**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

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| Application of PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) for a Certificate of Public Convenience and Necessity Authorizing the Construction of the Jefferson-Martin 230 kV Transmission Project | Application No. _____ |

# APPLICATION


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## APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY

Pacific Gas and Electric Company ("PG&E" or "Applicant"), by and through its counsel, pursuant to section 1001 et seq. of the California Public Utilities Code, Rules 2-8, 15, 16, 17.1, 17.3 and 18 of the California Public Utilities Commission Rules of Practice and Procedure (California Code of Regulations, Title 20) (the "CPUC Rules"), and California Public Utilities Commission General Order 131-D ("GO 131-D") requests that the California Public Utilities Commission (the "CPUC" or "Commission") issue a Certificate of Public Convenience and Necessity ("CPCN") authorizing the construction of the Jefferson-Martin 230 kV Transmission Project (the "Project").[1]

[1] PG&E reserves all legal rights to challenge the decisions or statutes under which it has been required to make this filing, and nothing in this filing constitutes a waiver of such rights. Also, PG&E reserves any additional legal rights to challenge the requirement to make this filing by reason of its status as a debtor under Chapter 11 of the Bankruptcy Code, and nothing in this filing constitutes a waiver of such rights. In addition, on September 20, 2001, PG&E filed its proposed plan of reorganization with the Bankruptcy Court pursuant to Chapter 11 of the Bankruptcy Code. PG&E reserves all rights to withdraw, amend or revise its filings before the Commission and other agencies to implement the authorizations or requirements of the order or orders of the Bankruptcy Court confirming PG&E's plan of reorganization. Specifically, if PG&E's plan of reorganization is approved, PG&E reserves the right to assign this application to any corporate entity approved by the Bankruptcy Court to receive PG&E's electric transmission assets, or to withdraw this application to allow such entity to submit an application to construct this Project.

# I. Introduction

## A. Contents of Application

PG&E's application for a CPCN ("Application") for the Project is comprised of this application, the Proponent's Environmental Assessment ("PEA"), and the other specific materials required by the CPUC Rules and GO 131-D, which are included as Exhibits A through I. Exhibits A through I are attached to this Application, the PEA is submitted herewith, and all are hereby incorporated into this Application by reference as if fully set forth herein.

The PEA complies with and provides the information required by CPUC Rule 17.1, GO 131-D, and the CPUC's Information and Criteria List, and includes the information necessary for the CPUC to evaluate the environmental consequences of the Project in accordance with the California Environmental Quality Act (Public Resources Code §§ 21000-21177) ("CEQA").

## B. Project Overview

The purpose of the Project is to (1) reliably meet projected electric demand in the cities of Brisbane, Burlingame, Colma, Daly City, Millbrae, San Bruno and South San Francisco (the north of San Mateo County area), and the City and County of San Francisco (the "Project Area"); (2) satisfy applicable planning criteria; (3) diversify the transmission system serving the Project Area; and (4) implement the California Independent System Operator ("ISO") Board of Governors' April 2002 Resolution approving the Jefferson-Martin Project for addition to the ISO-controlled grid. The Project is needed to ensure that the transmission system can continue reliably to supply power to the Project Area.

In sum, the Project would add the capacity needed for the forecasted increase in electric usage and would make the transmission system more stable and reliable within the Project Area.

The Project would provide adequate capacity to serve the Project Area under all reasonably anticipated generation scenarios and ensure compliance with applicable reliability standards, as well as consistency with PG&E's Supplementary Guidelines for Application of the Criteria for San Francisco. Further, the Project would eliminate the "all eggs in one basket" concern that currently exists in the Project Area by providing a second independent major transmission line pathway, and would thereby further increase reliability. (PEA § 2.2). Finally, the Project would timely implement the ISO-approved Project.

## C. Project Description

The Project would be located in northern San Mateo county. The Proposed Project (as that term is defined in Chapters 2 and 3 of the PEA) would be constructed in two primary portions: the "Overhead Rebuild Portion," which extends from the Jefferson Substation north to the intersection of San Bruno Avenue and Glenview Drive just east of Skyline Boulevard (Highway 35), and the "Underground Portion," which extends north from the San Bruno Avenue/Glenview Drive intersection to the Martin Substation. The Proposed Project includes the following components, as described in more detail in sections 2.3.1 and 2.3.2 of the PEA:

- Construct a new approximately 27-mile-long[2] 230 kV transmission line with overhead and underground segments, partially in existing PG&E easements[3], partially in yet-to-be-acquired easements, and partially within franchise areas;

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[2] All distances stated in the Application are approximated. Refer to Chapter 2 of the PEA for more detail.

[3] The CPUC'S General Order 95, Rules for Overhead Electric Line Construction, requires safe clearances between overhead electrical conductors and potential grounding sources. To accommodate this portion of the Proposed Project, PG&E would need to widen its existing easement on the Overhead Portion of the proposed route, which is typically 50-feet wide, in order to comply with General Order 95. PG&E estimates the width of the required right-of-way for the Overhead Portion will range from 75 to 130 feet; the precise width required will be determined once the Project is approved by the CPUC and final engineering can be accomplished. The cost estimates prepared in connection with this Application are based upon a right-of-way width of 100 feet.

- Modify the existing Jefferson and Martin Substations to accommodate the new 230 kV transmission circuit;
- Rebuild the existing Jefferson-Martin 60 kV double-circuit tower line to enable the east side operating at 60 kV and the west side at 230 kV;
- Modify equipment at the San Mateo, Ralston, Millbrae and Monta Vista Substations, and modify the Hillsdale Junction Switching Station to accommodate line protection equipment and the new 60 kV arrangement;
- Construct a new transition station near the intersection of San Bruno Avenue and Glenview Drive just east of Skyline Boulevard (Highway 35) to transition from the approximately 14.7-mile overhead transmission line to the approximately 12.4-mile underground transmission line;
- Replace the existing San Mateo-Martin 230 kV series reactor at San Mateo Substation; and
- Design and install two physically-redundant fiber optic communication paths to ensure reliable operation of the transmission system (Line Protection).

The Overhead Rebuild Portion of the Proposed Project extends through an existing utility corridor in the San Francisco Public Utilities Commission ("SFPUC") Watershed Lands. (PEA § 2.3.2). Part of this route segment is adjacent to residential areas. The Underground Portion will be constructed generally in city streets and extend through a mix of existing commercial, industrial and residential land uses. (PEA § 2.3.3). Other than the proposed transition station site, which is owned by the California Department of Transportation ("CalTrans"), no components of the Proposed Project would be located on any federal or state-owned land. A significant portion of the transmission line will be located in city and town streets and in existing

right-of-way owned by the San Francisco Bay Area Rapid Transit District ("BART"). (PEA §§ 2.3.2; 2.3.3). PG&E has existing franchise agreements with all such cities and towns, and will not need to secure additional land rights to construct those components of the Proposed Project that will be constructed in those cities and towns. (PEA § 2.5.3.1). PG&E will need to obtain access rights from BART to locate a portion of the route in the BART right-of-way. (PEA § 2.5.3.1).

Construction of the Overhead Rebuild Portion would take place over an approximately 13-month period with completion and operation estimated for September 2005, and would involve a workforce of between 100 and 200 people on average. (PEA § 2.5.2.4). Construction of the Underground Portion would take place over an approximately 12-month period with completion and operation estimated for September 2005, and would involve a workforce of approximately 150 to 250 people on average. (PEA § 2.5.3.3). PG&E estimates that the cost of the Proposed Project is approximately $180 million. (Section XI, *infra*).

A complete description of the Proposed Project, together with a description of the existing regional electric system, is set forth in Chapter 2 of the PEA. A complete description of the Project alternatives considered, as well as the process undertaken in considering those alternatives and selecting the Proposed Project, is set forth in Chapter 3 of the PEA.

## II. Project Components

### A. Description of Project

Pursuant to GO 131-D, Section IX(A)(1)(a) and CPUC Rule 18(a), PG&E has provided in Sections 2.3 through 2.5 of the PEA a complete description of the electrical facilities that would be constructed and the manner in which they would be constructed. Further description

also is provided in the Proposed Project Cost Estimate attached hereto as Exhibit B. In summary, the Proposed Project would include the following:

- Construct a new approximately 27-mile-long 230 kV transmission line, which consists of (1) replacing approximately 14.7 miles of the existing Jefferson-Martin double-circuit 60kV transmission line, between the Jefferson Substation and a proposed transition station at San Bruno Avenue, with a new 60/230 kV overhead transmission line, and (2) placing approximately 12.4 miles of a new 230 kV underground transmission line between the proposed transition station and the Martin Substation. The overhead transmission line will be placed in existing PG&E easements,[4] while the underground transmission line will be placed, subject to final engineering, within city streets and a portion of the newly-constructed BART airport extension right-of-way;
- Modify the existing Jefferson Substation (within the existing footprint) to accommodate the new 230 kV transmission circuit, including the following:
    - Replacement of the 230 kV single bus with a ring-bus configuration, requiring relocation of the existing fence and roadway within the existing substation boundaries;
    - Installation of four new dead-end structures and four new 230 kV breakers with disconnect switches;
    - Relocation and termination of the two existing 230 kV transmission lines and transformer banks with dead-end structures;

[4] To accommodate this portion of the Proposed Project, PG&E would need to widen its existing easements in this area to meet CPUC General Order 95 safety standards.

- Removal of existing tower and installation of new tubular steel pole structures; and
- Addition of a bus parallel breaker position to the 60 kV yard.

- Modify equipment at the San Mateo, Ralston, Millbrae and Monta Vista Substations and the Hillsdale Junction Switching Station to accommodate line protection requirements and conversion of the existing 60 kV system from a double to a single circuit;
- Construct a new transition station near the intersection of San Bruno Avenue and Glenview Drive just east of Skyline Boulevard (Highway 35) to transition from the 14.7 mile overhead transmission line to the 12.4 mile underground transmission line, including the following:
  - a dead-end structure for incoming 230 kV overhead circuit;
  - support structures for cable terminations and three surge arresters; and
  - a control building and underground vault erected to house line protection and telecommunication equipment.
- Modify the existing Martin Substation (within the existing footprint) to accommodate the new 230 kV transmission circuits, including the following:
  - Relocation of existing fence, roadway, wood poles and tubular steel poles to expand the 230 kV yard;
  - Installation of a new 230 kV bus bay and a new 230 kV underground cable termination with series reactors to terminate the incoming 230 kV transmission line;

- Addition of a new 420 MVA, 230/115 kV transformer, which would require installation of new breakers;
- Replace the existing 115 kV bus; and
- Installation of a new, complete 230 kV breaker-and-a-half arrangement with three 230 kV breakers and disconnect switches.

### B. Map of Proposed Routing

Pursuant to GO 131-D, Section IX(A)(1)(b) and CPUC Rule 18(c), maps of suitable scale of the proposed routing showing details of the right-of-way in the vicinity of settled areas, parks and recreational areas, scenic areas and existing electrical transmission lines within one mile of the proposed route are set forth at Figures 2-1 through 2-6 and 3-1 through 5-3 of the PEA.

## III. Public Convenience and Necessity Require Construction of the Project

Pursuant to GO 131-D, Section IX(A)(1)(c) and CPUC Rule 18(e), this section provides a statement of the facts and reasons why the public convenience and necessity requires the construction and operation of the Project. A complete discussion of why the public convenience and necessity requires the construction of the Project is set forth in Section 2.2 of the PEA.

Under California law, the ISO is "charged with ensuring the efficient use and reliable operation of the transmission system." Stats 1996, Ch. 854, Section 1(c); *accord, e.g.*, Pub. Util. Code § 345. PG&E submitted a proposal to the ISO in February of 2002, detailing possible solutions, including the Proposed Project, to address ongoing and forecasted reliability concerns in the Project Area. Through its comprehensive transmission planning and approval process, the ISO determined that the Jefferson-Martin Project is necessary "to address the identified reliability concerns in the [Project] Area beginning in 2005, and direct[ed] PG&E to proceed

expeditiously with ... the proposed project [i.e., the Jefferson-Martin Project, without regard to route]...." (The ISO Board of Governors Meeting Minutes for April 25, 2002 are attached as Exhibit A.)

Because the ISO determined that the Jefferson-Martin Project is necessary to maintain the transmission system's reliability, the CPUC has no authority to second-guess that determination for two independent reasons. First, because the ISO, at the direction of the California Legislature, has submitted its operational control of the California electric transmission grid to the authority of the Federal Energy Regulatory Commission ("FERC") under the Federal Power Act, 16 U.S.C. §§ 824 *et seq.*, the ISO's determinations are reviewable only by FERC as set forth in the ISO Tariff. Federal law thus preempts any authority that the CPUC has to review the need for the Project under state law. Second, the California Legislature, pursuant to AB 1890, granted control over the reliability of the California transmission system to the ISO and thereby removed decisions regarding the need for transmission upgrades based on system reliability from the CPUC's purview. Therefore, as a matter of state law, the CPUC lacks statutory authority to second-guess the ISO's determination that a transmission project is needed for system reliability. The CPUC's authority under Section 1001 of the Public Utilities Code is limited to a determination of the best route for the Project, as the ISO did not determine that a specific routing for the new 230 kV transmission line between Jefferson and Martin Substations is necessary for system reliability.

Even if the CPUC had authority to consider whether the Project is needed to maintain system reliability, which it does not, the ISO's decision that the Project is necessary is soundly supported by the applicable transmission planning criteria. The Project is intended to: (1) reliably meet electric demand, even under low-generation scenarios; (2) ensure that the Project

Area transmission system will continue to meet planning standards and reliability criteria established by the ISO and the North American Electric Reliability Council; (3) improve reliability by creating a more diverse transmission system in the Project Area; and (4) implement the ISO Board of Governors' April 2002 Resolution to meet PG&E's obligation as a Participating Transmission Owner under the ISO Tariff to construct those transmission projects determined by the ISO to be needed to maintain system reliability. (PEA § 2.2.1).

The PEA and the information submitted to the ISO demonstrate that these objectives will not be met if the Project is not completed and operational by September 2005. (PEA § 2.2; ISO Board of Governors Meeting Minutes). If the Project is timely constructed, by contrast, there would be adequate capacity to serve the Project Area under all reasonably anticipated generation and demand scenarios. The Project would also ensure compliance with applicable reliability standards, as well as consistency with PG&E's "Supplementary Guide for the Application of the Criteria for San Francisco." (PEA § 2.2). Further, the Project would eliminate the "all eggs in one basket" concern that currently exists in the Project Area by providing a second independent major transmission line, and would thereby further increase reliability.

As set forth more fully in Chapter 2 of the PEA and the ISO Board of Governors' resolution, based on a comprehensive analysis applying applicable transmission planning criteria to a wide range of generation and demand scenarios, PG&E and the ISO determined that the Jefferson-Martin Project was the best viable solution that can be implemented by September 2005. The Project would add the capacity needed for the forecasted increase in electric usage and would make the transmission system more stable and reliable within the Project Area.

## IV. Reasons for Adoption of the Route Selected for the Proposed Project

Pursuant to GO 131-D, Section IX(A)(1)(a) and (e), this section provides a summary of the reasons for adoption of the Proposed Project as the recommended route. Chapter 3 of the PEA more completely describes the route selection process undertaken by PG&E for the Jefferson-Martin Project.

After determining general areas where a transmission line is needed to increase electric capacity in the Project Area, PG&E developed numerous potential alignments for a new 230 kV transmission line. Potential alignments were identified through field work, review of aerial photographs, and information obtained from property owners (i.e., CalTrans, the City and County of San Francisco and BART), and representatives of local jurisdictions. As set forth in PEA § 3.2.1, the universe of potential alternatives was narrowed using the following factors:

- Ability to modify or otherwise make use of existing transmission facilities rather than construct entirely new facilities in undisturbed areas;
- Ability to follow established utility corridors;
- Ability to utilize existing right-of-way where practicable;
- Minimization of environmental impacts;
- Accessibility to construct and maintain supporting structures;
- Length of new lines and number of new towers or poles;
- Number of crossings of highways, creeks, and other electric lines;
- Minimization of exposure to geologic hazards;
- Ability to avoid disruption or relocation of existing businesses or residences;
- Compatibility with local planning agencies' vision and/or planning strategy for development in the Project Area;

- Easement acquisition costs;
- Installation and maintenance costs; and
- Overall project cost.

PG&E evaluated three general design alternatives for the Jefferson-Martin Project: (1) an all-overhead project, (2) a hybrid overhead/underground project, and (3) an all-underground project. PG&E then explored various routing alternatives for each route segment, utilizing the general design alternatives identified above. By applying the environmental, engineering and economic criteria discussed above to each route segment, PG&E identified six feasible Project alternatives (as discussed in PEA Section 3.3, no all-overhead alternatives were found to be feasible due to the unique conditions that exist in the northern portion of the Project Area). (PEA § 3.1; Table 3-1). Each of these six alternatives is analyzed in the PEA. (PEA §§ 3.5 through 3.9; Tables 3-2 and 3-3). Ultimately, PG&E selected a hybrid overhead/underground alternative, consisting of the Overhead Rebuild Portion and the Underground Portion (described in Section I.C., *supra*), as the Proposed Project because it resulted in the fewest and least significant environmental impacts of the alternatives studied and was economically and technically feasible, while achieving all of the Project objectives. (PEA §§ 3.1, 3.3; Tables 3-2 and 3-3).

## V. Certification, Construction and Commencement Schedule

Pursuant to GO 131-D, Section IX(A)(1)(a) and (f), this section provides a schedule showing the program of construction. As discussed in Section III above, completion of the Project cannot be delayed past September 2005 without compromising electric service reliability in the Project Area. To prevent that outcome, PG&E must commence construction of the Project

by the summer of 2004. Accordingly, PG&E seeks the CPUC's certification of the Project no later than the spring of 2004.

PG&E's Project Manager will direct the Project and provide oversight in all areas of the Project including engineering, acquisition of land rights, construction and operation. In addition, PG&E's Project Manager will coordinate resources required to achieve the Project objectives established by PG&E. As part of his responsibilities, the Project Manager will periodically obtain current forecasts of the dates of completion of each Project component and this information will be correlated with the Project schedule.

PG&E also has highly experienced personnel overseeing each phase of the Project, including, but not limited to, engineering, acquisition of land rights, construction and operation. PG&E will provide personnel to perform and coordinate the many activities required to complete the Project on schedule, within budget and in conformance with all requirements and specifications. Significant variances will be analyzed and corrective action will be taken, when necessary, to keep the Project on schedule.

Contractors supporting the Project will be selected through competitive bidding. The Project will be engineered and constructed both by PG&E and by various contractors who will be under the overall direction of PG&E's Project Manager.

The schedule presented in this Application is intended to allow all required permitting and entitlement actions to occur such that land acquisition, eminent domain where necessary, and construction activities may start in sufficient time to meet the required target date for operation of the Project of September 2005. To achieve that goal, PG&E proposes the following schedules for certification, construction and commencement of the Project (see also PEA § 2.5).

**Table 1**

| Date | Action Item |
|---|---|
| **CERTIFICATION** | |
| September 30, 2002 | File Application for CPCN with the CPUC. |
| October 10, 2002 (within 10 days after filing) | Provide Notice of the filing of the Application by direct mail, advertisement and posting. (GO 131-D, § XI(A)).<br><br>Deliver notice to the CPUC Public Advisor and the Energy Division (formerly CACD). (GO 131-D, § XI(A)(3)). |
| October 15, 2002 (within 5 days after completion of mailing and posting) | File a declaration of mailing and posting as required above with the CPUC. (GO 131-D, § XI(A)(3)). |
| October 30, 2002 (30 days after filing) | Any CPUC staff deficiency report due to PG&E. (GO 131-D, § IX)(A)(2)). |
| November 11, 2002 (30 days after notice is mailed or published) or earlier | Statutory deadline for protests and requests for public hearings to be filed with the CPUC (assuming Notice of the filing of the Application is provided October 10, 2002). (GO 131-D, § XII). |
| November 27, 2002 | Proposed date for PG&E's response to any deficiency report. |
| November 27, 2002 through December 30, 2002 | Proposed period for CPUC review of PG&E's response to any deficiency report. |
| December 30, 2002 | Proposed deadline for CPUC to determine Application is complete. |
| January 8, 2003 | Proposed date for CPUC to issue Notice of Preparation pursuant to CEQA. |
| February 7, 2003 | Proposed date for agencies to comment on Notice of Preparation. |
| June 24, 2003 | Proposed date for public issuance of Draft Environmental Impact Report ("EIR"). |

| Date | Action Item |
|---|---|
| August 8, 2003 | Proposed date for close of public comment period. |
| September 8, 2003 | Proposed date for release of final EIR. |
| September 18, 2003 | Proposed date for CPUC to certify final EIR. |
| October 15, 2003 | Proposed date for parties to CPCN proceeding to file Opening Testimony with the CPUC.[5] |
| October 29, 2003 | Proposed date for parties to CPCN proceeding to file Rebuttal Testimony with the CPUC. |
| November 4, 2003 through November 7, 2003 | Proposed dates for CPUC Evidentiary Hearings on CPCN Application. |
| November 21, 2003 | Proposed date for parties to CPCN proceeding to file Opening Briefs with the CPUC. |
| December 8, 2003 | Proposed date for parties to CPCN proceeding to file Reply Briefs with the CPUC. |
| December 30, 2003 (within one year after application complete) | Statutory deadline for CPUC to certify final EIR. (Public Resources Code § 25519(c)). |
| January 9, 2004 | Proposed date for CPUC to issue proposed decision on CPCN Application. |
| January 30, 2004 | Proposed date for parties to the CPCN proceeding to file comments on CPUC's proposed decision on CPCN Application. |

[5] The inclusion of a proposed schedule for testimony, evidentiary hearings, and the like is solely for scheduling purposes, and is not intended to be an indication that PG&E believes that such hearings are desired or necessary with regard to the Application. Recent CPCN proceedings have shown the choice of route to be the issue in which most intervenors are most interested, and which takes the most time to litigate. Because the parties cannot know which routing alternatives are even eligible for selection by the CPUC until after the final EIR is released, PG&E believes it would be prudent to conduct any evidentiary hearings after the EIR is certified. Release of the final EIR is also a prerequisite to the effective consideration through evidentiary hearings of cost issues, as the choice of route, method of construction, and required mitigation measures – none of which can be known until after the EIR is released – can dramatically affect the overall cost of the Project.

| Date | Action Item |
|---|---|
| February 5, 2004 | Proposed date for parties to CPCN proceeding to file replies to comments on CPUC's proposed decision on CPCN Application. |
| February 19, 2004 | Proposed date for CPUC's final decision on the Application for CPCN. |
| February 19, 2004 | Last date for CPUC's final decision on the Application for CPCN if PG&E to meet construction schedule. |
| June 28, 2004 (180 days after certification of EIR) | Statutory deadline for CPUC's final decision on the Application for CPCN (assumed EIR not certified until December 30, 2003). (Government Code § 65950). |
| **CONSTRUCTION** | |
| February 19, 2004 | Proposed deadline for CPUC to issue CPCN. |
| April 8, 2004 | PG&E starts construction of foundations within the Overhead Rebuild Portion. |
| July 5, 2004 | PG&E starts duct bank construction within the Underground Portion. |
| September 2, 2004 | PG&E starts construction of towers within the Overhead Rebuild Portion. |
| September 29, 2004 | PG&E starts construction of fiber optic cable in the Overhead Rebuild Portion. |
| November 12, 2004 | PG&E starts construction of fiber optic cable in the Underground Portion. |
| May 3, 2005 | PG&E completes construction in the Overhead Rebuild Portion. |
| August 4, 2005 | PG&E completes construction in the Underground Portion, and begins inspections and testing. |
| September 1, 2005 | Inspections and testing complete. |

| Date | Action Item |
|---|---|
| **COMMENCEMENT** | |
| September 1, 2005 | Energize substations and transmission lines. |

## VI. Acquisition of Land Rights

Pursuant to GO 131-D, Section IX(A)(1)(f), this section provides a schedule showing the program of right-of-way acquisition. PG&E currently has access rights over a significant portion of the right-of-way required to construct the Proposed Project.[6] (PEA § 2.3.2.4; 2.3.3.4). For the property or rights-of-way yet to be acquired, the land acquisition schedule will be compatible with the overall Project schedule requirements outlined in Section V, *supra*, and will comply with all applicable laws and regulations. Should PG&E be unable to acquire any sites or easements necessary to construct the Project through negotiation, it will be ready to commence eminent domain proceedings to acquire the necessary land rights after the CPUC has issued the final decision approving the CPCN.

The acquisition schedule for land rights required to construct the Project is as follows:

**Table 2**

| Date | Action Item |
|---|---|
| January 9, 2004 | Proposed date for CPUC to issue proposed decision on CPCN Application. |
| January 9, 2004 | PG&E begins negotiation with landowners along CPUC-Selected Route identified in proposed decision. |
| February 19, 2004 | Proposed deadline for CPUC to issue CPCN. |

[6] PG&E will need to widen its existing easements through the SFPUC Watershed lands to meet CPUC General Order 95 safety standards.

| Date | Action Item |
|---|---|
| February 19, 2004 | PG&E makes final offers to landowners along final CPUC Selected Route |
| March 5, 2004 | PG&E files for eminent domain with superior court requesting order(s) of possession (if necessary). |
| April 4, 2004 | Superior court issues order(s) of possession. |
| April 4, 2004 | PG&E releases properties to construction. |

## VII. Government Agencies Consulted

Pursuant to GO 131-D, Section IX(A)(1)(g), this section provides a list of the governmental agencies with which PG&E undertook route reviews. (See also PEA Appendix A-4). The agencies with which PG&E undertook proposed route reviews are as follows:

- City of Brisbane
- City of Burlingame Planning Department
- City of Millbrae Community Development Department
- Town of Colma
- City of Daly City
- Town of Hillsborough
- City of San Bruno
- City of San Mateo
- City of South San Francisco

- San Francisco Bay Area Rapid Transit District
- San Francisco Public Utilities Commission—Water Supply and Treatment Division
- San Mateo County Department of Parks and Recreation
- California Department of Transportation
- Native American Heritage Commission
- United States National Park Service—Golden Gate National Recreation Area

PG&E has requested a brief position statement from each of the above-listed agencies. Copies of PG&E's letters to these agencies requesting position statements are attached hereto as Exhibit C.

Some agencies did not respond to PG&E's solicitation of position statements pursuant to GO 131-D, Section IX(A)(1)(g). Other agencies responded with written comments or position statements to PG&E. In the absence of correspondence, PGE has included a statement of its understanding of the position of such agencies where possible based on our consultations. These agency position statements are summarized in the table below, with copies of written position statements attached in full in Exhibit D.

| **Agency** | **Date of Written Statement** | **Summary of Position** |
|---|---|---|
| Native American Heritage Commission | NA | The Native American Heritage Commission recommended that PG&E contact five Native American individuals/organizations that may be able to provide relevant information on the Project Area. PG&E provided the identified individuals/organizations with information on the Project and requested their input. |

| Agency | Date of Written Statement | Summary of Position |
|---|---|---|
| Bay Area Rapid Transit District (BART) | NA | BART assisted PG&E in confirming the feasibility of installing the proposed line in its right-of-way ("ROW"). BART supports PG&E's proposal to install the line in the BART ROW. |
| State of California Department of Transportation, District 4 ("CalTrans") | NA | CalTrans informed PG&E that the proposed transition station site is currently classified as "surplus," with no current plans for development by CalTrans, and is therefore available for purchase. While CalTrans policy reportedly requires that CalTrans offer the land for sale first to public agencies before it may be publicly auctioned, this would not likely affect PG&E's ability to obtain possession of this parcel under the Eminent Domain Law. |
| Town of Colma | September 19, 2002 | The Town's Engineering and City Planning Staffs find PG&E's proposed route to be acceptable. The Town is planning to underground some existing overhead utility lines along Hillsdale Blvd. in 2004-06 and requests that PG&E coordinate with the Town on these projects. (See Exhibit D-1.) |
| U.S. National Park Service | NA | The U.S. National Park Service, Golden Gate National Recreation Area, suggested that, as part of its environmental evaluation of the Proposed Project, PG&E should perform visual evaluations from the San Francisco Bay Discovery Site at Sweeney Ridge and from the Phleger Estate (assuming the new line would be visible from that location, which is some distance away from the Proposed Route). |

| Agency | Date of Written Statement | Summary of Position |
|---|---|---|
| | | PG&E included in its PEA a visual simulation illustrating the view from the San Francisco Bay Discovery Site. Because a field visit verified that the existing line was not visible from the trails at the Phleger Estate, PG&E did not prepare a visual simulation from that location. |
| San Francisco Public Utilities Commission ("SFPUC") | September 23, 2002 | "The SFPUC looks forward to reviewing a more detailed proposal through the review process of the [CPUC]." (See Exhibit D-2.) |
| City and County of San Francisco ("CCSF") | NA | CCSF has repeatedly stated its support for the ISO–approved Jefferson-Martin Project, and its desire that the CPUC expedite these proceedings to the maximum extent possible consistent with CEQA and public participation requirements. |
| City of South San Francisco | NA | The City of South San Francisco suggested that PG&E consider using the planned McLellan Drive extension as the site for a portion of the proposed underground line, but also expressed a desire that PG&E's construction activities not disturb newly-installed pavement along this alignment. PG&E accepted the City's recommendation and has included the McLellan Drive alignment as part of its Proposed Project. Moreover, PG&E plans to install the underground line in this segment in the unpaved median strip to minimize impacts to the City's extension project. |
| County of San Mateo | NA | Representatives of the County of San Mateo's Parks and Recreation Division asked PG&E to consider relocating the existing Jefferson- |

| Agency | Date of Written Statement | Summary of Position |
|---|---|---|
| | | Martin 60 kV transmission line as part of the proposed Jefferson-Martin 230 kV project. PG&E evaluated this request, but concluded that the Division's proposal to relocate an existing line into a new corridor would create a new set of potentially significant impacts, and would be environmentally and economically inferior to alternatives, such as PG&E's Proposed Project, that utilize already-disturbed areas. Moreover, PG&E concluded that it is without authority to commit ratepayer funds to relocate an existing line where not otherwise required to accommodate a new project. |
| City of San Mateo | September 24, 2002 | The City identified the issues it is most concerned about with respect to the proposed modifications at San Mateo Substation as follows: construction–related impacts, aesthetics, biological resources, geology and soils, hazards and hazardous materials, hydrology and water quality, and "consistency with San Mateo's recently adopted Shoreline Parks Master Plan." Though the City did the same with respect to any portions of the underground transmission line route that would be located within the City of San Mateo, none of the line alternatives are, in fact, located within the City. |

## VIII. Potential Exposure to Electric and Magnetic Fields

Pursuant to GO 131-D, Section X(A), this section provides information regarding the measures taken or proposed by PG&E to reduce the potential for exposure to electric and magnetic fields ("EMF") generated by the Project.

The CPUC and the California Department of Health Services have not concluded that exposure to magnetic fields from utility electric facilities is a potential health hazard. Nonetheless, in accordance with CPUC Decision 93-11-013, PG&E will incorporate "no cost" and "low cost" magnetic field reduction steps into the Project's transmission, and, if appropriate, substation facilities. Measures included in the Project to reduce potential exposure to magnetic fields generated by the Project will be consistent with PG&E's Transmission Line and Substation EMF Design Guidelines. These Guidelines are attached as Exhibit E.

Appendix F of the PEA further discusses the process by which PG&E will develop "no cost" and "low cost" magnetic field reduction measures for the Project. Additionally, PG&E has developed a Preliminary Transmission EMF Management Plan for the Proposed Project, which is attached as Exhibit F. This preliminary plan may change based on the CPUC's selection of route for the Project, and/or when further engineering and design work is completed.

## IX. Competing Utilities

Pursuant to CPUC Rule 18(b) this section addresses utilities with which the proposed construction is likely to compete. The cities and counties within which service will be rendered in the exercise of the requested certificate include: the cities of Brisbane, Burlingame, Colma, Daly City, Millbrae, San Bruno, San Francisco and South San Francisco, and the counties of San Mateo and San Francisco. PG&E is the only utility in the service area to

provide electrical transmission distribution service. Thus there are no competing utilities in the Proposed Project area.

## X. Required Permits

Pursuant to CPUC Rule 18(d), this section identifies the franchises and such health and safety permits as the appropriate public authorities have required or may require for the Proposed Project. No new franchise rights are required for the Proposed Project. Section 2.7 and Table 2.10 of the PEA include a list of the permits that PG&E must obtain for the Proposed Project from federal, state and local agencies, and the jurisdiction of the agency and purpose of the permit.

## XI. Estimated Cost of Construction and Annual Cost of Operation

Pursuant to GO 131-D, Section IX(A)(1)(d) and CPUC Rule 18(f), this section provides a detailed statement of the estimated cost of the proposed facilities. For the Proposed Project, PG&E currently estimates that the total construction cost of the Proposed Project will be approximately $180,773,665. The costs of the major components of the Proposed Project are set forth below. A detailed cost estimate, exclusive of costs associated with EMF reduction measures, is attached hereto as Exhibit B.[7]

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[7] On April 4, 2002, PG&E provided a detailed cost estimate for "Alternative Two," now the Proposed Project, to the ISO and also filed it with the CPUC in Investigation No. 00-11-001 (along with cost estimates for five other alternative routes). Since submission of those cost estimates to the ISO, further design studies and review resulted in the following revisions to the April 2002 cost estimate for Alternative 2: (1) as further design and engineering information allowed a determination that shunt reactors are not needed for the Proposed Project, the cost to install two shunt reactors ($9,015,270) has been removed; (2) the cost of purchasing a BART easement has been reduced by $500,000 to reflect the shorter-than-expected distance of the BART easement required for the Proposed Project; (3) inclusion of certain costs of installing the required series reactor at the San Mateo substation not previously included; (4) a change in PG&E internal labor rates, which fluctuate each quarter and may be higher or lower, depending upon category of worker, as of the time of construction; (5) costs of painting/finishing certain towers and strategically planting trees and shrubs as visual mitigation measures have been added, consistent with the recommendations made in the September 2002 PEA for the Proposed Project; and (6) amounts reflecting 4% of the estimated transmission line project costs and 4% of the estimated substation project costs have been added pursuant to CPUC Decision 93-11-013, PG&E's Transmission Line EMF Design

PG&E estimates that construction costs for the Proposed Project will be as follows:

| Work Elements | Estimated Cost |
|---|---|
| **Overhead 230kV Transmission Line** | **$24,148,118** |
| **Underground 230kV Transmission Line** | **$78,302,773** |
| **PG&E Internal Services** | **$4,997,853** |
| **Substations Modifications** | **$33,262,820** |
| **Transition Station (other than land)** | **$1,698,296** |
| **Alternate Fiber Optic Route (line protection)** | **$3,049,213** |
| **Land Acquisition** | **$24,582,529** |
| **Permitting** | **$3,779,230** |
| **TOTAL CONSTRUCTION COSTS** | **$173,820,832** |
| **Budget for Transmission Line EMF Reduction Measures[8]** | **$5,546,736** |
| **Budget for Substation EMF Reduction Measures[9]** | **$1,406,097** |
| **TOTAL PROJECT COSTS** | **$180,773,665** |

PG&E estimates that annual operation and maintenance costs for the Proposed Project will be as follows:

| Work Elements | Estimated Cost |
|---|---|
| **Transmission Line** | **$347,575** |
| **Substations Modifications** | **$70,765** |
| **TOTAL OPERATION AND MAINTENANCE COSTS** | **$418,340** |

Guidelines, and PG&E's Substation EMF Design Guidelines to budget for "no cost" and "low cost" EMF reduction measures to be determined in consultation with the CPUC Energy Division when routing and engineering are completed. The cost estimate attached as Exhibit B reflects these changes exclusive of costs budgeted for EMF reduction measures.

[8] PG&E has budgeted transmission line EMF reduction measures at 4% of the Proposed Project transmission line cost consistent with CPUC Decision 93-11-013 and PG&E's Transmission Line EMF Design Guidelines. PG&E's Preliminary Transmission EMF Management Plan for the Proposed Project is attached as Exhibit F. Because the EMF reduction measures that ultimately will be implemented for the transmission line, consistent with CPUC Decision 93-11-013 and PG&E's Transmission Line EMF Design Guidelines, may change depending on the CPUC's choice of route and/or as further design and engineering information is available, PG&E has budgeted the full 4% benchmark amount.

[9] PG&E has budgeted substation EMF reduction measures at 4% of the Proposed Project substations cost consistent with CPUC Decision 93-11-013 and PG&E's Substation EMF Design Guidelines. Because the EMF reduction measures that ultimately may be implemented for the substations, consistent with CPUC Decision 93-11-013 and PG&E's Substation EMF Design Guidelines, will be determined as further design and engineering information is available, PG&E has budgeted the full 4% benchmark amount.

## XII. PG&E Financial Ability

Pursuant to CPUC Rule 18(g), this section addresses the financial ability of the Applicant to render the proposed services, and the manner in which PG&E proposes to finance the Project. PG&E will own 100 percent of the assets that will comprise the Project. Those assets will be added to PG&E's utility rate base. PG&E intends to finance the Project cost of approximately $180 million with the same proportions of debt and equity with which all other rate base assets are financed: 46.2 percent long-term debt, 5.8 percent preferred stock, and 48.0 percent common stock.

PG&E anticipates that funds to finance the Project will be primarily derived from cash generated by PG&E's operations and, to the extent necessary, from external sources of funds. External sources of funds would come from the issuance of some combination of debt and equity securities.

PG&E's ability to fund the Project is demonstrated through PG&E's financial statements contained in PG&E Corporation's Quarterly Report on Form 10-Q filed August 1, 2002 for the period ending June 30, 2002, attached hereto as Exhibit G. As shown therein, PG&E generated approximately $5.2 billion from operating activities for the six months ended June 30, 2002. PG&E believes that its utility operations will continue to generate substantial cash with which to fund its construction activities.

## XIII. Proposed Rates For The Project

Pursuant to CPUC Rule 18(h), this section addresses the proposed rates to be charged for service to be rendered by means of the Project. Under traditional ratemaking, the costs of the Project would have been included in PG&E's Electric Department Rate Base upon completion and recovered through CPUC-authorized electric rates. As a result of electric

industry restructuring in California, however, beginning in 1998, PG&E's electric rates have been unbundled into separate cost categories for generation, transmission, distribution, and public purpose program functions. Components for other non-bypassable charges are also included in electric rates. Electric transmission rates are regulated by FERC, while distribution rates are regulated by the CPUC.

One hundred percent of the Jefferson-Martin Project's total costs are for transmission-related services. PG&E will seek to recover the costs of the Project through FERC-jurisdictional transmission rates. This would occur as part of the FERC Transmission Owner rate case covering the period in which the Project will become operative. As this Commission has acknowledged, the amount of transmission project costs to be recovered through transmission rates is within the exclusive jurisdiction of FERC. Accordingly, ratemaking issues are beyond the scope of this Application.

## XIV. Project Maps

Chapters 2, 3, 5, 6, 9, 10 and 12 of the PEA contain detailed maps identifying various aspects of the Project. Specifically, those maps are:

| | |
|---|---|
| Figure 2-1 | Regional Project Location |
| Figure 2-2 | Existing Transmission System Within Vicinity of Project Area |
| Figure 2-6 | Proposed Transmission Line Route, Proposed Transition Station Location, and Existing Substations with Proposed Modifications |
| Figure 2-14 | Transition Station |
| Figure 2-15 | Jefferson Substation Proposed Modifications |
| Figure 2-16 | Martin Substation Proposed Modifications |
| Figure 3-1 | Proposed and Alternative Routes |
| Figure 5-1 | General Plan Land Use Designations for Segment 1 |

## XV. Application Exhibits

The following Exhibits are attached to this Application:

A. California ISO Board of Governors Meeting General Session Minutes, April 25, 2002

B. Decision Quality Cost Estimate, Jefferson Substation to Martin Substation, Alternative Two—Overhead and Underground 230 kV Line Using the BART-SFO Right of Way, Option 1; September 26, 2002

C. Letters from PG&E seeking position statements from interested agencies

D. Letters from interested agencies in response to letters from PG&E seeking position statements:

   1. Letter dated September 19, 2002, from the Town of Colma
   2. Letter dated September 24, 2002, from the City of San Mateo
   3. Letter dated September 23, 2002, from the San Francisco Public Utilities Commission – Water Supply and Treatment Division

E. PG&E Transmission Line and Substation EMF Design Guidelines

F. Preliminary Transmission EMF Management Plan for Jefferson-Martin 230 kV Transmission Project

G. A copy of PG&E's most recent financial statements, contained in PG&E Corporation's Quarterly Report on Form 10-Q filed August 1, 2002 for the period ending June 30, 2002

H. A certified copy of PG&E's most recent Articles of Incorporation, as filed with the California Secretary of State, dated September 24, 2002

I. A copy of PG&E Corporation's most recent Proxy Statement, dated March 13, 2002

## XVI. The Applicant

Since October 10, 1905, PG&E has been an operating public utility corporation, organized under the laws of the State of California. PG&E is engaged principally in the business of providing gas and electric service in California. PG&E's principal place of business is 77 Beale Street, San Francisco, California, 94106.

A certified copy of PG&E's most recent Articles of Incorporation dated September 24, 2002, is included in this Application as Exhibit H.

A copy of PG&E Corporation's most recent proxy statement, dated March 13, 2002, is included in this Application as Exhibit I.[10]

Communications with regard to this Application should be addressed to:

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[10] PG&E Corporation is the parent company of PG&E. Pursuant to CPUC Rule 18(i), because PG&E Corporation is listed on a national exchange, its proxy statement is required to be filed with the Application.

## XVII. Categorization of Proceedings

Pursuant to CPUC Rules 6 and 6.1(c), the Application must contain a statement concerning into which of several categories defined in CPUC Rule 5 the Application fit. If none of the enumerated categories are applicable, proceedings will be categorized under the catchall (Ratesetting) category. (CPUC Rule 6.1(c)). The Commission has consistently found that applications for CPCNs and Permits to Construct under GO 131-D do not fit within any of the enumerated categories and should therefore be considered as "ratesetting proceedings." Thus, even though transmission rates are set by FERC and are therefore beyond the scope of this proceeding, the Ratesetting rules apply to this Application.

## XVIII. Conclusion

WHEREFORE, Pacific Gas and Electric Company respectfully requests that the CPUC:

1. Issue a Decision and Order, as provided by Section 1001, et seq., of the California Public Utilities Code and all applicable Rules and Orders of the Commission, granting PG&E a Certificate of Public Convenience and Necessity and any other permission and authority necessary to construct the Proposed Project.

2. Determine that the public convenience and necessity does now, and will in the future, require the Proposed Project.

3. Grant such other and further relief as the CPUC finds just and reasonable.

Dated this 30th day of September, 2002.

Respectfully submitted,

PACIFIC GAS AND ELECTRIC COMPANY

By: _____
David T. Kraska (415) 973-7503

LATHAM & WATKINS

By: _____
J. Wesley Skow (415) 391-0600

**VERIFICATION**
(CPUC Rule of Practice and Procedure 6)

I, Linda Chinn, am an officer of the applicant corporation herein, and am authorized to make this verification on its behalf. The statements in the foregoing document are true to my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct. Executed on the 27th day of September, 2002 at San Francisco, California.

Linda Chinn
Vice President, General Services

## SCOPING MEMO INFORMATION FOR (NEW) APPLICATIONS (CPUC Rule 6.1)

### A. Proposed Category

See Section XVIII of the Application.

### B. Need for Hearing

It may be possible to resolve all issues to be considered during the CEQA process, without the need for evidentiary hearings. PG&E recommends that CEQA public participation hearings be held.

### C. Issues to be Considered

1. Did the ISO Board of Governors approve the Jefferson-Martin Project for addition to the ISO-controlled grid, thereby establishing the need for this Project?

2. If so, which of the available routing alternatives that meet PG&E's basic project objectives best serves public convenience and necessity, taking into account the factors listed in Pub. Util. Code § 1002, and the cost of the various routing alternatives?

### D. Proposed Schedule

See Section V, Table 1.