



MEMORANDUM

To: Stewardship Council Board of Directors

From: Watershed Planning Committee

Date: May 28, 2009

RE: Kennedy Meadows Prospective Donee Recommendation

The Watershed Planning Committee is forwarding to the Stewardship Council Board of Directors the attached staff recommendation regarding the selection of the prospective donees at the Kennedy Meadows Planning Unit. The committee is recommending that the board adopt the staff recommendation at its forthcoming meeting on June 10, 2009.

Specifically, the committee is endorsing the selection of:

- The **Mother Lode Land Trust** to become holder of a conservation easement on the property.
- The **County of Tuolumne** to hold fee title to the property.
- The **Tuolumne County Resource Conservation District** to have a role in the management of the property as a participant in future land management and enhancement activities as a partner under a management plan, memorandum of understanding, or other form of agreement (a “conservation partner”).

The committee recommends that the board adopt this recommendation contingent on the terms and conditions described in the attached staff recommendation. These terms are expected to form the basis for subsequent negotiations with the prospective donees leading to a comprehensive Land Conservation and Conveyance Plan (LCCP) to be considered for adoption at a later date, following public comment.



Stewardship Council Staff Recommendation to Planning Committee Kennedy Meadows Planning Unit – Recommended Donees and Terms

The Stewardship Council staff offers the following recommendation regarding the selection of the prospective donees at the Kennedy Meadows Planning Unit located in Tuolumne County.

Kennedy Meadows is among the lands that were identified as available for donation to public agencies or qualified conservation organizations at no cost to the donee, in fulfillment of the Land Conservation Commitment.¹ The lands will be permanently preserved for the protection of beneficial public values by means of a conservation easement or equivalent legal protection.

A review team evaluated two land stewardship proposals (LSPs) and four potential donee organizations involved in the submittal of these proposals for Kennedy Meadows. One of these proposals was submitted by the USDA Forest Service - Stanislaus National Forest. The other proposal was submitted by a collaborative group consisting of the County of Tuolumne, the Tuolumne Resource Conservation District, and the Mother Lode Land Trust.

CONSIDERATIONS

In making its recommendation, staff considered the following:

- The requirements of the Settlement and Stipulation;
- General requirements outlined in Volume I of the LCP and other relevant policies, procedures, and goals.
- The management objectives for the Kennedy Meadows Planning Unit adopted by the board in Volume II of the Land Conservation Plan;
- Public comments received regarding the potential donees and future stewardship of the Planning Unit;
- The two land stewardship proposals that were submitted, together with summaries and supporting documentation;
- The programmatic, financial, and legal evaluation process that was used to evaluate the potential donees and their land stewardship proposals; and
- The evaluation team's analysis of the potential donees and the two land stewardship proposals, including the various options offered in each proposal.

RECOMMENDATION

¹ As set forth in CPUC Decision 03-12-035, December 18, 2003 (the "Settlement") and the Stipulation Resolving Issues Regarding the Land Conservation Commitment dated September 25, 2003 (the "Stipulation").



Based upon the foregoing, staff is offering the following recommendation:

- The selection of the **Mother Lode Land Trust (MLLT)** to become holder of a conservation easement on the property.
- The selection of the **County of Tuolumne (County)** to hold fee title to the property.
- The **Tuolumne County Resource Conservation District (RCD)** to have a role in the management of the property, as a conservation partner or through other means.

The RCD has the potential to provide important contributions to the management of the lands, and to build its own capacity in the process. The County is encouraged to collaborate with the RCD and to include the RCD as a participant in land management and enhancement activities as a partner under a management plan, memorandum of understanding, or other form of agreement (a “conservation partner”). Certain enhancement activities conducted by the RCD on the property would be eligible for Stewardship Council funding.

TRANSACTION TERMS

Staff recommends that the planning committee adopt this recommendation contingent on the following terms, which are expected to form the basis for subsequent negotiations with the prospective donees leading to a comprehensive Land Conservation and Conveyance Plan (LCCP):

1. The MLLT will hold a conservation easement over the property, which shall provide for the preservation in perpetuity of the beneficial public values outlined in Volume II of the Stewardship Council’s Land Conservation Plan.
2. The County shall receive fee title to the property, subject to the conservation easement and to the other reserved rights described below.
3. The conservation easement will honor existing agreements for economic uses of the property (including the Kennedy Meadows Resort and Pack Station lease) by reserving to the land owner the right to maintain and renew such agreements. However, the conservation easement will provide that the land owner will not renew or replace any such agreements without including language pursuant to which the lessee acknowledges that the property is subject to the terms of the conservation easement and reserving to the land owner the right to prevent substantial impairment of the BPVs resulting from such uses. The LCCP will include details of all existing agreements for economic uses that will be subject to this provision.
4. The conservation easement will establish a mechanism (such as a land management plan) to provide for ongoing monitoring and future enhancements to the BPVs. The initial land management plan shall be included in the Land Conservation and Conveyance Plan to be submitted to the Stewardship Council board for approval. The LCCP will include, at a minimum, a strategy to undertake studies and measures to preserve and enhance the

- BPVs, including but not limited to measures that might be required to avoid, minimize, or mitigate any adverse impacts of the resort and pack station operations.
5. The recommended donees will provide the Stewardship Council with details concerning the composition and operation of the collaborative advisory committee described in the County/RCD proposal.
 6. A third party beneficiary may be appointed by the Stewardship Council for purposes of enforcing the conservation easement and/or other legal agreements.
 7. PG&E will reserve rights to operate and maintain hydroelectric facilities as required by the Settlement and Stipulation. The conservation easement and/or other agreements to be negotiated as part of the LCCP process will describe PG&E's access and other rights with reasonable specificity.
 8. Current sources of revenue, such as rent received by the land owner under agreements for economic uses of the property (including but not limited to the Resort and Pack Station lease), shall be applied to costs associated with property ownership, land management, and future enhancements to the BPVs.
 9. The LCCP shall include the County's acknowledgement that the receipt of the property by the County at no cost (and/or the rent and other revenues derived from the property) is sufficient to ensure that the transaction is tax neutral for the County.
 10. The land owner will permit reasonable access to the property for such purposes as public recreational access, protection of cultural and historical resources, scientific research into such issues as climate change, and outdoor programs for local and out-of-county youth, as described in the conservation easement and/or other agreements to be negotiated as part of the LCCP process. Moreover, an easement shall be granted to the U.S. Forest Service for public access along Huckleberry Trail consistent with FERC requirements.
 11. The Stewardship Council may require that legal documents transferring title to the County contain a prohibition against future transfers of title without the consent of the Stewardship Council or a successor entity, or such other restriction on the right to transfer fee title as may be necessary to ensure that the terms of the Land Conservation Commitment are honored in perpetuity.
 12. In transferring fee title to the Property, in compliance with the terms of the Settlement and Stipulation, PG&E will hold the donee harmless for hazardous waste or substance liability, provided that PG&E may decline to agree to such disposition unless the CPUC authorizes PG&E to recover the costs of such liability and any associated mitigation or remediation measures in rates.

After the Stewardship Council board recommends donees for the property, staff will invite the prospective donees to engage in negotiation of specific legal agreements that will form a key part of the final LCCP. The LCCP will be made available for public review and comment before it is approved by the Stewardship Council board.

RATIONALE FOR RECOMMENDATION

The Stipulation provides that the Land Conservation Commitment is expected to “enhance the existing environmental and economic benefits of the Watershed Lands and Carrizo Plains on an overall basis.” The Settlement Agreement requires that existing agreements for economic uses be honored. The Kennedy Meadows Planning Unit embraces important environmental and economic benefits and includes existing agreements for economic uses. In recommending the County and MLLT, staff took into account the above expectations of the Land Conservation Commitment and the following key considerations:

The County/RCD/MLLT proposal met the proposal evaluation criteria established by the Stewardship Council as follows:

- Proposal demonstrates a commitment to meet the management objectives established for the BPVs as described in Volume II of the LCP, and to perform certain surveys and studies recommended in Volume II. Each of the Stewardship Council’s management objectives was addressed in the proposal. The preservation and enhancement measures outlined in the proposal emphasize the need to conduct surveys to inform resource management plans prior to defining specific measures. In addition to surveys and development of management plans, the following specific measures were proposed: consistent maintenance and cleaning of the recreational trail to enhance recreation experience, development of a program to manage the disposal of manure generated by the Pack Station operations, and coordination with Native American and other responsible entities when conducting cultural resource measures. Other specific measures would be contingent on the outcomes of the inventories and assessments. Surveys and inventories would likely be completed within the first year of acquisition. Overall land management planning and development of various resource management measures would take place in Year 2, including the development of an overall Resource Management Plan and an education/outreach plan. Implementation of specific measures developed during those first two years would begin in Year 3.
- Proposal demonstrates a commitment to be inclusive of broad perspectives, which includes diverse socio-cultural groups, economic users, and diverse political perspectives. The proposal indicates that the donees would follow a collaborative approach in the overall management of the property with the assistance of a collaborative advisory committee that would include representatives from federal, state, and tribal governments, non-profit organizations, and others. The County has an existing positive working relationship with the Forest Service, and a demonstrated willingness to collaborate with the Forest Service to ensure the protection and enhancement of the BPVs on the property.
- Proposal demonstrates commitment to create opportunities as appropriate for youth engagement, education, and the development of future generations of stewards. The proposal indicates that the donees intend to offer programs on the property serving youth from both within and outside of Tuolumne County.
- Proposal reflects public input from the public planning process and efforts to work collaboratively with public and private entities in the geographic region to plan and/or

implement the proposal. The proposal provides for local control of the property and ensures that the public has a voice in future management decisions. The proposal offers to facilitate consensus-based management and enhancement of Kennedy Meadows. In developing the County/RCD proposal, the County and RCD held open public meetings regarding their proposal. In addition, the proposal addressed public concerns regarding manure by requiring consistent maintenance and cleaning of the trail to enhance the recreation experience and development and implementation of a manure management strategy in the first year.

- Proposal demonstrates consistency with other general requirements of the Land Conservation Plan and other relevant policies, procedures, and goals. The proposal involves a conservation easement holder that will provide ongoing monitoring of the land to ensure preservation of the BPVs. The proposal honors existing economic uses so long as they do not conflict with the BPVs. It also provides for the preservation and enhancement of reasonable public access.

The County and MLLT met the donee criteria established by the Stewardship Council as follows:

The Mother Lode Land Trust possesses the organizational capacity and experience to hold and administer a conservation easement over the property.

- The MLLT is independent of the County, which affords confidence that the donee could effectively enforce the terms and conditions of the conservation easement.
- The MLLT is the only donee that submitted a land stewardship proposal with experience holding and managing conservation easements. The MLLT holds 17 conservation easements over 2,800 acres in Amador, Calaveras, Alpine and El Dorado Counties.
- The MLLT has established policies and standards regarding the management of conservation easements. It follows standards and best practices developed by the Land Trust Alliance.

The County possesses the organizational capacity and experience to own and manage fee title to the property.

- The County has financial and organizational resources to manage and operate the property. The County has over thirty departments that are assigned to oversee different areas, including the Agricultural Commissioner, Farm Advisor, Recreation, Community Development, Environmental Health, and County Administration.
- The County has established standards and practices to own and manage property, in the form of a General Land Use Plan that guides growth and development as well as codes, ordinances, and policies established to protect public health and safety.



- The County has demonstrated capacity to own and/or manage land for recreation and/or conservation-related purposes. Examples include, the Jamestown Mine, a former open pit gold mine, the Lake Tulloch South Shore Marina, and Pioneer Park in Columbia
- The County has the capacity and experience to regulate and resolve health and safety issues. The County's mission is to assure the health and safety of its citizens through the effective delivery of public services.

APPENDICES AND ATTACHMENTS

- Appendix A - Background Information
- Appendix B - Summary of Public Comments and Correspondence
- Kennedy Meadows Planning Unit Map
- Kennedy Meadows Planning Unit Report
- Pilot Process Overview

APPENDIX A: BACKGROUND INFORMATION

I. PROPERTY DESCRIPTION

The Kennedy Meadows Planning Unit encompasses approximately 240 acres of land currently owned by Pacific Gas & Electric Company (PG&E). It is located in Tuolumne County along Highway 108, just 57 miles east of Sonora and 50 miles south of South Lake Tahoe, at an elevation of approximately 6,500 feet. The property provides important outdoor recreation and wildlife habitat in the remote upper elevations of the Sierra Nevada. The Planning Unit is surrounded by public lands managed by the Stanislaus National Forest, including the Emigrant Wilderness which is located less than 0.5 mile southeast of the Planning Unit.

A prominent feature of the Planning Unit is the Huckleberry Trail. This trail traverses the Planning Unit, providing equestrian and hiking access to the Emigrant Wilderness. The entire length of the trail through the Planning Unit also serves as a restricted access road. The road is occasionally utilized by PG&E for maintenance of its hydropower facilities, by the property lessee for operating purposes, by the Forest Service for trail maintenance, and by the California Department of Fish and Game for fish stocking. The property is also intersected by a segment of the Middle Fork Stanislaus River, which has been proposed for “recreational” Wild and Scenic River classification by the U.S. Forest Service.

Another prominent feature of the Planning Unit is the Kennedy Meadows Resort and Pack Station. The pack station is a commercial operation that has been operated pursuant to a lease between the commercial operator and PG&E (or its predecessor in interest) on a seasonal basis since 1917. The lease encompasses the entire 240 acres of the Planning Unit and consists of approximately 27 buildings, including a lodge, saloon, cabins and ancillary buildings. All improvements and associated structures associated with the resort are owned and managed by the lessee. The current lease term will expire in 2013; however, in 2008 the Stewardship Council responded to a recommendation from PG&E to extend the Resort and Pack Station lease through 2028. The Stewardship Council board concurred with the recommendation, but recommended that PG&E incorporate language in the lease pursuant to which the lessee acknowledges that the LCCP for Kennedy Meadows is under development, and that when final, the LCCP may require the lessee to modify some of its operations in order to preserve and enhance the BPVs.

While the property is primarily used to support the Kennedy Meadows Resort and Pack Station, PG&E allows an adjacent Forest Service grazing lessee to stage cattle in the upper meadow for two days annually on the way to its Forest Service allotment and up to one week on the way out. In addition, PG&E’s lessee allows limited use of the upper meadow for group camping. This special use is limited to five or six local nonprofit groups that have used this campsite over many years at no charge, such as the Tuolumne County Sherriff’s Posse.

The entire 240 acre Planning Unit comprises one legal parcel. Fee title to the entire parcel is available for donation as outlined in Volume II of the Land Conservation Plan (LCP) adopted by the Stewardship Council in November 2007. The entire parcel will also be made subject to a conservation easement (or other form of satisfactory assurance) to protect the BPVs of the property in perpetuity. PG&E will reserve utility operating easements on the property for access and ongoing operation and maintenance activities related to its hydroelectric operations,



including approximately nine acres of land for a helispot and lay down area for construction materials and equipment.

II. BENEFICIAL PUBLIC VALUES

As required by the Settlement Agreement and Stipulation, the following broad range of beneficial public values (BPVs) must be preserved in perpetuity on the PG&E watershed lands, including the Kennedy Meadows Planning Unit: (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. The Stewardship Council was created to ensure this commitment is realized through the development and implementation of land conservation recommendations consistent with this mandate.

The Stewardship Council recommends that the land and land uses at the Kennedy Meadows Planning Unit be preserved and enhanced, focusing on unique habitat values, opportunities to preserve and enhance the popular recreation experience, and protection of the historic and cultural values of the region. To meet this objective, the Stewardship Council has established specific management objectives to preserve and enhance each of the BPVs found on the Kennedy Meadows Planning Unit. These management objectives, along with a description of the existing BPVs, are described in the attached Kennedy Meadows Planning Unit Report.

III. PUBLIC OUTREACH AND COMMENT

The Stewardship Council has developed and implemented a public outreach program to ensure that local communities, elected representatives, neighboring property owners, and other key stakeholders are engaged in the Stewardship Council's effort to preserve and enhance the watershed lands. There is a high degree of public interest in the Kennedy Meadows Planning Unit.

Public outreach efforts and public input on the Kennedy Meadows Planning Unit is summarized in Appendix B. Public input that the Stewardship Council received as a result of the public outreach process, including comments on Volume II of the Land Conservation Plan, comments from public workshops on the selection of donees and other issues, and correspondence received by the Stewardship Council were considered by the evaluation team in its evaluation of the potential donees and their land stewardship proposals.

IV. KENNEDY MEADOWS PILOT PROCESS

Following the board's adoption of Volumes I and II of the Land Conservation Plan in November 2007, the Kennedy Meadows Planning Unit was selected as one of four pilot projects. As a pilot project, the property was used by the Stewardship Council to develop and test a process for soliciting, evaluating, and selecting prospective donees and developing a Land Conservation and Conveyance Plan (LCCP). When adopted, following a period for public review and comment, the LCCPs will together constitute Volume III of the LCP.

In March 2008, the board adopted a pilot process for Kennedy Meadows and three other pilot project sites. The pilot process included a series of steps designed to solicit, evaluate and select eligible organizations with the organizational and financial capacity to receive fee title and hold a

conservation easement at each of these four pilot sites. The Kennedy Meadows pilot process involved the following steps:

- All organizations interested in becoming a donee for the Kennedy Meadows Planning Unit were required to register their interest on the Stewardship Council's Interested Donee Registry.
- All organizations that registered interest in becoming a donee were required to submit a Statement of Qualifications (SOQ) that included a description of the organization's capacity and qualifications to manage land or hold a conservation easement and land interests sought.
- The County of Tuolumne, the Tuolumne Resource Conservation District, Mother Lode Land Trust, Tuolumne Band of Me-wuk Indians, and the USDA Forest Service – Stanislaus National Forest each submitted an SOQ for the Kennedy Meadows Planning Unit. Staff reviewed the information provided in the SOQs, and confirmed the eligibility of all five organizations based on a specific set of minimum eligibility criteria. The minimum eligibility requirements are outlined in the Pilot Process Overview that was adopted by the board on March 26, 2008.
- All five eligible donees were invited to prepare and submit a Land Stewardship Proposal (LSP). The purpose of the LSP was to provide sufficient information to enable the Stewardship Council to evaluate and select the prospective donee(s) for each Planning Unit consistent with the requirements of the Settlement Agreement and Stipulation using the donee evaluation criteria described in Section VI below. In the LSP, donees were asked to describe their qualifications, how they would manage the property to preserve and enhance the BPVs, and how they would honor existing economic uses. The donees were also required to submit a preliminary ten-year budget outlining the potential costs associated with transactions, operation and maintenance, and preservation and enhancement of the BPVs, with potential sources of funding identified.
- Throughout the process the Stewardship Council encouraged collaboration among all eligible donees and other interested organizations. Over the course of three months, the eligible donees met on eight occasions to discuss and explore ways of collaborating on a land stewardship proposal. During these meetings, the donees learned about one another's qualifications and interests in the Kennedy Meadows Planning Unit. Ultimately, two separate proposals with several different options were submitted to the Stewardship Council.

V. SUMMARY OF LAND STEWARDSHIP PROPOSALS AND OPTIONS

By the deadline of December 17, 2008, the Stewardship Council had received two proposals for the Kennedy Meadows Planning Unit that included all but one of the eligible donees. One proposal was submitted as a collaborative effort among the County of Tuolumne (County), the Tuolumne County Resource Conservation District (RCD), and the Mother Lode Land Trust (MLLT). The other proposal was submitted by the United States Forest Service - Stanislaus National Forest (Forest Service). Midway through the LSP development process, the Tuolumne

Band of Me-wuk Indians withdrew due to other tribal priorities and because they felt that their interests were protected by the Stewardship Council's established management objectives and the recommended measures proposed by the remaining potential donees. A summary of both proposals is provided below.

Tuolumne Collaborative Proposal Summary

The LSP submitted by the County, RCD, and MLLT outlines three options for donation of fee title and conservation easement holder. Option 1, the option preferred by the County and RCD, would have the RCD hold fee title and the County hold the conservation easement. Option 2, the next preferred option by the County and RCD, would have the County hold fee title and the RCD hold the conservation easement. Option 3 would have the RCD and County jointly hold fee title through a newly formed joint powers authority (JPA), with MLLT holding the conservation easement. While three options are presented in the proposal, all information provided in the proposal for each of these options is the same (e.g., overall approach, proposed preservation and enhancement measures, budget, etc.)

Summary of the overall management approach

- The management approach emphasizes preservation of the BPVs while maintaining local control and authority over future management decisions affecting the property.
- The County and RCD propose the formation of a collaborative advisory committee for management issues pertaining to Kennedy Meadows. Members of the advisory group would represent "Communities of Interest" that have a stake in the future management of the Kennedy Meadows. Examples of communities of interest are Wildlife Habitat, Open Space, Recreation, Forestry, Agricultural, and Historical. Concerned citizens, non-profit organizations, and local, state, federal, and tribal governments would be invited to participate in the collaborative advisory committee.
- The County and RCD would follow a collaborative approach, using an established process known as the Holistic Management approach, to plan, manage, and enhance the property's resources in accordance with the goals of the community, Stewardship Council, and the California Public Utilities Commission, and to promote the BPVs and the economic viability of the Kennedy Meadows Resort and Pack Station.

Summary of proposed measures to preserve and enhance the BPVs

- The preservation and enhancement measures outlined in the proposal emphasize the need to conduct surveys to inform resource management plans prior to defining specific measures.
- The proposal indicates that some of the Stewardship Council's recommended potential preservation and enhancement measures described in Volume II of the LCP are contingent on the outcomes of the inventories and assessments.
- In addition to surveys and development of management plans, the following specific measures were proposed: consistent maintenance and cleaning of the trail to enhance

recreation experience, development of a program to manage the disposal of manure generated by the Pack Station operations, and coordination with Native American and other responsible entities when conducting cultural resource measures.

- Surveys and inventories would likely be completed within the first year of acquisition. Overall land management planning and development of various resource management measures would take place in Year 2, including the development of an overall Resource Management Plan and an education/outreach plan. Implementation of specific measures developed during those first two years would begin in earnest in Year 3.
- The proposal stressed honoring existing economic uses so long as they did not conflict with the BPVs.

USDA Forest Service – Stanislaus National Forest Proposal Summary

The LSP submitted by the Forest Service outlines two options for land interests sought.

Option 1 would involve splitting the property into two separate legal parcels. The Forest Service would receive fee title to the Upper Meadow area, which is the southern portion of the parcel just south of the water tank (see attached map for proposed boundary location). The County and/or Tuolumne County Resource Conservation District would receive title to the area physically occupied by the Resort and Pack Station, allowing them to own the land and manage the commercial facilities and services provided by the Resort. The Forest Service would receive the undeveloped portions of the property, including meadow lands and riparian areas, as well as necessary easements for access for administration and for public use of the Huckleberry Trail. This option is proposed “in the spirit of collaboration and compromise,” and “in consideration of concerns related to the Resort facilities/services, traditional uses, and the desire for ‘local’ management.”

Option 2 would result in the Forest Service acquiring fee title to the entire property. The Resort and Pack Station would continue to operate under the existing lease, with the Forest Service replacing PG&E as the lessor, unless the Forest Service obtained the lessee’s consent to convert the lease to a Special Use Permit. The Forest Service contends that single ownership would provide greater efficiency, opportunity and consistency of management for the recreational, cultural and natural resource values within the Kennedy Meadows canyon landscape. The proposal asserts that a landscape-level management approach would provide greater long term protection and sustainability of the BPVs.

Under either option, in lieu of a conservation easement, the Forest Service proposes a covenant or a donation agreement as a form of satisfactory assurance that the property will be managed consistent with the LCP. By policy, the Forest Service cannot accept a conservation easement on lands it acquires.

Summary of the overall management approach

- The proposal emphasizes a landscape management approach to manage the Kennedy Meadows property holistically with adjacent Forest Service lands within the entire

Kennedy Meadows/Middle Fork Stanislaus River landscape to promote greater efficiencies and opportunities.

- This landscape, including the area from Highway 108 to the boundary of the Emigrant Wilderness, would become the Kennedy Meadows Management Area (KMMA).
- Under the proposed covenant, the Forest Land and Resource Management Plan (Forest Plan) would be amended to incorporate this management area and specific management direction, standards, and guides would be developed incorporating the BPVs and objectives developed by the Stewardship Council.
- The KMMA amendment would emphasize that management and decision making would strive for a balance of the natural, cultural, social and economic values within this landscape, to the extent allowed by law.
- Recreation uses and activities would be managed to preserve both traditional uses and the “transitional experience” as visitors move from the developed facilities in the northern section of the canyon into the wilderness experience at the southern end.
- Under either option, the Forest Service proposes the creation of a “Friends of Kennedy Meadows” group in the private sector to provide a forum for communication, collaboration, partnerships, and fundraising.

Summary of proposed measures to preserve and enhance the BPVs

The Forest Service also proposes to conduct surveys to inform the development of management plans, but identifies specific preservation and enhancement measures that are not dependent on survey findings:

Option 1 (upper meadow only):

- Group event activities in the upper meadow would require authorization by issuing an Event Special Use Permit. Events by traditional groups (those that have utilized the area for events in the past five years) would be authorized, as long as negative resource impacts are not foreseeable, or when short term impacts could be mitigated. New group uses in the upper meadow would be discouraged.
- The Forest Service would add the existing 1 hour ride trail(s) currently used by the Resort and Pack Station to the Forest Service trail system. A one-time project to bring this trail up to appropriate standards to prevent resource damage is proposed. Once completed, annual maintenance responsibilities would be negotiated with the Resort and Pack Station and work performance could include a variety of partner/volunteer participation.
- The Forest Service proposes to incorporate the use of the upper Kennedy Meadow into the existing Kennedy Lake Cattle Allotment permit. Consistent with the National Environmental Policy Act, an environmental analysis would be conducted prior to allowing use by cattle. The Forest Service states that this analysis would be completed within the

first year. The Forest Service Kennedy Lake Cattle Allotment is scheduled for a new permit authorization in 2013. At that time, a new environmental analysis will be completed by the Forest Service and monitoring data from the gathering pasture in the upper meadow would be used to determine whether the continued use of this meadow for gathering should continue. Any future grazing on the property must be conducted in accordance with Forest Service grazing standards. If studies and monitoring data (including data from the PG&E license studies) indicate resource concerns that could not be mitigated, the Forest Service would work with the permit holder to identify an alternative on/off strategy or location.

Option 2 (entire parcel - includes measures proposed for the upper meadow outlined above):

- The Forest Service would issue a 20-year term special use permit to the existing Kennedy Meadows Resort and Pack Station. Alternatively, the Forest Service would continue the existing lease until its expiration, at which point it would be replaced by a special use permit. The permit boundary would be limited to the land that the Forest Service deems necessary to support the actual or anticipated improvements and operations for the permitted use(s). The Forest Service has indicated that in general, permits for land needed for construction of improvements are limited to an area not to exceed 80 acres and to a term not exceeding 30 years.
- Each year, the permit holder and Forest Service would agree on an Annual Operations and Maintenance Plan. Responsibilities for trail maintenance, day use and overnight public parking, commercial resort parking, road maintenance, etc., would be negotiated with the current lessee and specified in the lease/permit. The USFS has stated that some practices of the Resort and Pack Station could require adjustments to protect and preserve habitat needs.
- The Forest Service in partnership with lessee/permit holder would explore opportunities to relocate some or all of the employee housing area. If the Forest Service holds land title, potential options for relocation outside of the Kennedy Meadows parcel could be explored as part of the larger KMMA landscape.
- The Forest Service would work with lessee/permit holder to remove waterlines, electrical lines and other attachments from trees.
- The Forest Service would work with lessee/permit holder to assess and address any concerns relating to the existing water diversion behind the corral from Deadman Creek for irrigation purposes at the Resort and Pack Station.
- The Forest Service proposes to plan and implement a new trail from the Forest Service Trailhead parking lot to the intersection of Deadman Creek and the road which would allow for livestock and pedestrian travel between the trailhead and the first bridge without having to walk down a road open to vehicle traffic.

VI. OVERVIEW OF PROGRAMMATIC, FINANCIAL, AND LEGAL EVALUATION

The evaluation of the donees and their land stewardship proposals was guided by three sets of criteria — programmatic, financial, and legal. These criteria were used by an evaluation team with relevant knowledge and expertise to evaluate the potential donees and the proposals. The team included Land Conservation Program staff and external reviewers from the environmental consulting firm of EDAW/AECOM and the Resources Law Group.² Other members of the evaluation team included the Stewardship Council’s legal counsel and finance manager, who reviewed the proposals for legal compliance and financial capacity, respectively.

The evaluation criteria are organized into two parts below. Section A describes the criteria used to evaluate the donee organizations. Section B describes the criteria used to evaluate the proposals.

A. *Evaluation Criteria for Donees*

The evaluation criteria that were established by the Stewardship Council and used to evaluate the donees are described below.

Programmatic Considerations

- Organization has capacity and experience to hold, monitor, and manage similar real estate interests in perpetuity.
- Organization’s mission and/or programs and activities include the protection and enhancement of the Stewardship Council’s six BPVs.
- Organization has demonstrated ability and effort to work collaboratively and in partnership with public and private entities in the geographic region.
- Organization follows conservation and land management best practices.
- Organization ensures that its operations are legally and ethically sound and in the public interest.

Financial Considerations

- Organization has financial capacity to hold, monitor, and manage similar real estate interests in perpetuity.
- Organization adheres to sound financial management practices and processes.

Legal Considerations

- Organization has legal capacity to hold similar real estate interests.
- Organization is not currently in violation of any legal or regulatory requirements.

² Regional Land Conservation Manager Mary Adelzadeh facilitated the donee evaluation process, but did not participate directly in the evaluation or recommendation.

Other Considerations

- Public input on the selection of the donee(s).

B. Evaluation Criteria for LSPs

The evaluation criteria that were established by the Stewardship Council and used to evaluate the land stewardship proposals are described below.

Programmatic Considerations

- Proposal demonstrates ability to meet the management objectives for Kennedy Meadows Planning Unit as described in Volume II of the LCP.
- Proposal demonstrates ability to be inclusive of the broader cultural perspectives and values within the region.
- Proposal demonstrates ability to create opportunities as appropriate for youth engagement, education, and the development of future generations of stewards.
- Proposal reflects the core values of the Stewardship Council including collaboration, stewardship, discovery, sustainability, and leadership.
- Proposal reflects efforts to work collaboratively with public and private entities in the geographic region to plan and/or implement the proposal.
- Proposal demonstrates consistency with other general requirements outlined in Volumes I of the LCP and other relevant policies, procedures, and goals.

Financial Considerations

- Proposal demonstrates a reasonable understanding of the financial costs of proposed activities.
- Proposal demonstrates ability to leverage resources and funds beyond those of the Stewardship Council to ensure continuance of efforts over time.

Legal Considerations

- How the conveyance will address property tax neutrality.
- Proposal demonstrates consistency with specific requirements of the Settlement Agreement and Stipulation, such as:
 - honoring existing agreements for economic uses,
 - the need to accommodate PG&E's ongoing hydropower operations,
 - the requirement that all lands be protected by conservation easements, or in the absence of a conservation easement, satisfactory assurance in another form that the lands will be managed consistent with the Land Conservation Plan, and



- compliance with provisions regarding Federal Energy Regulatory Commission (FERC) license conditioning authority.

Other Considerations

- Public input on management measures to preserve and enhance BPVs.

NEXT STEPS FOLLOWING RECOMMENDATION

A recommendation from the Planning Committee on the prospective donees and initial transaction terms will be considered by the Stewardship Council board of directors. If that recommendation is adopted by the board or the board decides to recommend a different donee, staff would invite the prospective donees to negotiate specific legal agreements which will form a key part of the comprehensive Land Conservation and Conveyance Plan (LCCP). Further due diligence will be conducted by staff to ensure that the recommended donees will have the funding and other capacity to carry out desired land management and enhancement measures on the property.

The negotiation and due diligence process is intended to provide the Stewardship Council with sufficient information to make a final recommendation on the prospective donees to receive fee title and the conservation easement on the property. Adoption of the LCCP is the final step in the Stewardship Council's process in selecting the donees. The proposed LCCP will be made available for public review and comment before it is approved by the Stewardship Council board.

APPENDIX B: PUBLIC OUTREACH AND COMMENTS

I. PUBLIC REVIEW OF VOLUMES I AND II OF THE LCP

The Draft Land Conservation Plan (LCP) Volumes I and II were released in June 2007 for a 60-day public comment period. During this time, the Stewardship Council held ten public meetings to publicize the availability of the Draft LCP and to encourage public comment. During public review of Volumes I and II of the LCP, over 1,000 public comments were submitted concerning the Kennedy Meadows Planning Unit. Comments were received via email, the Stewardship Council website, and hardcopy letters. The comments were reviewed and responded to individually, and the text in the Draft LCP was revised as appropriate.

The majority of these comments (711) were submitted on a form letter that was distributed by the lessee of the Kennedy Meadows Resort and Pack Station. The letter requested that PG&E retain ownership of the land with the Tuolumne County Resource Conservation District (RCD) as the conservation easement holder. In addition, the letter emphasized concerns that Forest Service ownership would curtail the resort's operation. Many letter signers also added their own personal comments. Other comments received during the public comment period recommended transferring fee title to the Forest Service to provide consistent management with the surrounding area.

Public comments emphasized the following concerns regarding future management of the property:

- Concern that the existing resort should be allowed to operate as it does currently.
- Concern that heavy pack animal use on the trail is causing negative impacts onto trail conditions for hikers and backpackers using the property to access the Emigrant Wilderness.
- Concern that manure disposal is negatively impacting the ecological condition of the upper meadow area.
- Concern that the use of the property as a cattle staging area is impacting habitat.
- Concern about the noise associated with the operation of generators at the resort.
- Concern for the preservation of all historic values.

II. PILOT PROJECT ORIENTATION MEETING

On December 6, 2007 the Stewardship Council hosted a Pilot Project Orientation Meeting for the Kennedy Meadows Planning Unit in Sonora, California. The purpose of this meeting was to provide an update on the Stewardship Council LCP and review the pilot process. At this meeting the importance of collaboration was emphasized. The meeting participants also had an opportunity to ask questions regarding the process. The notes from this meeting were summarized and posted on the Stewardship Council website for public review.

Public concerns at this meeting included:

- How will decisions be made to select the fee title recipient and who will make this decision?
- How long will it take to make a decision on the fee title receipt?
- What are the selection criteria for the fee title recipient?
- What is required as part of the conveyance process and what is negotiable?
- Who are the stakeholders for the Kennedy Meadows Planning Unit and what is their role in the process?
- How will the Stewardship Council ensure that the fee title recipient will manage the Planning Unit in accordance with the Settlement Agreement and Stipulation in perpetuity?
- Will PG&E lessee Matt Bloom be allowed to rebuild the resort after the fire?

III. PUBLIC PLANNING WORKSHOP

A public planning workshop on the Kennedy Meadows pilot project was hosted by the Stewardship Council on August 21, 2008, in Sonora, California. Attendees at the workshop included a total of 62 individuals representing a wide variety of interests including local, state, federal, and tribal governments; community organizations; local businesses; and interested members of the public. The primary purpose of this workshop was to solicit input from the public on the development of a Land Conservation and Conveyance Plan (LCCP) to preserve and enhance Kennedy Meadows.

During the meeting, a break-out session was held in which the workshop attendees were randomly divided into four groups consisting of 12-15 people. Discussions were guided by staff and focused on two topics: important qualifications of future land owners and conservation easements holders, and importance/priority of the 21 potential measures recommended for Kennedy Meadows. Notes from each group were recorded on flip-charts and key discussion points were reported back to the larger group at the end of the workshop by a community member. The notes from this meeting were summarized and posted on the Stewardship Council website for public review. Public input provided at this meeting regarding the two topics are summarized below.

Desired qualifications for future landowners and conservation easement holders:

- Accountability to the local community
- Demonstrate the ability and experience to manage all six beneficial public values (BPVs)
- Long-standing organization with established financial and organizational capacity
- Demonstrate best practices with regard to BPVs

- Ability to work collaboratively and be inclusive of the public (transparent and open public process)
- Familiarity with geographic region and understanding of Kennedy Meadows history and place in community
- Have long-term plans to manage the property in perpetuity

The following potential measures to preserve/enhance BPVs were prioritized:

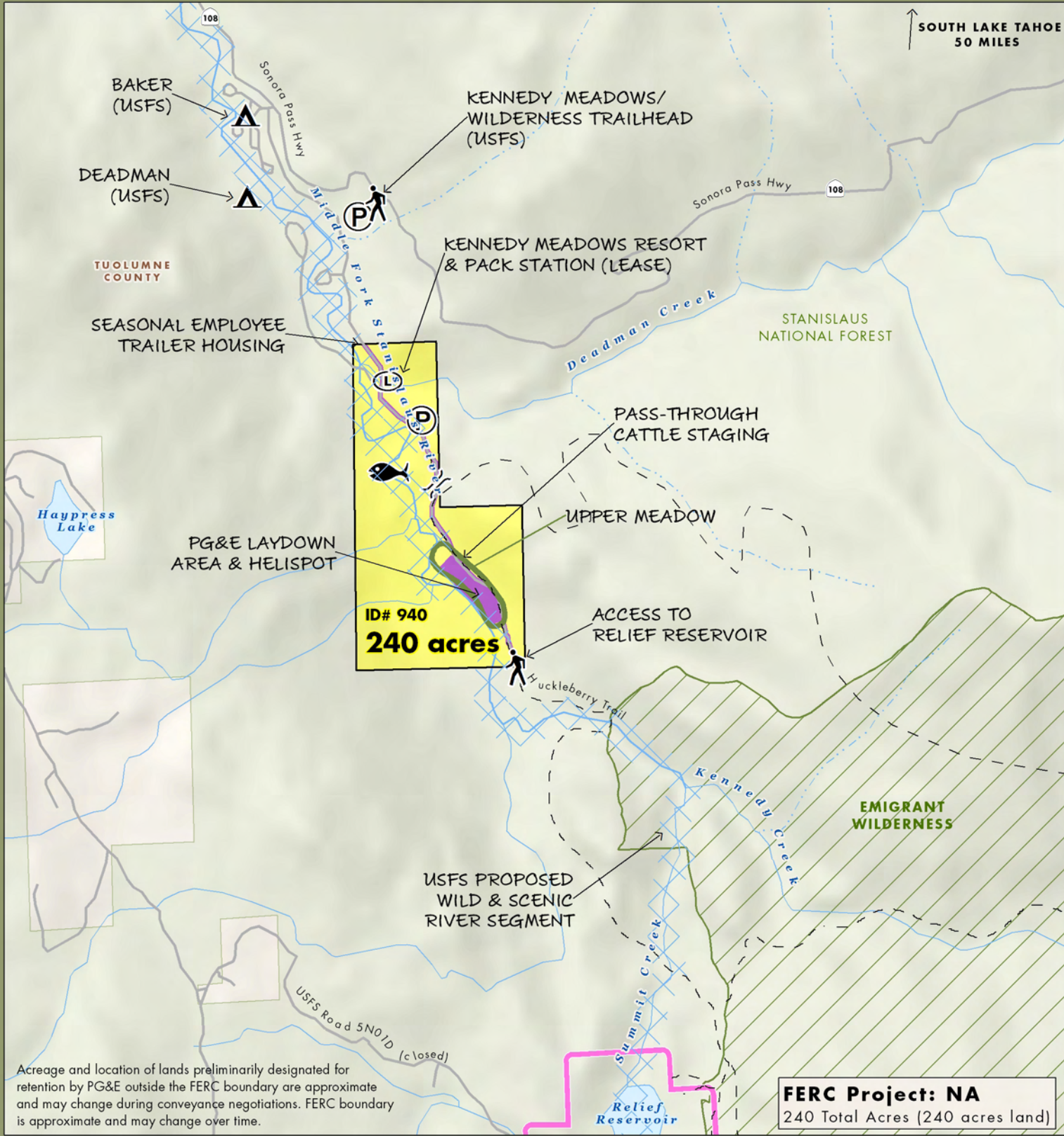
- Stream bank stabilization
- Removal of noxious weeds
- Development of a fuels management plan
- Development of a forest management plan
- Development of a wildlife habitat management plan that addresses water quality impacts
- Development of a recreation management plan that addresses carrying capacity
- Maintain existing uses of the property including pass through grazing
- Preservation of existing open space
- Youth investment and public education opportunities (including education on cultural resources)
- Trail improvements for hiking and equestrian uses
- Ensure enhancements comply with the Americans with Disabilities Act

IV. ADDITIONAL PUBLIC COMMENTS

The Stewardship Council also received unsolicited public comments from a number of individuals and organizations regarding the selection of donee(s) for the Kennedy Meadows Planning Unit. These concerns emphasize the ecological concerns similar to those expressed during public review of Volume I and II of the LCP as listed above in Section I.

Kennedy Meadows Planning Unit

SOUTH LAKE TAHOE
50 MILES



Acreage and location of lands preliminarily designated for retention by PG&E outside the FERC boundary are approximate and may change during conveyance negotiations. FERC boundary is approximate and may change over time.

FERC Project: NA
240 Total Acres (240 acres land)

PG&E Lands Preliminarily Designated for Donation	Private	Campground	Lodge	FERC Boundary
PG&E Lands Preliminarily Designated for Continued PG&E Operation Outside FERC Boundary	USFS	Fish Access	Parking	Highly Valued Stream
Legal Parcel Boundary and Id Number	Federal Wilderness	Gate	Trailhead	Trail

0 0.25 0.5 0.75 Miles



KENNEDY MEADOWS PLANNING UNIT

Stanislaus River Watershed

Existing Conditions & Uses

Overview

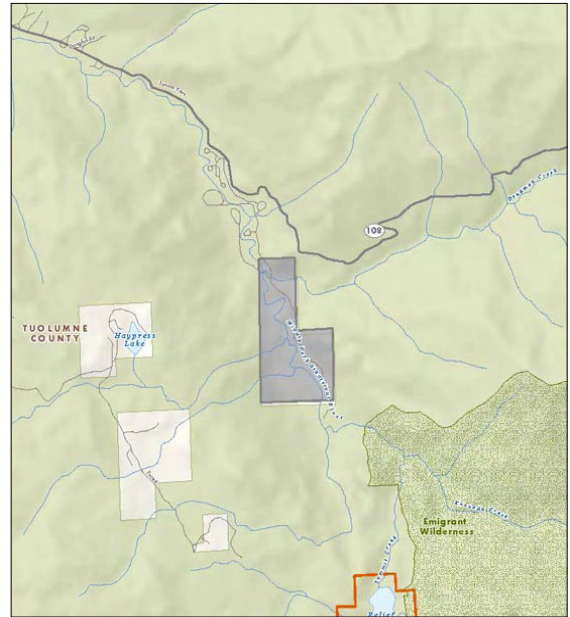
- Scenic high sierra meadow, forest, and native cottonwood habitat; 244 acres in Tuolumne County
- Historic pack station providing access to the Emigrant Wilderness
- All acres currently outside FERC boundary¹
- Associated with the Spring Gap-Stanislaus Project (FERC #2130); expect new hydroelectric license in 2007

Kennedy Meadows provides important outdoor recreation and wildlife habitat in the remote upper elevations of the Sierra Nevada. The property is located in Tuolumne County along Highway 108, just 57 miles east of Sonora and 50 miles south of South Lake Tahoe, at approximately 6,500 feet elevation. Most of the planning unit is surrounded by USFS Stanislaus National Forest (see Figure SR-1). The USFS Emigrant Wilderness is located less than 0.5 mile to the southeast of the planning unit.

The parcel is bisected by the Middle Fork Stanislaus River (MFSR) and is predominately



Kennedy Meadows Pack Station lodge



Kennedy Meadows Planning Unit
Tuolumne County

forested, interspersed with open meadows. The 12-mile segment of the MFSR from Relief Reservoir to Clark Fork, including the segment of the MFSR that runs through this planning unit, has been proposed for “recreational” Wild and Scenic River classification by USFS.

Fish, Plant, and Wildlife Habitat

The native black cottonwood woodland, conifer forest, and meadow habitats are home to several special status wildlife species. Kennedy Meadows contains habitat for mountain yellow-legged frog and historical habitat for Yosemite toad, as well as willow flycatcher and yellow warbler. The upper elevation mixed conifer with late successional stands supports other special status species such as northern goshawk, American marten, and Swainson’s thrush. There is also potentially suitable foraging habitat for the great gray owl, although no sightings have been documented. Surveys on adjacent lands have identified several species of bats that may also be present at Kennedy Meadows.

PG&E conducted relicensing surveys of the area in recent years and documented observations of the following: American dipper, spotted

Kennedy Meadows Planning Unit

Existing Conditions

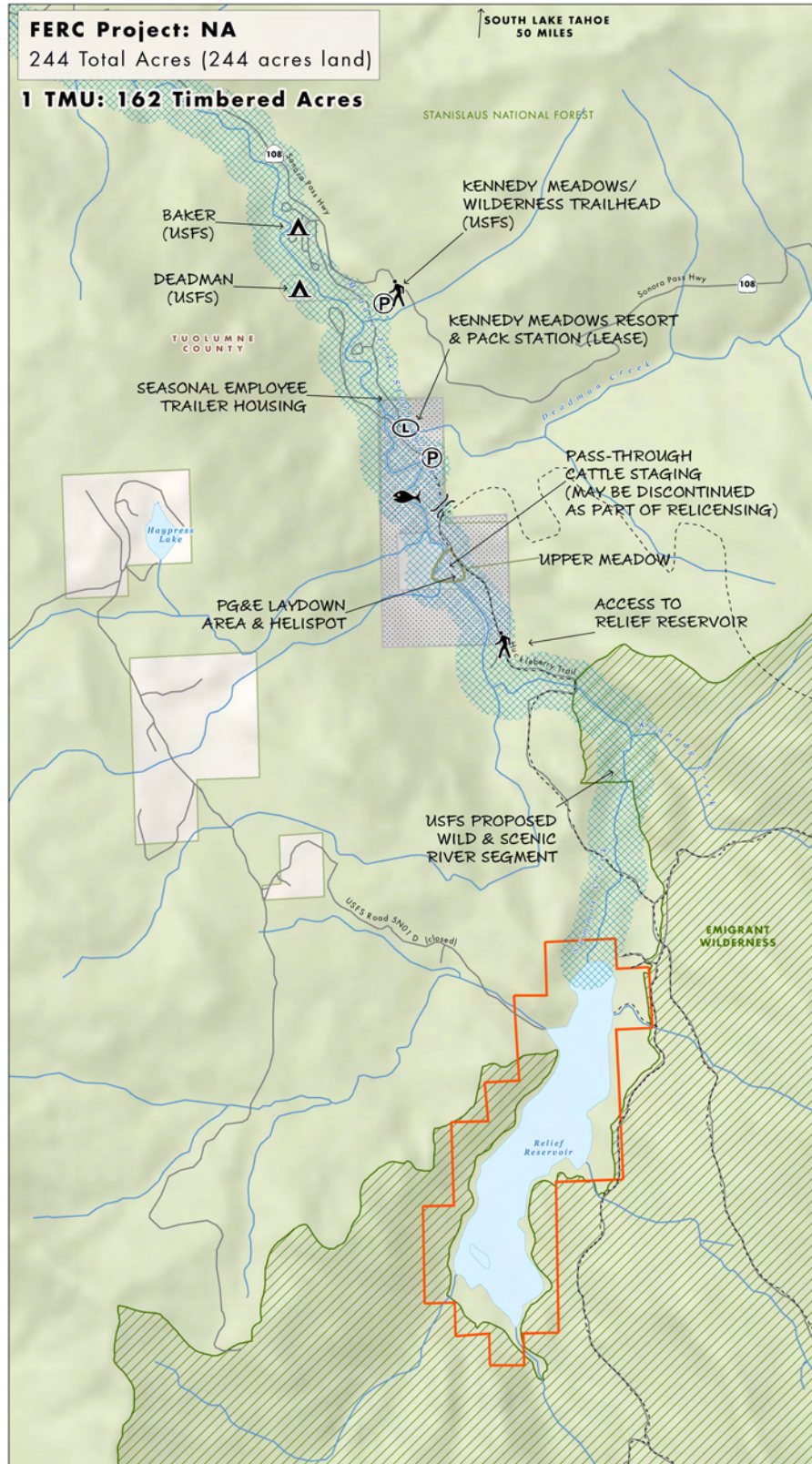


Figure SR-1

KENNEDY MEADOWS PLANNING UNIT

Stanislaus River Watershed

sandpiper, mountain quail, red-breasted sapsucker, warbling vireo, brown creeper, hermit thrush, Nashville warbler, yellow-rumped warbler, black-throated gray warbler, Macgillivray's warbler, black-headed grosbeak, and mule deer. The Stanislaus mule deer herd is also known to use summer range in this area.

Riparian vegetation occurs between Kennedy Meadows and the confluence of the MFSR and the Clark Fork. Black cottonwood, mountain alder, and red osier dogwood are the dominant riparian species along this stretch of the MFSR. Relicensing studies for botanical resources identified concerns about riparian vegetation and bank stability at Kennedy Meadows, particularly the absence of young age classes of cottonwood trees along the MFSR banks. In addition, USFS has noted observations of the noxious weed cheatgrass at Kennedy Meadows, and has expressed concerns about the potential for this species to spread into the adjacent Emigrant Wilderness.

Although the new License Order has not yet been issued for the Spring Gap-Stanislaus Project, the Final EIS for this project included measures to develop a detailed, three-phased plan for stabilizing banks and restoring riparian vegetation in the Kennedy Meadows section of the MFSR. The FERC Final EIS also included provisions for monitoring the effects of grazing at Kennedy Meadows on cottonwood recruitment and survival. Additionally, PG&E is developing a management plan that will address the spreading of manure in the upper meadow.

Open Space

The planning unit lands are largely undeveloped and set in the vast untouched region of the Stanislaus National Forest. The area is remote and provides access to pristine wilderness areas. Tuolumne County designates this region as "Parks and Recreation," as it provides for commercial recreational uses to serve the tourist industry as well as leisure activities for county residents. The Tuolumne County General Plan does not expect current land use to intensify.

Outdoor Recreation

Kennedy Meadows provides access for recreational users seeking a wilderness experience and activities such as equestrian riding, camping, hunting, fishing, hiking, and backpacking. An equestrian pack station has operated at Kennedy Meadows on a seasonal basis since 1917, providing trail access to the adjacent lands. The Kennedy Meadows Pack Station has provided generations of visitors the opportunity to access the adjacent wilderness, including small children, the elderly, and people with disabilities who may not be able to access the area on foot. The current pack operation is located on 160 acres of leased PG&E lands and consists of approximately 27 buildings, including barns, rental cabins, a small lodge, a saloon, various outbuildings, and several corrals. Some 21,000 visitors are estimated to visit the Kennedy Meadows area annually, with an estimated 14,000 vacationers staying at the pack station and about 1,500 taking horsepacking trips from the pack station. Long-distance hikers on the Pacific Crest Trail also use the Kennedy Meadows Pack Station as a resupply point. A recent fire on October 1, 2007 damaged several structures at the Kennedy Meadows Pack Station including the main lodge building (including its store and restaurant), several cabins and other buildings. However, the saloon, barn, over half of the cabins, and many other structures remain standing.



Upper wet meadow (looking south)

KENNEDY MEADOWS PLANNING UNIT

Stanislaus River Watershed



Fishing along the Middle Fork Stanislaus River

Primitive recreation experiences are moderated by the large volume of visitation and horses on area trails. The lessee provides various guided horseback trips into the adjacent Emigrant Wilderness, as well as cabins at the pack station for overnight visits. The Huckleberry Trail, which runs through this planning unit, provides public access to the wilderness as well as to Relief Reservoir. There are also several USFS campgrounds located north of the planning unit as well as a large USFS parking area available to recreation users entering the Emigrant Wilderness.

The section of the MFSR running through the planning unit provides popular fishing access. This section of the MFSR is relatively low gradient and contains substantial gravel bars and a much wider and flatter floodplain than downstream reaches of the MFSR. This reach is heavily stocked with rainbow trout; brown trout were also identified during recent relicensing surveys.

Forest Resources

The Kennedy Meadows Planning Unit is contained within one PG&E Timber Management Unit (TMU) containing 162 timbered acres. This TMU is managed by PG&E for Multiple-Use management, including sustained timber production. Protection and uses of other resources and facilities, however, may preclude

sustained timber management as the highest and best use of portions of the TMU.

Agricultural Uses

Although grazing is not regularly practiced on the properties at Kennedy Meadows, PG&E allows an adjacent grazing lessee (to the USFS) to stage cattle in Kennedy Meadows for two days on the way into the USFS allotment and up to one week on the way out. During recent relicensing studies, some concerns were identified regarding the potential impacts of this existing practice on cottonwood recruitment and survival; as a result, PG&E is considering prohibiting pass-through staging, as well as horse grazing, in the upper meadow.

Historic Resources

Lands in the vicinity of Kennedy Meadows are rich in cultural and historic resources. For hundreds of years, the Miwok² and other native people traveled, traded, hunted, and fished the area. While the Kennedy Meadows Planning Unit has not been surveyed to date, extensive studies of nearby FERC licensed project areas indicate that there is a high probability of cultural resources. In addition, the Kennedy Meadows Resort and many of the associated recreation residences were built prior to 1950 and may be eligible for historical status.



Upper dry meadow & riparian forest along the river

KENNEDY MEADOWS PLANNING UNIT

Stanislaus River Watershed

Stewardship Council Recommendations

The Stewardship Council recommends that the land and land uses at Kennedy Meadows be preserved and enhanced by focusing on unique habitat values, opportunities to preserve and enhance the popular recreation experience, and protection of the historic and cultural values of the region. In presenting the Recommended Concept provided here (see Figure SR-2), our objective is to preserve this unique ecosystem while also providing appropriate recreational opportunities. We recommend this effort be conducted in close coordination with PG&E and the implementation of pending FERC relicensing requirements for the area. The following recommendations will need to be re-evaluated given the recent fire at the Kennedy Meadows Pack Station.

Objective: Preserve and enhance biological and cultural resources, as well as enhance recreation opportunities and sustainable forestry management.

As shown on Table SR-1, The Stewardship Council has identified a number of preservation and/or enhancement measures that may contribute to the conservation management program for Kennedy Meadows. Additional detail and background regarding these potential measures can be found in the Supporting Analysis for Recommendations, provided under separate cover. 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 the planning unit.

Fish, Plant, and Wildlife Habitat

Objective: Preserve and enhance habitat in order to protect special biological resources.



Middle Fork Stanislaus River (looking north)

Kennedy Meadows is a small and special habitat area in a vast region of largely pristine wilderness. In order to preserve and enhance the habitat and resources found here, as well as the recreational experience that is interconnected with this natural environment, the Stewardship Council recommends that baseline studies and plans be developed to gain a clear understanding of the resources. These studies will likely be followed by management plans to ensure implementation of preservation and enhancement measures for specific resources. Management of the property to preserve and enhance habitat will also include addressing noxious weeds. We encourage close coordination with the USFS and other resource-focused organizations working in the region, and that all planning be considered in conjunction with fuels, forest, and recreation management plans.

Open Space

Objective: Preserve open space in order to protect natural and cultural resources, the wilderness character of the region, and the recreation setting.

This concept would preserve open space by limiting new construction to minor additions of recreation facilities, as well as through permanent conservation easements. Conservation easements would describe all prohibited uses to maintain

KENNEDY MEADOWS PLANNING UNIT

Stanislaus River Watershed

open space values, including the level of uses allowed and the requirement to maintain scenic qualities.

Outdoor Recreation

Objective: Enhance recreational facilities and operations in order to provide additional public access, education, and recreation opportunities consistent with the carrying capacity of the area.

Kennedy Meadows is an extremely popular recreation area – so much so that it runs the risk of being “loved to death” with so many visitors and equestrian trips originating from the pack station. However, the Stewardship Council believes that by improving existing facilities and providing additional facilities, this parcel can provide sustainable recreation for years to come.

As a starting point, the Stewardship Council recommends that appropriate recreational studies be undertaken to evaluate existing use, carrying capacity, projected use, and latent demand, followed by the development of a recreation management plan. These studies, including consultation with relevant agencies, would provide information about visitor needs and determine if and how existing recreation uses could be improved to protect resources and enhance the recreation experience. Recreation studies would also indicate if recommended



Equestrian trail ride, Kennedy Meadows Pack Station

facilities, such as trails and day use facilities, are in demand and if they would be feasible given the carrying capacity of the area. In addition, the Stewardship Council recommends that special consideration be given to youth education opportunities at the site.

The Stewardship Council is aware that certain aspects of the current operation at Kennedy Meadows detract from the recreational experience and may impact natural resources. For example, the existing power source for the pack station is an on-site diesel generator. We recommend that alternatives to this be explored to minimize noise levels and take advantage of renewable energy technology. In addition, reduction of horse manure on trails should also be considered to provide cleaner trail conditions and enhance the visitor experience. In addition, parking facilities should be closely evaluated to ensure resources are not being impacted. These types of facility and/or operational changes would require close coordination with any on-site lessee.

Sustainable Forestry

Objective: Develop and implement forestry practices in order to contribute to a sustainable forest, preserve and enhance habitat, as well as to ensure appropriate fuel load management.

Although forest resources at Kennedy Meadows are limited by the size of the property, the Stewardship Council recommends that future care and management of the land include developing a long-term vision for forest management in the area, addressing silvicultural practices, holistic watershed management, and fuels management. The fuels and forest management plans should be developed in conjunction with the noxious weed and wildlife and habitat management plans. We expect that all of these plans would be developed in coordination with adjacent USFS and lessee management and practices as appropriate.

KENNEDY MEADOWS PLANNING UNIT

Stanislaus River Watershed

Agricultural Uses

Objective: Preserve and enhance pass-through grazing practices in order to support ongoing ranching activity, if this can be accomplished in balance with ensuring appropriate protection of natural resources.

While pass-through grazing is the only active agricultural use on the planning unit, recent concerns voiced about this practice require further investigation. The Stewardship Council recommends that the future management consider this issue and work closely with PG&E, as appropriate, particularly if the new FERC license requires studies and/or monitoring. If PG&E decides to eliminate the pass-through grazing practice rather than monitor the effects of grazing on streambank stability, further consideration may be required to provide access to grazing allotments on adjacent USFS properties.



Middle Fork Stanislaus River

Preservation of Historic Values

Objective: Identify and manage cultural resources in order to ensure their protection, as well as to support opportunities for public education.

The Kennedy Meadows area has not been surveyed for cultural resources and therefore, little is known about the cultural resources at the site. Extensive studies of nearby lands, however, indicate that there is a high probability of cultural resources. Additionally, portions of the Kennedy Meadows Pack Station may also be eligible for historical status. The Stewardship Council aims to support an increased understanding of these resources and ensure they are appropriately protected. To meet this objective, we recommend that cultural resource studies be conducted to understand the resources found at Kennedy Meadows, that appropriate management plans be developed and implemented, and that opportunities to support public education regarding cultural resources be considered.

Throughout this effort, the Stewardship Council recommends close coordination with Native American entities.

Endnotes

¹ Some acreage, including the Huckleberry Trail (see Figure SR-1), may be added to the FERC boundary as part of a current relicensing process.

² The Central Sierra Miwok Tribe were the most recent Native American occupants of this area.

KENNEDY MEADOWS PLANNING UNIT
Stanislaus River Watershed

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Land Conservation Plan Volume III Pilot Process

BACKGROUND AND INTRODUCTION

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

Background on the Stewardship Council and LCP

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

Structure of the LCP

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

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



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

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

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

Four Pilot Planning Units

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

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



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

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

Pilot Process Objectives

The following objectives guided the development of the pilot process:

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

PROCESS OVERVIEW

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

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

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

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

- Planning,
- Transactional, and
- Regulatory.

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

Planning Process

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

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

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

FIGURE 1: PILOT PROCESS Overview

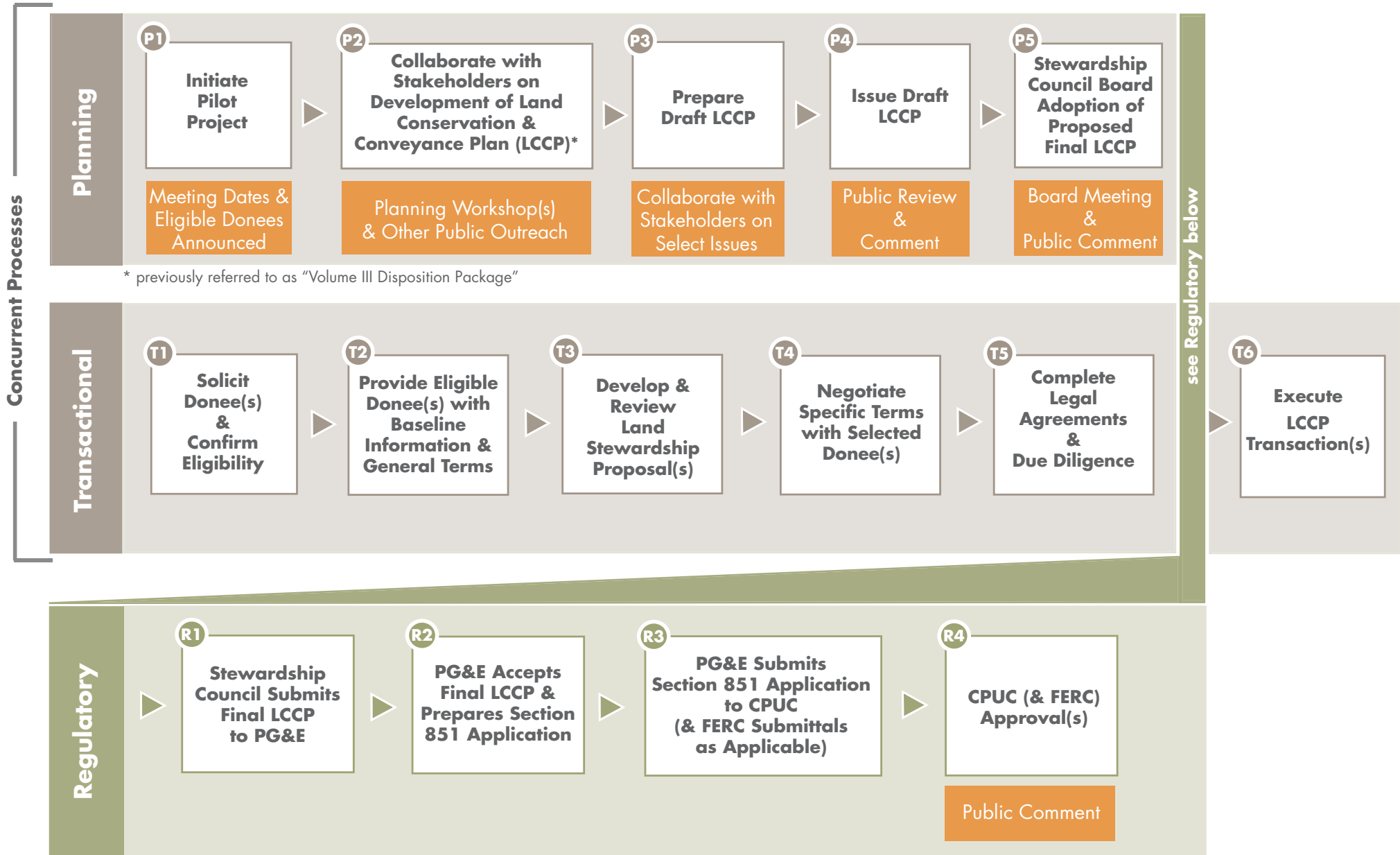


FIGURE 2: PILOT PROCESS Key Tasks

Planning

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

Transactional

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

Regulatory

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

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

SC: Stewardship Council

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

Step P1: Initiate Pilot Project

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

Step P2: Collaborate with Stakeholders on Development of LCCP

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

Step P3: Prepare Draft LCCP

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

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

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

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



Step P4: Issue Draft LCCP

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

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

Step P5: Stewardship Council Board Adoption of Proposed Final LCCP

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

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

Transactional Process

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

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

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

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

T1: Solicit Donee(s) and Confirm Eligibility

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

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

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



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

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

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

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

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

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

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

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

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

T3: Develop and Review Land Stewardship Proposal

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

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

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

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

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

T4: Negotiate Specific Terms with Selected Donees

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

T5: Complete Legal Agreements and Due Diligence

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

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

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



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

T6: Execute LCCP Transaction(s)

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

Regulatory Process

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

R1: Stewardship Council Submits Final LCCP to PG&E

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

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

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

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

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

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

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

R4: CPUC (and FERC) Approval(s)

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

ROLES AND RESPONSIBILITIES

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

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

PUBLIC OUTREACH

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

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



FIGURE 3: PILOT PROCESS Proposed Roles & Responsibilities

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

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

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



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

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

SCHEDULE

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

FUNDING

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

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

**FIGURE 4: PILOT PROCESS
Timeline**

