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November 30, 2016

Mr. Steve Rymer
City Manager
City of Morgan Hill
17575 Peak Avenue
Morgan Hill, CA 95037

RE: Pacific Gas and Electric's (PG&E) Community Outreach for the Proposed South County Power Connect Project

Dear Mr. Rymer:

This letter is being provided to the City of Morgan Hill as an update on Pacific Gas and Electric Company's (PG&E) outreach plan for the proposed South County Power Connect project. The project is an energy infrastructure project that will improve reliability for electric customers in southern Santa Clara County, specifically to the residents of Morgan Hill, Gilroy and surrounding communities.

Process

The California Independent System Operator (CAISO), which is responsible for operating and managing California's energy grid, approved the project in 2014 during its annual Transmission Planning Process. In March 2015, the CAISO selected PG&E to build, own and operate the proposed substation. PG&E introduced the project to local stakeholders in July 2015 and continues to engage the community to help inform them about the purpose and need for project and the approval process, and to collect feedback and information at key milestones to assist in the siting and routing process.

While PG&E is considering several potential locations, no final decision has been made about a proposed location for the project. Once PG&E completes its evaluation of potential sites and routes, it will propose a substation location and associated transmission line routes to the California Public Utilities Commission (CPUC). The final determination regarding the siting and routing of the project will be made by the CPUC. Before any facilities can be constructed, PG&E must first obtain a project license from the CPUC. As the state agency with jurisdiction over the siting of this type of project, the CPUC will ultimately decide where the substation and associated transmission lines will be located, which may be different from what PG&E proposed.

Project Scope

The South County area, including the communities of Morgan Hill, San Martin and Gilroy, is served by two 115 kV transmission lines from PG&E's existing Metcalf Substation in San Jose, and is part of the Metcalf 115 kV system. A disruption to these transmission lines could result in a large-scale power outage in southern Santa Clara County. The proposed project will provide the local energy grid with an additional connection to the regional transmission system, specifically the existing Metcalf-Moss Landing 230 kV system, which will reinforce the system and improve reliability. If there were to be a loss to transmission services in the Metcalf 115kV system, the area will still be served by the 230 kV system. In order to connect to the Metcalf-Moss Landing 230 kV system, there is a need to construct a new

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substation to convert the voltage to match the local 115kV system. Additionally, there is a need to construct new transmission lines to connect the new substation to the existing transmission system.

Application

The project team is preparing a license application that will be submitted to the CPUC in mid-2017. As the lead agency for this project under the California Environmental Quality Act (CEQA), the CPUC is subject to the same requirements regarding environmental reviews that apply to any CEQA lead agency. It is anticipated that the CPUC will perform a CEQA analysis in a manner similar to how a city or county would perform the analysis as the CEQA lead agency. The CPUC's permitting process provides opportunities for comments from affected parties and the general public, as well as federal, state and local agencies; and requires that the local municipalities, as well as relevant state agencies, receive notification of the filing of the project application. While the CPUC preempts local discretionary review of regulated utility electric projects, PG&E will obtain any required local ministerial permits following completion of the CPUC project approval process.

PG&E is required by the CPUC to study and include in its application a reasonable range of site alternatives, and thus cannot simply focus its studies and outreach on a single site or route. PG&E is in the process of evaluating potential substation site and transmission line route options that could be included in the CPUC license application. PG&E has implemented a process comprised of research and field reviews by environmental and engineering specialists, as well as community meetings and open houses. The evaluation considers present and future land uses (e.g. impacts to communities and agricultural operations), engineering concerns (e.g. length of lines, geotechnical, slope and access) and environmental concerns (e.g. presence of endangered species or sensitive habitat, cultural resources). For each site, sufficient reviews must be performed so the environmental impacts can be properly assessed.

Community Engagement

PG&E first introduced the project to the public with a project study area that included Morgan Hill, Gilroy and the surrounding areas before any potential sites or routes were identified. During this phase, PG&E met with local stakeholders and organizations and held open houses in September 2015. PG&E received feedback from government agencies and community members, which was used, along with existing environmental and engineering data, to identify a substation study area and potential transmission line corridors.

In February 2016, PG&E presented a substation study area, located within the original project study area, showing the area that project environmental and engineering specialists were studying to identify potential substation sites. The second phase of outreach included additional public workshops and open houses for feedback on the potential corridors and the substation study area. To notify the community regarding the February 2016 open houses, postcards were mailed to property owners and customers in the area, and notices were placed in several local news publications. Feedback from the community, along with environmental analysis and surveys, helped the project team to identify potential substation sites and refine transmission line corridors.

In July 2016, PG&E held open houses to present eight substation site options and refined transmission line corridors. To notify the community about these open houses, PG&E again mailed postcards to property owners and customers in the area, and placed notices in several local news publications. About 150 community members attended and provided feedback regarding the project and the potential sites and corridors. Since July, PG&E has continued to meet with property owners, neighborhood groups and stakeholders through briefings and community meetings.

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In addition, PG&E has hosted booths at community events and is communicating with the community through regular newsletters to those in the project area and email updates, which are distributed to more than 360 community members that have signed up to receive updates. Full project information is available on the project's interactive website (www.pge.com/southcountypc), which was launched in the fall of 2015. The website provides an interactive map, a telephone hotline, an email contact, and an online inquiry form to further support community engagement.

To summarize, PG&E has conducted extensive public outreach so far and worked with a variety of stakeholders during this process:

- PG&E has conducted more than 60 briefings and presentations with local organizations and governmental entities, including the City of Morgan Hill, City of Gilroy and County of Santa Clara.
- In total, PG&E has hosted eleven open houses and community meetings with more than 450 residents in attendance and nearly 50 comment cards received.
- Through the online inquiry form, project email and hotline, PG&E has responded to more than 250 comments and questions from the community about the project.

Next Steps

PG&E is continuing to study potential substation sites and transmission line routes to identify a proposed site and routes, as well as alternatives. As potential corridors and substation sites are further refined, PG&E will continue its public outreach efforts. It is anticipated that PG&E will provide a project update to the City and community with refined sites and potential routes early next year, following its ongoing environmental and engineering field studies.

Sincerely,



Papia Gambelin
Director, Public Affairs
Central Coast Region

cc: Karl Bjarke
Public Works Director/City Engineer
City of Morgan Hill

Edith Ramirez
Director of Economic Development
City of Morgan Hill

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