EXHIBIT C: PROJECT HISTORY AND PROPOSED DECOMMISSIONING SCHEDULE

C.1 Construction History

The history of the Kilarc-Cow Creek Hydroelectric Project (Project) began with the Northern California Power Company (NCPC). NCPC began construction of Kilarc Powerhouse in 1903 and completed construction in 1904. In this same time span, NCPC also constructed Kilarc Main Canal, Kilarc Penstock, and Kilarc Forebay. From May through July 1907, NCPC added the North Canyon Creek and South Canyon Creek Canals to the system.

Northern Light and Power Company (NLPC) construction on the Cow Creek Powerhouse was completed in September 1907, along with Cow Creek Forebay, Cow Creek Penstock, South Cow Creek Main Canal, Mill Creek-South Cow Creek Canal, and a 60-kilovolt wood pole line from Cow Creek to Palo Cedro.

NCPC acquired the Cow Creek Development on February 1, 1912 from the Sacramento Valley Power Company, which in turn had acquired the system from NLPC.

PG&E acquired NCPC in 1919. PG&E has since operated and maintained the Project.

Following is an overview of principal changes of the Project works since original construction:

- 1920s: Reconstruction of the upper portion of the Cow Creek Penstock and intake structure.
- 1930s: Conversion of Cow Creek Powerhouse to semi-automatic operation. (Note: semi-automatic operation is when a powerhouse will shutdown automatically due to protection devices, but must be started manually).
- 1950s: Conversion of Kilarc Powerhouse to semi-automatic operation.
- 1980s: Addition of fish ladder to South Cow Creek Diversion Dam.
    - Replacement of upper portion of the Cow Creek Penstock.
    - Replacement of South Cow Creek Diversion Dam.
- 1990s: Replacement of remaining Kilarc Main Canal's wooden flumes with steel flumes.

C.2 History of Public and Agency Consultation

The information presented below summarizes the consultation activities undertaken by PG&E with Interested Parties, including federal and state resource agencies relevant to the license surrender process, and a summary of consultation during the prior Federal Energy Relicensing Commission (FERC) relicensing process. Appendix B also includes this information, as well as a log of the consultation activities conducted by PG&E during its license surrender process.

C.2.1 FERC Relicensing Process

PG&E began relicensing the Project in 2002 by filing the Notice of Intent (NOI) with FERC. In 2002, PG&E met with Interested Parties and resource agencies, including the National Marine Fisheries Service (NMFS), the U.S. Fish and Wildlife Service (USFWS), California Department of Fish and Game (CDFG), and the State Water Resources Control Board (SWRCB) to describe the Project facilities and the impacts that PG&E had identified, and the proposed path for the relicensing process. PG&E used the results of these early meetings to prepare the First Stage Consultation Document (FSCD) in June of 2002. PG&E continued to engage the resource agencies on proposed studies and potential Project effects. In the FSCD, PG&E proposed 28 different studies to address the issues developed through the early consultation. PG&E received comments from NMFS, CDFG, USFWS, and SWRCB. PG&E incorporated the comments where appropriate and modified the study plans.

After performing the relicensing studies and consulting with Interested Parties, PG&E concluded in early 2004 that the likely cost of providing the necessary level of protection, mitigation, and enhancement (PM&E) measures for the resources affected by the Project would outweigh the economic benefit of generation at the Project over the life of a new license.

In February 2004, PG&E notified the Interested Parties about its decision to pursue decommissioning as an alternative to relicensing the Project. PG&E started discussions on relicensing options and decommissioning alternatives at an interagency meeting held in March 2004. Interested Parties expressed their level of interest in collaboratively working on the development of a decommissioning agreement with PG&E and offered comments regarding the Project impacts. Representatives included CDFG, SWRCB, NMFS, USFWS, the Bureau of Land Management, Shasta County, Trout Unlimited, and Friends of the River among others. Consequently, several meetings were held in April 2004 with the purpose of identifying subject areas to be included in a formal Project Agreement ("Agreement," Attachment 1 of Appendix A, Proposed Decommissioning Plan) and the desired conditions for each subject area post-decommissioning.

At the conclusion of the meetings, the Interested Parties agreed that the final list of decommissioning subjects and desired conditions was the best representation that could be developed at the time with the information available. The resulting Agreement was executed on March 30, 2005. Under the Agreement, PG&E would not seek a new FERC license for the Project, but instead would operate the Project until the current license expired (on March 27, 2007) and then on an annual license basis thereafter until the Project was acquired by another applicant or decommissioned by FERC Order. Since no other entity filed a License Application in the required time, PG&E began the license surrender process.

C.2.2 FERC License Surrender Process

To begin consultation under the license surrender process, PG&E held several public meetings in Whitmore, Redding, and Palo Cedro, California (on March 27, May 15, and May 16, 2007, respectively). Notices for these public meetings and all subsequent public meetings, were placed in local newspapers, and letters were sent to Interested Parties. During the meetings, PG&E

explained the license surrender process, and solicited comments from Interested Parties to assist in identifying issues of concern prior to developing a Preliminary Proposed Decommissioning Plan (PDP). On June 13 and 14, 2007, PG&E hosted a public site visit at the Project facilities.

In September 12 and 13, 2007 meetings in Redding and Palo Cedro, PG&E issued the PPDP to the Interested Parties and discussed the scope of decommissioning, followed by a 30-day public comment period. PG&E reviewed the comments, developed a response to comment table, and held additional meetings on November 7 and 8, 2007 to discuss PG&E's responses to comments and the various resource issues to be addressed in the License Surrender Application (LSA). Based on these meetings, PG&E finalized the scope of additional studies that would be prepared for the Draft License Surrender Application (DLSA).

On January 24, 2008, FERC held two public meetings to address public questions on the surrender application process and to elaborate further on PG&E's role in the process and FERC's license surrender rules and regulations. During the meetings, it was suggested by some local community members that another entity could potentially assume ownership of the Kilarc Forebay and Powerhouse for recreational purposes. In response to this suggestion, in March 2008, PG&E distributed to all Interested Parties Solicitation of Interest letters, the purpose of which was to learn whether there were in fact other entities interested in operating the facilities for historical and/or recreational purposes. As part of this effort, PG&E developed and distributed to the Interested Parties two guidance documents to assist entities in understanding the various technical, financial and legal issues associated with operating Kilarc Forebay and Powerhouse as historical and/or recreational facilities. PG&E also conducted additional outreach with Shasta County and California State Parks to determine if they were potentially interested in the facilities. No completed applications were received by PG&E. One entity submitted a letter expressing interest, but focused largely on continuing to operate Project facilities for generation purposes and not solely for recreational and historical purposes. In addition, the entity did not adequately address any of the technical, financial, and legal issues associated with owning and operating the Project facilities.

PG&E consulted with federal and state resource agencies in the spring and summer of 2008, holding several meetings and conducting a site visit. On July 25 and August 21, 2008, PG&E distributed to all Interested Parties status update letters to inform them of the current Project status and proposed schedule for the DLSA was issued on September 4, 2008, and distributed to all Interested Parties. Public meetings were held on September 9 and 10, 2008 in Redding and Palo Cedro, California. The meeting on September 9 also began a 60-day comment period for the DLSA, which ended on November 8, 2008. PG&E collected comments from Interested Parties and incorporated them, as appropriate, into the final LSA.

C.3 Proposed Schedule for Decommissioning

Upon acceptance of the LSA, FERC will undertake an Environmental Assessment (EA) in compliance with the National Environmental Policy Act (NEPA) and will consult with federal and state resource agencies under the federal Endangered Species Act (ESA). The SWRCB may initiate a California Environmental Quality Act (CEQA) review prior to issuing a Water Quality Certification pursuant to Section 401 of the federal Clean Water Act (CWA).

PG&E anticipates that the FERC EA, federal and state consultations, and the SWRCB CEQA processes will be completed within six months to two years after PG&E files its LSA. PG&E expects that FERC will issue an Order approving PG&E's LSA between 2009 and 2011. Based on this Order, PG&E will develop detailed engineering and management plans for decommissioning of the Project facilities. After FERC approves these plans and after PG&E obtains any other required permits, PG&E anticipates commencing decommissioning activities between 2010 and 2013. PG&E anticipates decommissioning the Project in phases beginning with either the Kilarc or Cow Creek development and then proceeding to decommission the other development. PG&E will continue operating the Project, or some portion thereof, until decommissioning activities make such operation infeasible. Power generation will continue to until facilities required for generation are removed or decommissioned. It is expected that removal of the Project facilities will take three years, followed by two years of maintenance and monitoring of the site restoration work overseen by FERC. Any additional monitoring required would be supervised by other agencies of jurisdiction.

Table C.2-1 below presents the current forecast range of dates between which decommissioning activities will take place. The range of dates may change as the schedule proceeds.

Table C.2-1. Decommissioning Activities

Description of Decommissioning Activity	Forecast Range of Dates	
	Start	End
PG&E files final LSA with FERC	03/2009	–
FERC prepares EA report SWRCB prepares CEQA report	03/2009	09/2009 to 03/2011
FERC issues order to decommission	12/2009 to 06/2011	–
PG&E develops detailed engineering plans PG&E develops detailed management plans PG&E obtains permits for decommissioning	12/2009 to 06/2011	06/2010 to 06/2013
PG&E decommissions Project and ceases generation	06/2010 to 06/2013	06/2013 to 06/2016
PG&E conducts post-decommissioning monitoring	06/2013 to 06/2016	06/2015 to 06/2018
FERC approves decommissioning	06/2015 to 06/2018	–