



*John Updike*  
*Director of Real Estate*



April 17, 2013

Through Naomi Kelly,  
City Administrator

**SFPUC/PG&E**  
**Edgewood Valve Lot in San Mateo**  
**County**  
**Assignment #**  
**Sale of Easement**

Honorable Board of Supervisors  
City and County of San Francisco  
City Hall, Room 244  
1 Carlton B. Goodlett Place  
San Francisco, CA 94102

Dear Board Members:

Attached for your consideration is a Resolution authorizing the conveyance of an easement (Easement) to the Pacific Gas and Electric Company (PG&E) as grantee and the City and County of San Francisco as grantor, acting by and through its Public Utilities Commission (SFPUC), for a new valve lot (Edgewood Valve Lot) within the Peninsula watershed in unincorporated San Mateo County.

PG&E has embarked on a capital improvement plan, known as the Pipeline Safety Enhancement Plan (PSEP) to upgrade gas pipeline safety. PG&E owns and operates several large gas transmission lines that run through the SFPUC's Peninsula watershed lands. PG&E obtained easements for these gas lines through condemnation in the past. The system-wide PSEP upgrades include the installation of a new pipeline, automated valves, and in-line inspection technologies.

The proposed easement area overlaps with an existing easement area for a PG&E gas pipeline. Specifically at the Edgewood Valve Lot, PG&E proposes to acquire the Easement to install an approximately 7,800 square foot valve lot. The Edgewood Valve Lot will consist of automated valves, remote-controlled equipment, and Pipeline Inspection Gauge (PIG) launchers and receivers. All of the installations will be secured within a fenced area.

The SFPUC is required to obtain not less than fair market value for sale of its property. PG&E and the SFPUC agreed to use a mutually acceptable third-party neutral appraiser that is MAI-certified. ARWS, a city-approved vendor, was selected as this appraiser. Using properties comparable to the proposed easement area, the appraiser valued the subject easement at \$2,200. The City's Real Estate Division has reviewed the appraisal and agrees that the methodology used was sound and that the \$2,200 appraised value is not less than fair market value.

As additional, non-monetary consideration, PG&E has agreed to modify the terms of its existing pipeline easement to grant indemnity and insurance protections to the SFPUC. The existing easement was obtained by condemnation and did not contain indemnity nor insurance provisions.

There will be no operational impacts to the SFPUC due to the valve lot on this new Easement. Further, there is no budgetary impact because PG&E is paying fair market value and is obligated to restore disturbed areas, if any, to a condition satisfactory to the SFPUC.

PG&E is under strict California Public Utilities Commission (CPUC) deadlines to finish the safety upgrades to its gas lines. The SFPUC recommends that this Board of Supervisors approve this action because gas pipeline safety within the Peninsula Watershed is essential to ensuring the City's and the Bay Area's water supply.

For California Environmental Quality Act (CEQA) review, the City's Planning Department has issued a Certificate of Determination stating that the work falls under a Categorical Exemption (Class 1) under CEQA Guidelines Section 15301. The SFPUC's Bureau of Environmental Management, acting as the responsible agency under CEQA, has reviewed the Certificate of Determination and has issued a memorandum to indicate its concurrence. Both CEQA documents are on file with the Clerk of the Board.

This project has been submitted to the City's Planning Department for a General Plan Review. By email on April 10<sup>th</sup>, 2013, City Planning indicated that a confirmation of conformance is expected by April 27<sup>th</sup>, 2013. SFPUC staff will deliver a copy of the letter to the Clerk of the Board upon receipt.

Under SFPUC Resolution 13-0052, adopted by the SFPUC on April 9, 2013, a copy of which is on file with the Clerk of the Board, SFPUC adopted findings that the proposed easement conveyance complies with CEQA. In the same resolution, the SFPUC approved the recommendation of this easement conveyance to the Board of Supervisors.

If you have any questions regarding this matter, please contact Rosanna Russell, SFPUC Real Estate Director, at 415-487-5213.

Sincerely,



John Updike  
Director of Real Estate

cc. Harlan L. Kelly, Jr., General Manager, SFPUC  
Rosanna Russell, Real Estate Director, SFPUC  
Carolyn Stein, City Attorney's Office