

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**RESOLUTION E-4200
October 16, 2008**

R E S O L U T I O N

Resolution E-4200. This Resolution approves PacifiCorp Advice Letter 362-E seeking approval under Public Utilities Code Section 851 to option the sale of Simonson Substation subject to CPUC approval to Arcata Redwood Company (Arcata). This resolution has been prepared pursuant to a pilot program specified in Resolution ALJ-202 granting expedited treatment to utility proposals meeting certain requirements.

By Advice Letter 362-E filed on July 3, 2008.

SUMMARY

This Resolution approves PacificCorp Advice Letter 362-E seeking approval under Public Utilities Code Section 851 to option the sale of Simonson Substation, to Arcata Redwood Company LLC (Arcata). Advice Letter 362-E was processed pursuant to Resolution ALJ-202, providing for expedited action. This Resolution is effective immediately.

BACKGROUND

Utilities proposing to sell, lease, dispose of, or otherwise encumber property necessary or useful to the performance of its duties to the public must comply with PU Code Section 851. Ordinarily, such a proposal would entail a full Application to the Commission, including a review pursuant to CEQA or a demonstration that such a review is not necessary. The Commission has initiated a pilot program per Resolution ALJ-202 that

provides for an expedited process for certain transactions meeting criteria specified in the ALJ Resolution. For proposals that meet the requirements, an Advice Letter may be filed demonstrating the applicability of the pilot program to the utility's proposal and requesting an expedited review of the Advice Letter. In order to approve projects under the pilot program, the Commission must pass a Resolution confirming that the proposal meets the requirements of Resolution ALJ-202.

On July 3rd, 2008 Pacific Corp filed Advice Letter 362-E requesting Commission approval under Public Utilities Code 851 to grant Arcata Redwood Company the option to purchase the Simonson Substation Property. This is part of an agreement entered for the purchase of land and construction of the new Morrison Creek Substation Project, CPUC application A.07-07-018, D.08-03-011. The 0.15 Acre parcel of land is located several hundred feet east of Highway 101, near Smith River, Del Norte County, California and is surrounded by a parcel of property owned by Arcata. Should Arcata exercise the option to buy the former Simonson site they intend to use it for operations associated with their lumber mill business. Any future use is speculative and therefore outside the scope of current resolution.

The original cost for this parcel of land was \$1112, the current sale price has been appraised at of \$6000. The net proceeds of \$4909 (\$6000 (Sale Price) - \$1091 (net book value)) will be used to offset the purchase of the land parcel for the replacement substation; known as Morrison Creek substation. The transaction is well below the ceiling of \$5 million set for full proceedings and therefore qualifies for an advice letter. There will be no effect of such a minor transaction on the company's rate base

The Commission has broad discretion to determine if it is in the public interest to authorize a transaction pursuant to Section 851. The primary standard used by the Commission is whether the transaction will serve the public interest. Where necessary and appropriate, the Commission may attach conditions to a transaction in order to protect and promote the public interest. The transaction will not interfere with the operation of PacificCorp and its ability to serve the public, because the Simonson substation is being replaced by the Morrison Creek substation. The sale of the Simonson property is contingent upon the operation of the Morrison

Creek substation; therefore no issue or conflict with public interest is expected to arise.

As part of the resolution it is necessary to assess whether a CEQA review is necessary or has already been undertaken. In this case the removal of the Simonson substation was covered as part of the draft and final Mitigated Negative Declaration for the Morrison Creek Substation A.07-07-018.¹ Mitigations and restoration required for Simonson's removal are included, and completion of the restoration is a pre-requisite for Arcata's agreement to purchase.

NOTICE

Notice of Advice Letter 362-E was made by publication in the Commission's Daily Calendar.

PROTESTS

No protests or comments to Advice Letter 362-E were filed.

DISCUSSION

The Energy Division has reviewed PG&E's Advice Letter 362-E and finds that it satisfies the criteria for inclusion in the pilot program specified in Resolution ALJ-202. Additionally, AL 362-E satisfies the filing requirements specified in Appendix A Section IV. 1-13 of Resolution ALJ-202.

The Energy Division finds that any possible environmental impacts from this project have been adequately studied in the Morrison Creek Mitigated Negative Declaration.

The Energy Division finds that expedited treatment pursuant to Section II of Resolution ALJ-202 is appropriate for AL 31 and that no reason to deny the approval of Advice Letter 362-E exists pursuant to Section VII. A. 3 of Resolution ALJ-202.

¹SCH #: 2007112094.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g) (2), otherwise applicable 30 day period for public review and comment is waived.

FINDINGS

1. On July 3rd, 2008 Pacific Corp filed Advice Letter 362-E requesting Commission approval under Public Utilities Code 851 to grant Arcata Redwood Company the option to purchase the Simonson Substation Property.
2. This is a facet of an agreement entered for the purchase and construction of the new Morrison Creek Substation Project CPUC A.07-07-018, D.08-03-011.
3. The 0.15 Acre parcel of land is located several hundred feet east of Highway 101, near Smith River, Del Norte County, California and is surrounded by a parcel of property owned by Arcata.
4. The transaction will not interfere with the operation of PacificCorp providing the Morrison Creek substation Project is completed.
5. The sale of the Simonson Property is contingent upon the operation of the Morrison Creek property.
6. \$.4909 of the sale price (\$6000 (Sale Price) - \$1091 (net book value)) will be used to offset the purchase of the land parcel for the Morrison Creek Substation land parcel
7. Simonson Substation has been in operation since 1957. Such an old substation may have, in the past, been sources of PCBs contamination. Treatment and remediation of any contamination has been covered in the MND for Morrison Creek substation project A.07-07-018.
8. Preparation of an environmental document is not required because removal of Simonson Substation has been covered in the California

Environmental Quality Act (CEQA) review for the construction of Morrison Creek substation A.07-07-018 and future use of land is speculative.

THEREFORE IT IS ORDERED THAT:

1. Pursuant to Public Utilities Code 851, the CPUC authorizes PacificCorp to option the sale of Simonson Substation land parcel and associated land rights as requested by Advice Letter 362-E to Arcata.
2. On condition that PacificCorp test and remediate as per MND recommendations in accordance with and to the extent required by applicable state regulations.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on 10/16/2008; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON
PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners