate notice and cure periods. The conservation easement will contain a mediation process to address disputes.
- **Hazardous Materials.** PG&E will hold the donee harmless for hazardous waste or substance liability not caused by the donee. (The Stipulation contemplates that PG&E will be able to seek Public Utilities Commission authorization to recover the costs of any mitigation or remediation measures in rates.)

Additional terms, such as the role, if any, to be played by the Stewardship Council in connection with the long-term monitoring, enforcement, and assignment of the conservation easement, will be addressed at a future date as part of the pilot process.

T3: Develop and Review Land Stewardship Proposal

The Stewardship Council will conduct detailed working meetings with eligible donee(s) to develop the Land Stewardship Proposal(s) for each planning unit. Every planning unit is unique. Some may have many parcels; others are a single parcel. Some may have several parties interested in holding fee title; others may have several potential conservation easement holders. To accommodate a wide range of possibilities across the 47 planning units, the Stewardship Council has defined a flexible process for developing the Land Stewardship Proposal and selecting the potential land stewards.

If there is more than one eligible donee for a given parcel or cluster of parcels, the Stewardship Council will encourage collaboration to develop a single Land Stewardship Proposal. If an agreement cannot be reached between the eligible donees on a single proposal, each eligible donee may submit an independent proposal for consideration by the Stewardship Council. For parcels that will be donated in fee, the Land Stewardship Proposal may be prepared collaboratively by both the land recipient and the conservation easement holder, or by either party. The Stewardship Council staff will review the Land Stewardship Proposal(s) and make a recommendation to the Planning Committee and the board. In evaluating the proposals, the Stewardship Council will consider the following criteria to select potential land stewards:

- Ability and effort to work collaboratively and in partnership with public and private entities in the geographic region.
- Use of conservation and land management best practices to ensure all operations are legally and ethically sound and in the public interest.
- Ability to be inclusive of the broader regional community and celebrate cultural differences and resources within the region.
- Potential to create opportunities as appropriate for youth engagement, education, and the development of future generations of stewards.
- Ability to bring resources and funds beyond those of the Stewardship Council to ensure continuance of efforts over time.
- Share and reflect the core values of the Stewardship Council including collaboration, stewardship, discovery, sustainability, and leadership.

As the current landowner, PG&E will be involved in selecting the conservation easement holder for all properties where PG&E will retain ownership. Similarly, for parcels that will be donated in fee, the Stewardship Council will collaborate closely with the future fee title holder in determining the conservation easement holder.

After hearing and considering public comments as part of regularly scheduled and noticed board meetings, the Stewardship Council board, acting on the recommendations of the Planning Committee, will make the initial selection of donee(s) invited to continue in the transaction process.

T4: Negotiate Specific Terms with Selected Donees

The Stewardship Council will facilitate negotiation of specific terms between PG&E and the selected donee(s) to provide oversight and assurance that the transaction terms fulfill the requirements of the LCP and the Settlement Agreement and Stipulation. The Settlement Agreement specifies that PG&E will work with the Stewardship Council “in the development and implementation of the conservation easements and land donation plan,”⁵ and that the Stewardship Council “will ensure that PG&E complies with the requirement to donate lands or grant conservation easements and will provide significant public (and Commission) oversight and participation into improvements made to the lands and the lands’ ultimate disposition.”⁶

T5: Complete Legal Agreements and Due Diligence

The Stewardship Council will facilitate disclosures by the property owner of existing encumbrances and tax information, known hazardous materials, and other matters to assist in the donee’s due diligence efforts. In addition, the Stewardship Council will review proposed legal agreements between PG&E and the donee(s) for consistency with the LCP and the requirements

⁵ Opinion Modifying the Proposed Settlement Agreement of Pacific Gas & Electric Company, PG&E Corporation and the Commission Staff, and Approving the Modified Settlement Agreement (Settlement Agreement), Land Conservation Commitment, page 39.

⁶ Opinion Modifying the Proposed Settlement Agreement of Pacific Gas & Electric Company, PG&E Corporation and the Commission Staff, and Approving the Modified Settlement Agreement (Settlement Agreement), page 60.



of the Settlement Agreement and Stipulation. These legal agreements may include a conservation easement, a land transfer agreement, and/or one or more agreements pertaining to access and land management. The Stewardship Council may also enter into agreements with donee(s) to provide an endowment or matching funds to support conservation and enhancement activities.

T6: Execute LCCP Transaction(s)

Following completion of the regulatory approval process described below, the Stewardship Council will facilitate the execution of land transactions between PG&E and the selected donee(s).

Regulatory Process

As shown in Figure 1, conveyance of the Watershed Lands and placement of conservation easements on these lands will require PG&E to obtain regulatory approval from the CPUC, and in some cases, FERC.⁷ The Regulatory Process describes the key steps and sequence in obtaining these regulatory approvals.

R1: Stewardship Council Submits Final LCCP to PG&E

Once the Stewardship Council Board of Directors adopts the proposed final LCCP (see P5), the Stewardship Council will submit the final LCCP to PG&E for internal review and acceptance.

R2: PG&E Accepts Final LCCP and Prepares Section 851 Application

Upon PG&E's acceptance of the Final LCCP for each pilot planning unit, PG&E will submit the transactions for review and approval by the CPUC under Section 851 of the Public Utilities Code. The Section 851 process applies to any and all utility land transactions in California, to ensure that the transaction (or land encumbrance) is in the best interests of the public and PG&E's customers. As part of its Section 851 applications, PG&E is expected to present land disposition and/or conservation easement requests that are consistent with the recommendations of the Stewardship Council as provided in the LCP Volumes I, II, and III.

Following adoption of Volumes I and II of the LCP, PG&E began preparing a master 851 application for the CPUC, which will be submitted in the spring of 2008. The master filing is intended to streamline approval of subsequent parcel-specific filings, and future filings will comply with any process approved via the CPUC decision resulting from this application.

R3: PG&E Submits Section 851 Application to CPUC (and FERC submittals as applicable)

PG&E will submit the Section 851 applications for each pilot planning unit transaction to the CPUC for their review. Prior to submittal to the CPUC, PG&E will also be responsible for seeking any necessary approval from FERC.

⁷ FERC approval will be required for any land encumbrance and/or transfer affecting lands within a FERC license area. PG&E is coordinating with the FERC to determine the process and timeline related to FERC's participation in the Stewardship Councils efforts.

R4: CPUC (and FERC) Approval(s)

Paragraph 20 of the Stipulation provides that the CPUC “will exercise its authority to approve or disapprove all land dispositions under Public Utilities Code Section 851 consistent with the Land Conservation Commitment and this Stipulation.” Opportunities for public participation will be provided throughout the Section 851 application process in accordance with the CPUC’s requirements. In evaluating each application, the CPUC will confirm that the proposed transactions or land encumbrances are consistent with the objectives stated in the LCP.

ROLES AND RESPONSIBILITIES

Figure 3 describes the roles and responsibilities of key parties in the land conservation and conveyance pilot process, including steps requiring board approval. Synthesizing input from a diverse set of stakeholders, the Stewardship Council will “oversee and carry out” the Land Conservation Commitment.⁸ As detailed in Figure 3:

- Stewardship Council staff will prepare all LCCPs (Volume III of the LCP), and facilitate meetings, negotiations, and communications throughout the process.
- The general public, elected officials, government agencies, and tribal governments are encouraged to participate in the Planning Process by attending the LCCP planning workshop(s) and other public meetings, collaborating with the Stewardship Council on select issues, and commenting on the draft LCCP.
- The Stewardship Council Board of Directors will approve the selected donees and will adopt and approve all final documents.
- The selected donees will prepare the Land Stewardship Proposals and will participate in real estate negotiations, as facilitated by the Stewardship Council, with PG&E and/or other future landowners or easement holders.
- PG&E will be responsible for negotiating the terms of the land transactions in consultation with the Stewardship Council and for approving the final LCCP and securing the necessary approvals from the CPUC and FERC (where needed).

PUBLIC OUTREACH

The Stewardship Council remains committed to ensuring that local communities, elected representatives, neighboring property owners, and other key stakeholders are fully engaged in the work of protecting and enhancing the Watershed Lands. To develop Volumes I and II of the LCP, the Stewardship Council implemented a comprehensive public outreach process to ensure that the planning process was informed by discussions with the people and organizations who know the lands best. Public outreach efforts included traveling extensively throughout the Watershed Lands to conduct community open houses, site visits, and dozens of meetings with stakeholder, agency, and Native American entities.

⁸Stipulation Resolving Issues Regarding the Land Conservation Commitment (Stipulation), page 3.



FIGURE 3: PILOT PROCESS Proposed Roles & Responsibilities

	Planning	Transactional	Regulatory
Elected Officials, Government Agencies, and Tribal Governments	<ul style="list-style-type: none"> Identify local planning requirements Provide input on the development of the LCCP at planning workshop(s) and other public venues Collaborate with SC Staff on select issues Review and comment on the draft LCCP Opportunity to comment on proposed Final LCCP at SC Board meeting 	<ul style="list-style-type: none"> Receive updates from SC Staff on the transactional process Opportunity to comment on selection of Donee(s) at SC Board Meeting Address county requirements 	<ul style="list-style-type: none"> Opportunity to provide public comment on proposed regulatory actions before the CPUC
General Public and Other Interested Parties	<ul style="list-style-type: none"> Provide input on the development of the LCCP at planning workshop(s) and other public venues Collaborate with SC Staff on select issues Review and comment on the draft LCCP Opportunity to comment on proposed Final LCCP at SC Board meeting 	<ul style="list-style-type: none"> Receive updates from SC Staff on the transactional process Opportunity to comment on selection of Donee(s) at SC Board Meeting 	<ul style="list-style-type: none"> Opportunity to provide public comment on proposed regulatory actions before the CPUC
Eligible and Selected Donees	<ul style="list-style-type: none"> Attend and participate in planning workshop(s) on the development of the LCCP 	<ul style="list-style-type: none"> Eligible Donee(s) develop Land Stewardship Proposal Selected Donee(s) negotiate specific terms with PG&E in consultation with SC Staff Selected Donee(s) complete legal agreements with PG&E Selected Donee(s) complete due diligence & execute transaction(s) 	<ul style="list-style-type: none"> Opportunity to provide public comment and support proposed regulatory actions
PG&E (as Current Landowner)	<ul style="list-style-type: none"> Participate in the planning workshop(s) on the development of the LCCP and provide information on request 	<ul style="list-style-type: none"> Participate in the development of the Land Stewardship Proposal(s) Negotiate specific terms with Selected Donee(s) in consultation with SC Staff Complete legal agreements with Selected Donee(s) and execute transaction(s) 	<ul style="list-style-type: none"> Accept adopted Final LCCP Coordinate with SC Staff on managing the regulatory process Prepare regulatory documents and submit them to CPUC (and FERC as applicable) Provide updates to the SC Board, SC Staff, Donees, and the General Public
Stewardship Council (SC) Staff	<ul style="list-style-type: none"> Manage and facilitate the planning process Announce donee registration deadline and confirm donee eligibility Prepare draft LCCP and ensure consistency with Volumes I and II of the Land Conservation Plan Collaborate with stakeholders and PG&E Prepare a summary response to public comments Provide updates to the SC Board 	<ul style="list-style-type: none"> Solicit donees and determine Eligible Donee(s) Manage and facilitate the development of the Land Stewardship Proposal Review Land Stewardship Proposal(s) and recommend Selected Donee(s) Facilitate negotiations and approve specific terms and legal agreements Provide updates to SC Board, General Public, and Elected Officials, Government Agencies, and Tribal Governments 	<ul style="list-style-type: none"> Coordinate with and support PG&E on the regulatory process Provide updates to the SC Board Submit adopted Final LCCP to PG&E
Stewardship Council (SC) Board of Directors	<ul style="list-style-type: none"> Approve and monitor the overall planning process Provide support and expertise as requested Review and adopt the proposed Final LCCP 	<ul style="list-style-type: none"> Ensure consistency of LCCP with Volumes I and II of the Land Conservation Plan Approve Selected Donee(s) and final terms and conditions Monitor the transactional process and receive updates from SC Staff 	<ul style="list-style-type: none"> Monitor and support the regulatory process

LCCP: Land Conservation and Conveyance Plan; previously referred to as "Volume III Disposition Package" SC: Stewardship Council

"General Public and Other Interested Parties" includes: interested members of the public, community-based organizations, and existing PG&E lessees



Opportunities for public involvement in the pilot process are highlighted in orange in Figure 1. The public will be encouraged to participate in the Planning Process for the LCCP through public planning workshops, direct collaboration with the Stewardship Council on select issues, and public review and comment on the draft LCCPs. The public will also have the opportunity to speak directly to the Stewardship Council Board of Directors during the meetings where the board considers approval of selected donees and adoption of the Final LCCPs. The CPUC will provide a further opportunity for the public to comment when it considers PG&E's applications for the actual land transactions and encumbrances.

All board meetings and public meetings will be noticed via the Stewardship Council's email distribution list and other means. In addition, the Stewardship Council will continue to use its extensive website as a communication tool throughout the pilot process. The website will have a dedicated page for each pilot planning unit with links to relevant documents and information.

SCHEDULE

Figure 4 represents a conceptual timeline for the implementation of the land conservation and conveyance process for the four pilot planning units. The Planning and Transactional Processes will continue throughout 2008 and into early 2009. Depending on the length of the Regulatory Process, the Stewardship Council anticipates the final land transactions and encumbrances could be executed by the end of 2009 or in early 2010. However, the pace of developing the individual disposition packages will depend on a number of factors, including a variety of real estate and legal issues, as well as the ability to reach agreement with future landowners and/or conservation easement holders.

FUNDING

The Stewardship Council anticipates that a significant portion of the funds available for land conservation (original allocation of \$70 million) will be distributed to future land owners and easement holders to implement land conservation and enhancement measures. Staff is currently working with a number of financial planners and investment advisors to develop a program on how best to invest and plan for long-term financial sustainability, as well as how to most equitably and efficiently distribute funds to future land stewards. As a part of this effort, the Stewardship Council is also undertaking efforts to identify potential matching funds or other funding programs (private and public) that may be accessed to augment these resources.

Staff is currently working closely with both the Fiduciary Committee and the Planning Committee of the Stewardship Council Board to develop financial models and cash flow scenarios. The board will be asked to consider specific investment and funding recommendation later in 2008, with the expectation to have a board adopted land conservation funding plan in place by the end of the calendar year.

**FIGURE 4: PILOT PROCESS
Timeline**

