

1. Introduction

The Pacific Forest and Watershed Lands Stewardship Council (Stewardship Council) brings together the expertise of leading conservation, natural resource management, business, and public officials to undertake a historic land stewardship effort for California. A private, nonprofit foundation established in 2004 as part of a legal Settlement Agreement, the Stewardship Council Board of Directors includes appointees from State and Federal agencies, water districts, Native American and rural interests, forest and farm industry groups, conservation organizations, the California Public Utilities Commission (CPUC), and Pacific Gas and Electric Company (PG&E). The Council is working to preserve and enhance, in perpetuity, more than 140,000 acres of Watershed Lands currently owned by PG&E.

The Stewardship Council prepared the Land Conservation Plan (LCP) to set the framework for the preservation and enhancement of the Watershed Lands, and to ensure the permanent protection of these lands for the benefit of current and future generations of Californians. Located primarily in the Sierra Nevada and Cascade Mountain range watersheds, the lands contain some of the most stunning and resource-rich landscapes found in the state. The properties are diverse and geographically remote, located in 22 counties from the far northern reaches of the state to the southern end of the Central Valley.

For purposes of developing and implementing the LCP, the Stewardship Council organized the properties into 11 watersheds and 47 separate planning units (Figure 1-1). Approximately half of the lands are generally associated with PG&E hydroelectric facilities and operations under licenses granted by the Federal Energy Regulatory Commission (FERC).

As further described in this chapter, the Stewardship Council prepared the LCP as a three volume series:

- **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.
- **Volume II: Planning Unit Concepts** documents existing conditions and presents management objectives, potential measures, and conceptual plans to preserve and/or enhance the beneficial public values (BPVs) within each watershed and planning unit.
- **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.

1.1 CPUC Bankruptcy Decision – Settlement Agreement and Stipulation

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 entities or non-profit organizations for the benefit of the public. The Stipulation, a supplementary document to the Proposed Settlement Agreement, was created in September 2003 to clarify outstanding issues stakeholders had with the original Land Conservation Commitment as described in the Proposed Settlement Agreement.



Figure 1-1 Distribution and Location of the Watershed Lands and Carrizo Plain

In December of 2003, the CPUC issued a final order that modified and clarified the Proposed Settlement Agreement offered by PG&E, its parent company PG&E Corporation, and CPUC staff. This final order (Settlement Agreement) required that PG&E commit to preserving and/or enhancing approximately 140,000 acres of Watershed Lands associated with its hydroelectric system, plus the 655-acre Carrizo Plain in San Luis Obispo County, by adhering to the Land Conservation Commitment as specified in both the Settlement Agreement and Stipulation. The relevant excerpt from the Settlement Agreement and the complete text of the Stipulation are included as Appendix 1 and 2 of this LCP, respectively.

1.2 Pacific Forest and Watershed Lands Stewardship Council

In accordance with the Settlement Agreement and the Stipulation, PG&E established the Environmental Enhancement Corporation (later named the Pacific Forest and Watershed Lands Stewardship Council [Stewardship Council]). A California non-profit public benefit corporation (501c3), the Stewardship Council is the private foundation that oversees the Land Conservation Commitment and carries out environmental enhancement activities. To cover administrative expenses and the cost of environmental enhancements to the Watershed Lands, PG&E committed to fund the Stewardship Council with \$70 million to be paid in equal installments over ten years starting in 2004.

1.2.1 Youth Investment Program

While not the subject of the LCP, the Stewardship Council also administers a Youth Investment Program. The program serves to enhance urban parks and recreation areas, provide outdoor education and recreation opportunities for underserved youth, and improve the cultural relevance of outdoor and park programs to better serve and reflect the diverse youth of California. PG&E funds this program with an additional \$30 million commitment, also paid in equal installments over ten years, beginning in 2004.

Where possible, the Stewardship Council intends to pursue opportunities to connect and integrate the land conservation and youth investment programs, including such opportunities as youth engagement in restoration and stewardship projects, management of youth camps on the Watershed Lands, and other innovative approaches that simultaneously satisfy both the land conservation and youth investment mandates. The goals of the Youth Investment Program are described in Appendix 3.

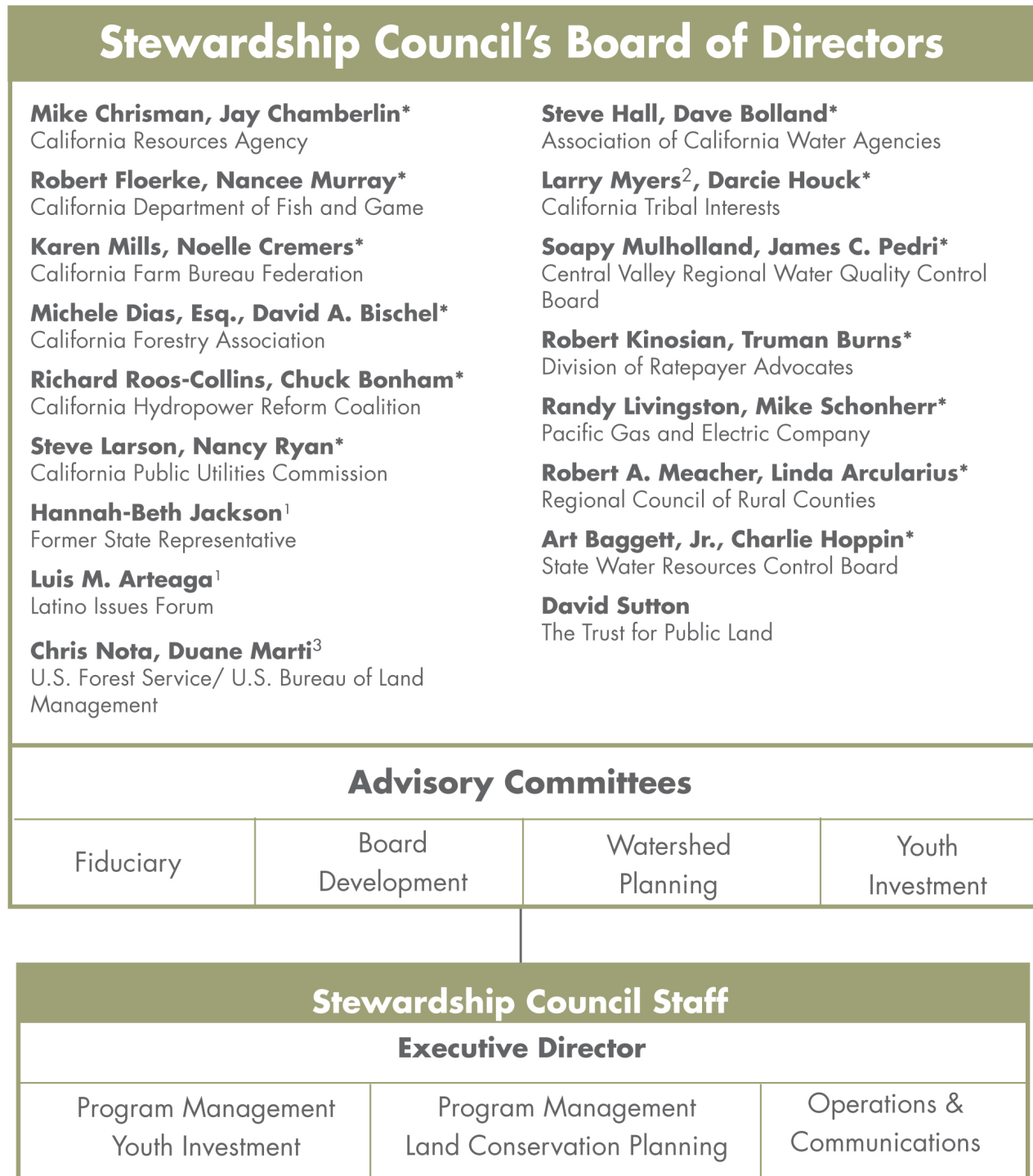
1.2.2 Board of Directors

The Stewardship Council is staffed by ten professionals and governed by a 17-seat Board of Directors (Board). The Board of the Stewardship Council first met in 2004 to establish the corporation, set up organizational procedures, and begin the task of carrying out the requirements of the Settlement Agreement and Stipulation. The Board meets five to six times a year, and all meetings are open to the public. Figure 1-2 provides a current organization chart of the Board, committees, and staff. Figure 1-3 illustrates appointing constituencies of the Board members, as dictated in the Settlement Agreement and Stipulation.

As required by the Settlement Agreement, the Stewardship Council Board of Directors “will consist of one representative each from PG&E, the Commission [CPUC], the California Department of Fish and Game, the State Water Resources Control Board, the California Farm Bureau Federation, and three public members to be named by the Commission.”

The Stipulation amended the list of the eight original Board members listed in the Settlement Agreement to include one representative each from the following organizations:

California Resources Agency,
Central Valley Regional Water Quality Control Board,
Association of California Water Agencies,
Regional Council of Rural Counties,
California Hydropower Reform Coalition,



*Denotes Alternate Board Member

¹ Denotes California Public Utilities Commission Public Appointee

² Denotes Stewardship Council Board of Directors Appointee

³ The U.S. Forest Service and Bureau of Land Management share a non-voting seat

Figure 1-2 Stewardship Council Organization Chart

Trust for Public Land,
Office of Ratepayer Advocates, and
California Forestry Association.

The U.S. Department of Agriculture-Forest Service (USFS) and the U.S. Department of Interior-Bureau of Land Management (BLM) were each given the authority to designate a liaison (one shared seat) to participate in an advisory and non-voting capacity. Additionally, an amendment to the Stewardship Council bylaws in December of 2004 expanded the seats on the Board from 16 to 17 to include a director and alternate appointed by the Board to represent the interests of Native American entities. Appendix 4 provides an overview of the various entities on the Stewardship Council Board of Directors.

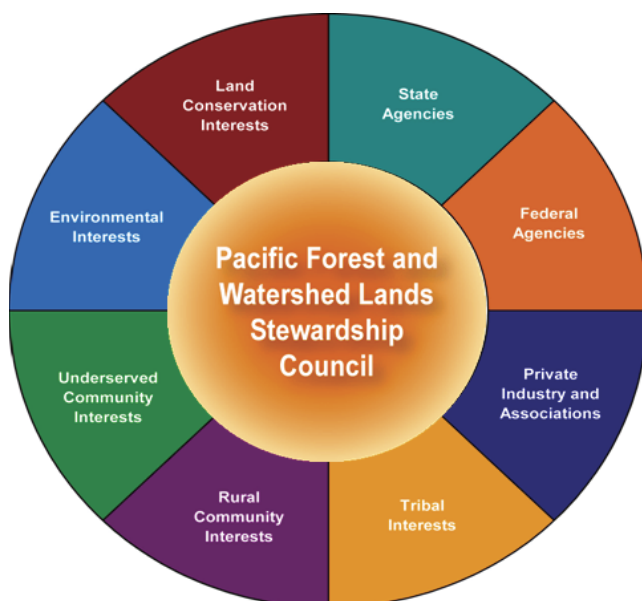


Figure 1-3 Appointing Constituencies of the Board Members as Dictated in the Settlement Agreement and Stipulation

1.2.3 Mission and Core Values

In its first full year of operation, early in 2005, the Stewardship Council Board adopted the Mission Statement and Core Values presented below. This Mission guides the long-term direction of the foundation; the Core Values provide a framework for decision-making in the organization's business practices, as well as all aspects of both the land conservation and youth investment programs.

Mission: The Stewardship Council protects and enhances Watershed Lands and uses, and invests in efforts to improve the lives of young Californians through connections with the outdoors.

Core Values:

Collaboration: We value diversity and believe that greater outcomes are achieved by working together toward cooperative solutions. We strive for and nurture productive relationships with a diversity of communities and stakeholders, and will build alliances and encourage partnerships with people and organizations across the California landscape. We value the input of the public as part of our collaborative effort and will encourage community dialogue as part of our work.

Stewardship: We exist to protect and enhance the beneficial values and uses of the Watershed Lands and to improve the lives of young Californians through connections to the outdoors. We are bound individually and collectively by the obligation to be good stewards for both land conservation and youth investments, and we will ensure that every action we take and commitment we make clearly serve this purpose.

Discovery: We will encourage and welcome an atmosphere of learning, discovery, and innovation. We will be flexible and demand a culture that focuses on how something can be accomplished, rather than focusing on why it cannot. We will seek collaborative and innovative solutions to conventional challenges, and we will not shy away from untested approaches we believe offer promising solutions.

Sustainability: We will make sustainable contributions to California, and provide a legacy of land conservation and youth enrichment that will live beyond the Stewardship Council. Our actions and decision-making will include a clear

recognition of long-term stewardship to ensure the benefits of our work are shared by Californians for generations to come.

Leadership: We will strive to be leaders in the California and national environmental and philanthropic communities, and contribute to the further development and education of ourselves and others. We personally commit to and will hold one another accountable to conduct our work in a thoughtful, creative, and comprehensive manner. We will be sincere, honest, non-discriminatory, and forthcoming in all of our actions, and practice the highest standards of professional integrity in all of our work.

1.2.4 Stewardship Council Roles and Responsibilities

The goal of the Stewardship Council Land Conservation Program is to preserve and/or enhance the existing environmental and economic benefits of the Watershed Lands on an overall basis. As described in the Settlement Agreement, there are six defined BPVs that form the foundation of this effort. As illustrated in Figure 1-4, these BPVs are: (1) protection of the natural habitat of fish, wildlife and plants; (2) preservation of open space; (3) outdoor recreation by the general public; (4) sustainable forestry; (5) agricultural uses; and (6) historic values.

To facilitate the work of the Stewardship Council Board, the Stewardship Council formed a number of advisory committees (Figure 1-2). The Watershed Planning Committee (Planning Committee) was created “to oversee study processes and make recommendations to the Board regarding the planning and implementation of the LCP.”¹ Planning Committee members provide input and guidance to the staff, and bring perspective and expertise to the planning process and discussion via policy-level guidance, support, and technical expertise. The Planning Committee is advisory in nature and does not have independent decision-making authority unless specifically authorized by the Board.

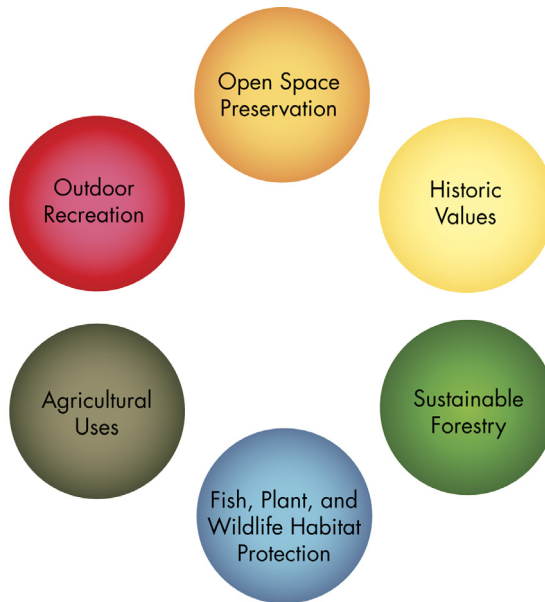


Figure 1-4 Stewardship Council Beneficial Public Values

1.2.5 Consensus Decision Making

The Stipulation requires the Stewardship Council Board to make each decision by consensus. Specifically, the Stewardship Council’s bylaws define consensus as “any action taken by affirmation or unanimous written consent for which no Dispute Notice has been filed.” The Board considers each action based on the question “Can you live with this?” In the absence of any objection at the time or the timely filing of a dispute notice, the Board adopts an action.

Any director can dispute a potential decision or recommendation (a “dispute notice”); however, each director is expected to make best efforts to reach agreement, and to offer specific and reasonable alternatives with the intention of resolving disagreements where they occur. In practice, the Board operates in a spirit of cooperation, and remains committed to the Core Values of collaboration and stewardship for the people of California. If, however, a dispute cannot be resolved by the Board, procedures are in place to proceed with a dispute resolution process per the Stewardship Council bylaws.

1.3 Outline and Approach of the Land Conservation Plan (LCP)

The land conservation planning work of the Stewardship Council presents a tremendous opportunity to preserve and/or enhance important natural resources, recreation areas, and working landscapes for the people of California. However, it is a challenging undertaking due to the broad and remote geographic scope of the Watershed Lands, the diversity of resources and land use, and the numerous stakeholders interested and involved in the planning process. To address this complexity, and to ensure significant levels of local engagement by and empowerment of a wide range of stakeholders and interested members of the public, the Stewardship Council made a clear and strategic decision to take a phased approach to development and implementation of the LCP. This phased approach is intended to ensure the maximum level of participation from the community and the organizations who may at some point be the future stewards of these lands.

The Stewardship Council elected to organize the LCP by watershed in a series of three volumes, as illustrated in Figure 1-5. Volumes I and II establish the framework for the plan and address the requirements of the Settlement Agreement and Stipulation in terms of management objectives, potential measures, and conceptual plans. This is necessary given the many specific issues that will need to be addressed at the parcel level in close coordination with PG&E, FERC, other agencies, stakeholders and donee organizations. Volume III will focus on this parcel level analysis and encompass a number of distinct disposition packages, which the Stewardship Council will develop over time as donations of property and/or conservation easements are recommended by the Stewardship Council Board to PG&E. These recommendations will be implemented by PG&E, as approved by the CPUC, FERC, and any other relevant regulatory agencies (see Chapter 6 for a complete discussion of the regulatory approval process).

The three volumes of the LCP, in total, represent the Stewardship Council's recommendations for future land conservation, and are intended

to support future regulatory approvals (for land transactions/encumbrances) consistent with these recommendations.

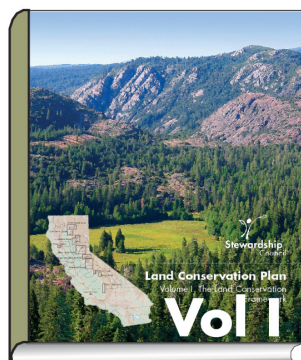
Volume I: The Land Conservation Framework

Volume I contains a general introduction to the Stewardship Council, the land conservation planning process and methodology, the major elements and analysis required under the Settlement Agreement and Stipulation, public outreach efforts, and next steps for the land conservation planning and disposition process that will be addressed in Volumes II and III. Volume I describes in detail the very specific elements required by the Stipulation, Section 12(a), to be included in the LCP. While several of the 12(a) items are directly addressed in Volume I, in a number of cases references are made to Volumes II or III for additional information and/or to fully satisfy the requirements of Section 12(a) (see Table 1-1). Chapter 2 provides a full discussion and review of how each 12(a) item is addressed in the volumes of the LCP.

Volume II: Planning Unit Concepts

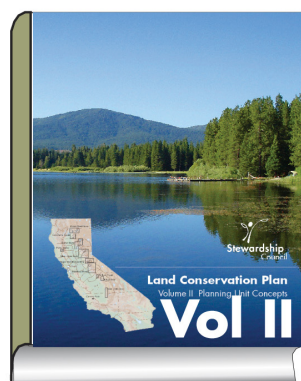
The purpose of Volume II is to present management objectives, potential measures, and conceptual plans to preserve and/or enhance the BPVs within each of the 47 watershed planning units. For each planning unit, the Stewardship Council has identified an overall management objective, as well as objectives to preserve and/or enhance specific BPVs relevant to the planning unit. Volume II also identifies a number of preservation and/or enhancement measures that may contribute to the conservation management program for each planning unit. These measures are intended to be illustrative in nature, not prescriptive, and will be amended, deleted, or augmented over time in coordination with future land owners and managers to best meet the objective for each planning unit.

Volume II includes supporting analytical text for each planning unit. It also includes a geographic depiction of each planning unit concept, and



Volume I The Land Conservation Framework

Overall discussion & approach to addressing required elements of the Settlement and Stipulation



Volume II Planning Unit Concepts

Stewardship Council Recommendations
Supporting Analysis for
Recommendations

Recommended concepts for 47 planning units, including background reports, existing conditions, and description of objectives and recommended measures to preserve & enhance the beneficial public values



Volume III Disposition Packages

Disposition recommendations by parcel(s), including completion of all Stipulation 12(a) items (i.e., conservation easements and/or fee title transfers, funding, management, stewardship, and monitoring)

Figure 1-5 Land Conservation Plan Structure

illustrates the location of lands where PG&E anticipates retaining fee title and those anticipated by PG&E to be available for disposition to qualified donees (see Appendix 5 of Volume I for a list of specific legal parcels).

It is important to reiterate that the Stewardship Council's objectives to preserve and/or enhance the BPVs in each planning unit will guide future land conservation plans and real estate transactions for specific parcels (Volume III). The potential measures to preserve and/or enhance BPVs listed for each planning unit are recommended examples of measures that would contribute to these objectives. However, stakeholder input and coordination with future land stewards (donee organizations) will precede implementation of the Stewardship Council's recommendations, and the disposition packages created for Volume III will fully describe the actual preservation and/or enhancement measures to be undertaken or overseen by future land stewards.

Volume III: Disposition Packages

The Stewardship Council anticipates that the specific donation of fee and easement interests in the Watershed Lands will occur between 2008 and 2013, and will be tailored to the specific measures recommended for each parcel (or parcels), or planning area. This work, by its nature, can only be completed after collaboration and coordination with stakeholders, and non-profit organizations and public entities interested in receiving fee simple or conservation easements. The Stewardship Council will work with PG&E, the CPUC, the FERC, and other parties to make every effort to complete land transactions for the more than 140,000 acres by 2013. There ultimately may be dozens of individual disposition packages facilitated and recommended for implementation by the Stewardship Council Board; all of these real estate transaction packages will encompass "Volume III" of the LCP.

The number of legal land parcel(s) contained in each disposition package will be contingent on a number of factors, including geography, common donees, land use, or other considerations. Once adopted for recommendation by the Stewardship

Council, these disposition packages will serve as the basis for PG&E's applications to the CPUC, the FERC, and other relevant regulatory agencies for approval of the specific real estate transactions.

Each disposition package will propose the conveyance of a conservation easement, or fee title plus a conservation easement, or some other legal mechanism, for a specific set of parcels. These materials will fully satisfy any remaining requirements of Section 12(a) of the Stipulation, including any parcel-specific requirements. Specifically, each disposition package will identify recommendations for physical enhancements, the identity and qualifications of donees, language for proposed transactional documents (e.g., conveyance agreements, conservation easements, management agreements), and the required monitoring plan. These packages will also address a variety of issues related to implementation, such as lot (parcel) splits, financial security, enforcement responsibilities, hazardous materials issues, a schedule for the parcel-specific transactions and implementing measures, and an analysis of "tax neutrality" with respect to affected counties for the parcels included in the package.

Endnote

¹ Watershed Planning Committee Charter.

Table 1-1 Stipulation 12 (a) Requirements						
Section 12.a Requirements		Vol I		Vol II	Vol III	
		All Lands	Watershed	Planning Unit	County	Parcel Cluster
1	Acreage, Economic Uses and Agreements <i>"Reasonably exact estimates of acreage, by parcel, within or outside licensed project boundaries, and existing economic uses (including all related agreements);"</i>	FA	FA			FA
2	Objectives to Enhance/Protect <i>"Objectives to preserve and/or enhance the BPVs, as defined in the Settlement Agreement, Appendix E, of each individual parcel;"</i>	FA	FA	FA		FA
3	Recommendations for CE or Fee Simple <i>"A recommendation for grant of a conservation easement or fee simple donation for each such parcel;"</i>	PA	PA			FA
4	Donee Capacity to Maintain Lands <i>"A finding that the intended donee of such easement has the funding and other capacity to maintain that property interest so as to preserve or enhance the BPVs thereof;"</i>	PA	PA			FA
5	County Tax Neutral <i>"An analysis of tax and other economic and physical impacts of such disposition strategy, and a commitment by an appropriate entity to provide property tax revenue, other equivalent revenue source, or a lump sum payment, so that the totality of dispositions in each affected county under the LCC will be "tax neutral" for that county;"</i>	PA	PA		FA	
6	Hazardous Waste Disclosure <i>"A disclosure of all known hazardous waste or substance contamination or other such environmental liabilities associated with each parcel;"</i>	PA	PA			FA
7	Parcel Splitting <i>"Appropriate consideration whether to split any parcel which is partly used or useful for operation of PG&E's and/or a co-licensee's hydroelectric facilities, where the beneficial public values of the unused part may be enhanced by such split, provided it is consistent with Section 12(b)(4) of this Stipulation and that, in the event that governmental approval of a parcel split imposes conditions or restrictions on other PG&E property, the decision to accept or reject such conditions will be at PG&E's sole discretion;"</i>	PA	PA			FA
8	Physical Enhancement Measures <i>"A strategy to undertake appropriate physical measures to enhance the BPVs of individual parcels; provided that no such measure will be in conflict with the provisions of Settlement Agreement paragraph 17c and Appendix E paragraph 1;"</i>	PA	PA	PA		FA
9	Monitoring Plan <i>"A plan to monitor the economic and physical impacts of disposition and implementation of enhancement measures on the applicable management objectives; "</i>	PA	PA			FA
10	Implementation Schedule <i>"A schedule for the implementing transactions and measures."</i>	PA	PA			FA

PA=Partially Addressed (i.e., can only be fully achieved by addressing at parcel level)
FA=Fully Addressed (i.e., complete)