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John Updike
Director of Real Estate

BY 6



June 26, 2013

Through Naomi Kelly,
City Administrator

SFPUC/PG&E
Crystal Springs Station in San Mateo
County
Assignment #N/A
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 station (Crystal Springs Station) 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 Crystal Springs Station, PG&E proposes to acquire the Easement to install an approximately 23,000 square foot valve station. The Crystal Springs Station 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 \$15,400. The City's Real Estate Division has reviewed the appraisal and agrees that the methodology used was sound and that the \$15,400 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. Portions of 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. On May 27, 2013, City Planning found the project to be in conformity with the City's General Plan. A copy of this letter is on file with the Clerk of the Board.

Under SFPUC Resolution 13-0107, adopted by the SFPUC on June 25, 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