EXECUTIVE SUMMARY

PACIFIC GAS & ELECTRIC COMPANY'S RICHMOND-TO-PITTSBURG PIPELINE DIVESTITURE (APPLICATION # 00-05-035 AND 00-12-008)

INTRODUCTION

Pacific Gas and Electric Company (PG&E)'s revised Application (No. A.00-05-035) seeks authority, pursuant to Section 851 of the Public Utilities Code from the California Public Utilities Commission (CPUC), to sell its heated Richmond-to-Pittsburg Fuel Oil Pipeline (the "Pipeline") to a new owner, the San Pablo Bay Pipeline Company (SPBPC), currently a subsidiary of ConocoPhillips Company. In a separate revised application (A.00-12-008) (also analyzed as part of this project), SPBPC seeks authority from the CPUC under Sections 216 and 228 of the Public Utilities Code to own and operate the Pipeline as a common carrier pipeline corporation and to amend the Certificate of Public Convenience and Necessity (CPCN) to restrict the products that could be transported in the Pipeline to crude oil, black oils, and refined petroleum products.

PROJECT BACKGROUND

The CPUC authorized construction of the Pipeline pursuant to a CPCN issued on May 20, 1975. The CPCN authorized PG&E to construct the Pipeline assets for the purpose of transporting "oil, petroleum, or products thereof" to its former Pittsburg and Contra Costa Power Plants. PG&E constructed the Pipeline and Pump Station in 1975 as part of a 42-mile long pipeline extending from the Chevron Refinery in the city of Richmond to the Pittsburg and Contra Costa Power Plants. From 1976 to 1982, PG&E used the Pipeline to transport low sulfur fuel oil from the refinery to the power plants which was used to generate electricity. Beginning in 1982, PG&E reduced its use of fuel oil due to increased expenses and regulatory requirements and thus ceased its permanent use of the Assets. Since its regular operations ceased, oil has moved through the pipeline as necessary to maintain the integrity of the pipeline; however, the last major movement of oil through the pipeline was in 1991.

In 1998, at the request of UPRR, PG&E isolated an approximately 4,000-foot long section of the Pipeline in the city of Martinez to allow for installation of two additional railroad tracks and relocation of the Martinez Intermodal Rail Station. In 1999, PG&E sold its Pittsburg and Contra Costa Power Plants, including the 7-mile portion of pipeline between these two plants and associated pumping stations located at the plant sites to Mirant.

PG&E initially proposed selling the Assets as a result of Assembly Bill (AB) 1890, which required PG&E to establish the market value of its non-nuclear generation-related assets by

December 31, 2001. In addition, CPUC Decision No. 00-03-019 ordered PG&E to file a Section 851 application by May 15, 2000 to establish the market value of its remaining non-nuclear generation-related assets.

PG&E submitted an application (A.00-05-035) to the CPUC seeking authority under Section 851 to sell its pipeline assets to SPBPC, then a subsidiary of Tosco Corporation. SPBPC submitted a separate Application (A.00-12-008) seeking authority under Section 216 and 228 to own and operate the Pipeline and Pump Station. The CPUC began an environmental review of both applications. On October 30, 2001, the CPUC published a Draft Mitigated Negative Declaration (SCH# 2001102139) (DMND) for the applications. On April 23, 2002, the CPUC published a Final Mitigated Negative Declaration (FMND) responding to comments received during the 30-day comment period on the DMND. During the summer and fall of 2002, motions filed by PG&E, SPBPC, and SCVHG regarding the applicability of Section 377 of the Public Utilities Code to allow or preclude the sale of the Assets, as well as additional environmental concerns, resulted in a project delay. The CPUC never formally adopted the FMND for the applications and never acted on the applications.

PG&E asserts that the Assets are no longer necessary or useful directly or indirectly for electric generation purposes in the performance of its duties to the public. Whether or not these Assets are necessary and/or useful in serving the public will ultimately be decided by the CPUC as part of its review of this project. On May 6, 2004, PG&E, SCVHG, and SPBPC filed an amendment to the proposed project that describes a revised asset transfer process. This Revised Final MND analyzes the potential environmental impacts of the PG&E, SCVHG, and SPBPC applications.

PROJECT DESCRIPTION

The proposed sale would transfer ownership of PG&E's Hercules Pump Station (the "Pump Station") and its associated 44.2 acres of property, located in the city of Hercules, and the Pipeline from its point of origin in Castro Street (adjacent to the General Chemical facility) in the city of Richmond to the Mirant Pittsburg Power Plant in the city of Pittsburg. The Pipeline and Pump Station, collectively referred to herein as the "Assets," would be sold in their current "as-is, where-is, with all faults" condition to SPBPC. Subsequent to the Commission's decision authorizing the sale of the Assets, but prior to the actual sale by PG&E, ConocoPhillips has indicated that it intends to sell its sole ownership interest in SPBPC to the Santa Clara Valley Housing Group (SCVHG). SPBPC has indicated that upon completion of the sale by PG&E, it would then abandon[1] the Pump Station and remove it from public utility service. SCVHG would then sell SPBPC to Shell and would retain the Pump Station and its associated 44.2 acres of property. SCVHG would demolish the Pump Station and likely remediate the land on which the Pump Station is located in order to reuse it for residential and/or commercial uses. Any action proposed for the Pump Station property by SCVHG would be subject to a separate environmental

[1] Abandonment of the Pump Station would not involve any physical changes to the Pump Station property; rather abandonment simply means that SPBPC would no longer operate the Pump Station now, which would be removed from public utility service.

review by the City of Hercules. Ultimately, the Pipeline would be owned and operated by SPBPC, which would, per A.00-12-008, be operated as a subsidiary of Shell.

This Final Mitigated Negative Declaration (Final MND) analyzes the potential impacts to the environment that would result from PG&E's sale of the Assets. Specifically, the focus of this analysis is on the potential environmental impacts associated with SPBPC's future operation and maintenance of the Pipeline and the reconstruction of a 5,500-foot replacement pipeline segment to replace an isolated 4,000-foot pipeline section in Martinez, California. As of the publication date of this document, no application or plans have been submitted to the City of Hercules for development of the Pump Station property, which is currently zoned for industrial land uses. The specific future use of each portion of the property is unclear at this time as it could be used for industrial purposes as currently zoned, or it could be used for residential or commercial purposes, or a combination of both, if the zoning and General Plan designations are amended. In addition, it would be speculative to determine the density and configuration of any future development on the property and therefore, it would be speculative to analyze the environmental impacts that could result from the unknown potential future development of the Pump Station property. As such, this analysis does not analyze the potential impacts associated with development of the Pump Station property. When SCVHG submits an application to the City of Hercules to develop the Pump Station property, that future development would be subject to environmental review, pursuant to the California Environmental Quality Act (CEQA). In addition, the California Department of Toxic Substances Control (DTSC) would have regulatory oversight over the environmental remediation of the Pump Station property that would be a necessary predicate for use of the land.

These Assets are still considered to be operational because PG&E has maintained all required permits and approvals and conducted all maintenance and inspections that are required for an operating system. Nevertheless, the State Fire Marshal classifies the Pipeline as "inactive" based on the history of use of the Pipeline in the 1990s and would require SPBPC, as the new owner, to submit a request to change the status of the Pipeline segments from "inactive" to "active" in order to use the Pipeline to transport petroleum products.

Because the CPUC must decide whether or not to approve the PG&E and SPBPC applications and because the applications may cause either direct or reasonably foreseeable indirect effects on the environment, CEQA requires the CPUC to consider the potential environmental impacts that could occur as the result of its decisions and to consider mitigation for any identified significant environmental impacts.

If the CPUC approves SPBPC's, application for authority to own and operate the Pipeline, SPBPC would be responsible for implementation of any mitigation measures governing both construction of the 5,500-foot replacement segment in Martinez and future operation of the Pipeline. Though other state and local agencies[2] would have permit and approval authority over

[2] Including the East Bay Regional Park District, the City of Martinez during construction, and the State Fire Marshal when the entire pipeline is ready to be placed in service.

the construction of the 5,500-foot replacement pipeline segment, the CPUC would continue to act as the lead agency for monitoring compliance with all mitigation measures required by this Final MND. All approvals and permits obtained by SPBPC would be submitted to the CPUC for mitigation compliance prior to commencing the activity for which the permits and approvals were obtained.

POTENTIAL ENVIRONMENTAL IMPACTS

The attached Final MND states and analyzes the potential impacts to the environment that would result from for the sale of the Assets, the construction of the 5,500-foot replacement pipeline segment in Martinez, and operation of the Pipeline by SPBPC, and proposes mitigation measures, as appropriate.

Based on the MND, approval of the two applications would have no impact or less than significant effects in the following areas:

- Agriculture
- Land Use and Planning
- Mineral Resources
- Population and Housing
- Recreation
- Mandatory Findings of Significance

The MND indicates that approval of the applications would result in potentially significant impacts in the areas of:

- Aesthetics
- Air Quality
- Biological Resources
- Cultural Resources
- Geology and Soils
- Hazards and Hazardous Materials
- Hydrology
- Noise
- Public Services
- Transportation and Traffic
- Utilities and Service Systems

MITIGATION AND MONITORING

Each of the identified impacts can be mitigated to avoid the impact or reduce it to a less than significant level. The mitigation measures presented in this MND have been agreed to by PG&E and SPBPC. A Mitigation Monitoring and Reporting Plan included in this MND as Appendix C to specify how all mitigation measures will be implemented.