

COMMENTS OF THE REGIONAL COUNCIL OF RURAL COUNTIES ON  
PACIFIC GAS AND ELECTRIC COMPANY'S PROPOSED SCOPING  
MEMO AND RULING OF ASSIGNED COMMISSIONER

I. Introduction

The Regional Council of Rural Counties (RCRC) is comprised of twenty seven member Counties within the state of California. The Counties contain much of the geographic area which comprises the Sacramento River Watershed, the Mokelumne River Watershed and the San Joaquin River Watershed. The method and determination of valuation of PG&E hydroelectric facilities and appurtenant improvements are of vital concern to our membership. In addition, the actual disposition of these facilities may affect the people, economy and environment within our membership area for generations to come.

Our interest as local governments, charged by the State of California with public safety protection, land use planning, environmental protection, in some instances water supply and electrical supplies and local appraisal and taxation responsibilities is critical in this process.

The valuation and disposition of the PG&E hydroelectric and appurtenant improvements may affect each of these areas of responsibility for our local governments. The PG&E hydroelectric and appurtenant improvements are not simply energy generation facilities, they are water supply and distribution facilities, environmental areas and recreational sites. The management of and uses of land within PG&E ownership directly affect the quality of the watersheds of this state and the water quality for those downstream - to the San Francisco Bay Delta. The critical importance of this latter issue has been recognized in both the Sierra Nevada Ecosystem Project Report of 1996, as commissioned by the Congress of the United States and within the CALFED Bay-Delta Program's recently released Phase II report (December 1998).

## II. Background

RCRC's member Counties have been closely watching the Federal Energy Regulatory Commission's process involving the PG&E hydroelectric and appurtenant improvements. Furthermore, RCRC representatives have conducted meetings with PG&E officials to inform them of our concerns and request cooperation in achieving an acceptable solution.

RCRC has been actively participating, on behalf of its membership in both the CALFED Bay-Delta Program as well as the State Water Resources Control Board's Bay-Delta Water Quality process. Within the CALFED Bay-Delta Program's recently released Phase II report recognition of the potential for the PG&E hydroelectric and appurtenant improvements to improve water supplies and environmental protections is noted within its Watershed Program (pgs. 85 and 107). CALFED proposes that the facilities be evaluated for reoperation to provided a comprehensive spectrum of water supply and environmental benefits.

RCRC has met and communicated to PG&E as early as last September during the RCRC annual conference in Redding. At that time RCRC representatives informed PG&E of our members interest in working cooperatively with local water districts and other water supply interests in acquiring these facilities prior to an disposition, due to the significant nature of their importance to our membership. We further informed those officials that these facilities had the potential, through disposition to either provide significant benefits or impacts to our membership.

## III. Valuation of PG&E Hydroelectric Assets

A properly structured, generally agreed upon, appraisal of the PG&E facilities is very important from this proceeding. We agree with the points made by the Association of California Water Agencies (ACWA) in reference to rate payers and CTC determinations. We also agree with their assessment of the importance as it relates to potential condemnation proceedings which could be initiated by a local County or water agency.

We believe that the appraisal of these facilities should be done on a project by project basis and not on a gross "wholesale" watershed

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approach. Such an approach makes determination of potential local acquisition very difficult if not impossible. Furthermore, it muddies the issue of the value of local facilities for assessment purposes. The disposal of these PG&E facilities, including their lands and appurtenant improvements are critical to the future of our member Counties. Local governments, charged with the responsibility for land use management, public safety, environmental protection and water and power supplies in many cases depend upon these facilities for a successful future.

If the proposed valuation and/or disposition of these facilities would have a significant adverse impact upon the local County's ability to carry out its statutory obligations virtually every PG&E facility could be considered for condemnation proceedings. RCRC has always prided itself in working with all interested parties from all spectrums of interest. RCRC, like the ACWA prefers cooperation and consensus to other means, however, given the nature of this process it is imperative that RCRC's member Counties preserve all viable options in this matter.

#### IV. Issues to be considered in the appraisal of PG&E hydro assets

Simply deciding if the utility sponsored assessment is appropriate is inadequate given the unique status of these facilities and their potential role (as recognized by the CALFED Bay-Delta Program) in solving the states environmental and water supply problems. The PG&E hydroelectric facilities are an integral part of the water supply and delivery infrastructure in California and are unique in the Country. Other hydroelectric facilities that have been divested (sold) in the eastern United States are not as critical to the water supply and delivery needs of the people as are these projects. Furthermore, these projects regulate water flows on literally hundreds of miles of rivers which are the very arteries of the San Francisco Bay-Delta system upon which over twenty million people derive their water supply.

We do not believe that a watershed based appraisal system will provide the necessary information upon which to make informed decisions regarding these critical assets. We urge that the appraisal be conducted on a project by project basis so that clear decisions regarding value, disposition options and reoperation options can be evaluated by those who

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will be affected most directly.

We concur with ACWA's assertion that the value of these facilities far exceeds the electrical generation potential. The potential value of these projects also includes what they could do if reoperated to provide alternate flows, generation schedules, and storage programs. The benefits so accrued would potentially benefit both the local communities and environment as well as the millions of down stream consumers and the Bay-Delta Ecosystem.

For these reasons, and the importance of obtaining a realistic, useful, defensible appraisal, we support the ORA position that this proceeding be more than just an approval of the PG&E appraisal. We urge that other valuation approaches be investigated and that project specific appraisals be conducted.

#### V. Procedural schedule

We wish to support and associate our comments with those of the ACWA regarding this subject

#### VI. Conclusion

The valuation and disposal of PG&E hydroelectric facilities, their associated lands and appurtenant improvements is unique in this Country. The affects will influence resources far beyond electricity. The valuation phase is critical to this process in that it can serve as a benchmark for other legal and administrative proceedings. The value of, and who and how these facilities are managed and operated is critical to the future of RCRC's membership. Furthermore, the Federal and State sponsored CALFED Bay-Delta program's previously referenced recognition of the potential for these facilities is evidence of an awareness in arenas outside the CPUC. These facilities have significant environmental benefits potential. These facilities have a critical role in local and statewide water supplies. These facilities are a significant source of revenue to local governments as well as a source of public services demands. These facilities provide recreational opportunities, directly and indirectly, to tens of millions of Californians in numerous ways.

We therefore, urge the Commission to reject the PG&E proposal for this proceeding and consider alternate approaches of valuing these assets. This would of course we predict, require a schedule to reflect these issues.

Dated: January 8, 1998

Respectfully Submitted

A handwritten signature in cursive script that reads "Michael Jackson".

Michael Jackson, Esquire  
Attorney for the  
Regional Council of Rural Counties