

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



May 11, 2006

Advice Letter 2813-E

Rose de la Torre  
Pacific Gas & Electric  
77 Beale Street, Room 1088  
Mail Code B10C  
San Francisco, CA 94105

Subject: Sale of certain electric facilities to Morning Star Packing Company

Dear Ms de la Torre:

Advice Letter Advice Letter 2813-E is effective May 12, 2006. A copy of the resolution is returned herewith for your records.

Sincerely,

Sean H. Gallagher, Director  
Energy Division

ijr

<b>REGULATORY RELATIONS</b>	
Tariffs Section	
M Brown	D Poster
R De la Torre	S Ramaiya
B Lam	
MAY 15 2006	
_____ Records _____	
Return to _____	File _____
cc to _____	



**Brian K. Cherry**  
Director  
Regulatory Relations

77 Beale Street, Room 1087  
San Francisco, CA 94105

*Mailing Address*  
Mail Code B10C  
Pacific Gas and Electric Company  
P.O. Box 770000  
San Francisco, CA 94177

415.973.4977  
Internal: 223.4977  
Fax: 415.973.7226  
Internet: BKC7@pge.com

April 12, 2006

**ADVICE 2813-E**  
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Sale of Certain Electric Facilities to Morning Star Packing  
Company**

Pacific Gas and Electric Company ("PG&E") submits this filing seeking approval of the sale of certain electric facilities to its customer Morning Star Packing Company ("Morning Star").

**Purpose and Background:**

Pursuant to the authority granted in Decision (D.) 99-12-030, Pacific Gas and Electric Company hereby requests final Commission approval of a proposed sale of limited sole-customer public utility facilities.

PG&E and Morning Star seek approval from the Commission for Morning Star to purchase certain PG&E electric facilities located on the Morning Star property in order to allow Morning Star to install additional circuit protection and comply with PG&E's current standards for delivery of primary-voltage service. PG&E and Morning Star seek approval of this advice letter filing pursuant to the authority granted in D. 99-12-030, relating to the sale of limited sole-customer public utility facilities.

PG&E currently owns two poles and various aerial wires, conductors, transformers, underground conduits and other associated appurtenances ("Facilities") necessary for the distribution of electric energy to Morning Star.

Morning Star is a large manufacturer of bulk tomato products located at 13448 Volta Road, Los Banos, CA 93635. The purpose of the sale is to allow Morning Star to install additional circuit protection and to comply with PG&E's current standards for delivery of primary-voltage service, more specifically described in the Purchase and Sale Agreement ("Agreement") provided in Attachment 1.

As a recital to the Agreement, Morning Star proposes to purchase the Facilities, move its metering point upstream (“high-side”) to the 12kV level and install additional customer-owned electric facilities on its premises. This recital is included as a modification to the form of the Agreement (See Recital B. in Attachment 1).

Morning Star has requested to purchase certain overhead and underground PG&E facilities leading to Morning Star’s 3,000kVA pad-mounted transformer. This purchase will facilitate relocating the existing “low-side” PG&E 480 volt metering to the “high-side” to meter at 12kV, and will allow space for Morning Star to install a recloser (circuit-breaker) and a distribution pole. Identification of the facilities to be sold is provided in Attachment 1 – Purchase and Sale Agreement, Exhibit A (“Description of Facilities”).

The Facilities are located on the customer's property and serve no other customers. Morning Star will pay PG&E for the Facilities and will reimburse PG&E for all rearrangement costs.

As a recital to the Agreement, the consequences of not approving this sale would result in PG&E removing its facilities described above, and Morning Star re-installing the same, at considerable additional cost and hardship to Morning Star. This recital is included as a modification to the form of the Agreement (See Recital E. in Attachment 1).

#### **Financial Terms of the Proposed Transaction:**

The purchase price for the Facilities is \$10,105. The original cost of the Facilities is \$8,840, and the net book value of the Facilities is \$4,465. Consistent with the requirements of D.99-12-030, the facilities proposed for sale have been owned, operated, and maintained by PG&E solely to provide utility service to the proposed purchaser, and the purchase price is greater than or equal to replacement cost new less depreciation. As a result of the sale, PG&E’s rate base will be reduced by the net-of-tax proceeds which will be credited to the depreciation reserve. See Attachment 2 for a table showing the sales price, expenses, and tax effects.

Disposition of the proceeds from the sale of the Facilities will be made in accordance with the policy for the allocation of the gains and losses on the sale of certain utility assets contemplated in the Commission’s pending Gain on Sale OIR (R.04-09-003) proceeding.

#### **Environmental/CEQA Information:**

The proposed sale constitutes a change in ownership and no direct or indirect environmental impacts will occur as a result of the sale of these specific facilities.

Accordingly, as stated in D.99-12-030 (pp. 7, 9), this advice letter process is exempt from further action under the California Environmental Quality Act ("CEQA").

This filing will not increase any other rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

**Protests:**

Anyone wishing to protest this filing may do so by sending a letter by **May 2, 2006** which is 20 days from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

CPUC Energy Division  
Attention: Tariff Unit, 4th Floor, 505 Van Ness Avenue  
San Francisco, CA 94102

Facsimile: (415) 703-2200  
E-mail: [jjr@cpuc.ca.gov](mailto:jjr@cpuc.ca.gov) and [jjj@cpuc.ca.gov](mailto:jjj@cpuc.ca.gov)

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via both e-mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission.

Pacific Gas and Electric Company  
Attention: Brian Cherry  
Director, Regulatory Relations  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, CA 94177

Facsimile: (415) 973-7226  
E-mail: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)

**Effective Date:**

PG&E requests that this advice filing become effective on regular notice, **May 12, 2006**, which is 30 days after the date of filing.

**Notice:**

In accordance with D.99-12-030, a copy of this advice letter is being served on the Energy Division and the Division of Ratepayer Advocates. In addition, in accordance with Section III, Paragraph G, of General Order 96-A, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address change requests should be directed to Rose De La Torre at (415) 973-4716. Advice letter filings can also be accessed electronically at:

**<http://www.pge.com/tariffs>**

Handwritten signature of Brian K. Cheng in black ink.

Director, Regulatory Relations

Attachments 1-2

cc: Service List - GO 96-A  
Ken Lewis – Energy Division  
Andrew Barnsdale, CPUC – Energy Division  
Junaid Rahman, CPUC – Energy Division  
Brewster Fong, DRA

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Bernard Lam

Phone #: (415) 973-4878

E-mail: bxlc@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **2813-E**

Subject of AL: Sale of Certain Electric Facilities to Morning Star Packing Company

Keywords (choose from CPUC listing): Sale of Facilities

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

D.99-12-030

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: N/A

Summarize differences between the AL and the prior withdrawn or rejected AL<sup>1</sup>: \_\_\_\_\_

Resolution Required?  Yes  No

Requested effective date: **May 12, 2006**

No. of tariff sheets: N/A

Estimated system annual revenue effect: (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting). N/A

Tariff schedules affected: N/A

Service affected and changes proposed<sup>1</sup>: N/A

Pending advice letters that revise the same tariff sheets: N/A

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:**

**CPUC, Energy Division**

**Attention: Tariff Unit**

**505 Van Ness Ave.,**

**San Francisco, CA 94102**

**jjr@cpuc.ca.gov and jnj@cpuc.ca.gov**

**Pacific Gas and Electric Company**

**Attn: Brian K. Cherry**

**Director, Regulatory Relations**

**77 Beale Street, Mail Code B10C**

**P.O. Box 770000**

**San Francisco, CA 94177**

**E-mail: PGETariffs@pge.com**

<sup>1</sup> Discuss in AL if more space is needed.

**ATTACHMENT 1**

**Purchase and Sale Agreement**

**PURCHASE AND SALE AGREEMENT**

**By and between**

**PACIFIC GAS AND ELECTRIC COMPANY**

**and**

**THE MORNING STAR COMPANY,**  
**A CALIFORNIA CORPORATION**

**TABLE OF CONTENTS**

	<u>Page</u>
1. DEFINITIONS .....	1
2. PURCHASE AND SALE OF FACILITIES .....	4
3. PURCHASE PRICE AND OTHER COSTS .....	4
3.1 Purchase Price .....	4
3.2 Severance Costs .....	4
3.3 Taxes.....	5
4. CONDITIONS PRECEDENT.....	6
4.1 Conditions to Buyer's Obligations.....	6
4.2 Conditions to PG&E's Obligations .....	6
4.3 CPUC Approval .....	7
4.4 Satisfaction or Waiver of Conditions.....	7
5. CONDITION OF FACILITIES.....	7
5.1 Prior Inspection .....	7
5.2 Compliance with Legal Requirements and Governmental Approvals.....	7
5.3 Disclosure Regarding Hazardous Substances .....	8
5.4 Disclaimers Regarding the Facilities .....	8
5.5 "AS IS" SALE.....	8
5.6 Maintenance of Facilities Pending Closing.....	9
6. CLOSING.....	9
6.1 Closing Date.....	9
6.2 Delivery of Funds and Documents .....	9
6.3 Assumption of Liabilities .....	10
6.4 Removal of Lien of Mortgage .....	10
6.5 Survival.....	10
7. RELEASE .....	10
7.1 Release .....	10
7.2 Statutory Waiver.....	10
7.3 Survival.....	11
8. INDEMNITY .....	11
9. MISCELLANEOUS.....	11
9.1 Time of Essence.....	11
9.2 Further Assurances .....	11
9.3 Binding Effect; Assignment.....	11
9.4 Severability.....	12
9.5 Governing Laws .....	12
9.6 Counterparts.....	12

9.7	Notices .....	12
9.8	Attorneys' Fees.....	12
9.9	Limitation on Liability .....	13
9.10	Statute of Limitations.....	13
9.11	Exhibits.....	13
9.12	Arbitration .....	13
9.13	Interpretation .....	13
9.14	Survival.....	13
9.15	Authority .....	14
9.16	Prior Agreements .....	14

## PURCHASE AND SALE AGREEMENT

### DISTRIBUTION:

Original      Svc PIng  
Copy          Division  
Copy          PG&E

### REFERENCE:

ORDER NO.  
AP NO.  
D&C NO.

**THIS PURCHASE AND SALE AGREEMENT** (this "**Agreement**") is made and entered into as of this 16 day of March, 2006, the ("**Effective Date**") by and between **PACIFIC GAS AND ELECTRIC COMPANY**, a California corporation ("**PG&E**"), and **THE MORNING STAR COMPANY**, a California corporation ("**Buyer**").

### RECITALS:

A. PG&E currently owns the facilities (the "**Facilities**") described on **Exhibit A** attached hereto. The Facilities are located on the real property (the "**Land**") described on **Exhibit B** attached hereto, which real property is either owned by Buyer or Buyer has adequate land rights.

B. Buyer wishes to move his metering point upstream to the 12KV level and install additional customer-owned electric facilities on his premises.

C. Buyer has expressed a desire to purchase the Facilities, and PG&E is willing to sell the Facilities to Buyer on the terms and conditions set forth in this Agreement.

D. The Facilities are no longer necessary to PG&E in the performance of its duties to the public.

E. The consequences of not approving this sale would result in PG&E removing Facilities and the Buyer re-installing the same facilities at additional cost and significant hardship to the Buyer.

**NOW, THEREFORE**, in consideration of the respective covenants and agreements contained in this Agreement, PG&E and Buyer each agree as follows:

1. **DEFINITIONS** The following terms shall have the meanings ascribed to them below for purposes of this Agreement:

1.1 **Agreement.** "**Agreement**" has the meaning given in the preamble paragraph.

1.2 **Bill of Sale.** "**Bill of Sale**" means a document transferring title to the Facilities to Buyer, which document shall be substantially in the form of **Exhibit C** attached hereto.

1.3 **Business Day.** "**Business Day**" means a day other than Saturday, Sunday or a day on which (i) banks are legally closed for business in the State of California; or (ii) PG&E is closed for business.

- 1.4 **Buyer.** "Buyer" has the meaning given in the preamble paragraph.
- 1.5 **CEQA.** "CEQA" has the meaning given in Section 5.2.
- 1.6 **Claims.** "Claims" has the meaning given in Section 7.1.
- 1.7 **Closing.** "Closing" has the meaning given in Section 6.1.
- 1.8 **Closing Date.** "Closing Date" means the date PG&E delivers the Bill of Sale to Buyer.
- 1.9 **CPUC.** "CPUC" means the California Public Utilities Commission, or its regulatory successor, as applicable.

1.10 **CPUC Approval.** "CPUC Approval" means final, unconditional approval (including exhaustion of all administrative and judicial remedies or the running of time periods and statutes of limitation for rehearing and judicial review without rehearing or judicial review being sought) of this Agreement and the transactions contemplated hereby on terms and conditions acceptable to PG&E in its good faith discretion, including approval of PG&E's proposed accounting and ratemaking treatment of the sale.

1.11 **CPUC Approval Date.** "CPUC Approval Date" means the date on which CPUC approval of this Agreement and the transactions contemplated hereby on terms and conditions acceptable to PG&E in its good faith discretion, including approval of PG&E's proposed accounting and ratemaking treatment of the sale, becomes final, unconditional and unappealable (including exhaustion of all administrative and judicial remedies or the running of time periods and statutes of limitation for rehearing and judicial review without rehearing or judicial review being sought).

1.12 **Effective Date.** "Effective Date" has the meaning given in the preamble paragraph.

1.13 **Environmental Requirements.** "Environmental Requirements" means any applicable statutes, regulations or ordinances now in force or that may later be in force relating to the protection of human health or safety, or regulating or relating to industrial hygiene or environmental conditions, or the protection of the environment, or pollution or contamination of the air, soil, surface water or groundwater, including laws, requirements and regulations pertaining to reporting, licensing, permitting, investigating and remediating emissions, discharges, releases or threatened releases of such substances into the air, surface water, or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of such substances. Environmental Requirements include: the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. § 9601 et seq.) ("**CERCLA**"); the Hazardous Materials Transportation Act (49 U.S.C. § 5101 et seq.); the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.); the Federal Water Pollution Control Act (33 U.S.C. § 1251 et seq.); the Clean Air Act (42 U.S.C. § 7401 et seq.); the Clean Water Act (33 U.S.C. §§1251 et seq.); the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.); the Oil Pollution Act (33 U.S.C. § 2701 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act, (7 U.S.C. §§136 et seq.); the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001 et seq.); the Porter-Cologne Water Quality Control Act (Cal. Wat. Code § 13020 et seq.); the Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code § 25249.5 et seq.); the Carpenter-Presley-Tanner

Hazardous Substance Account Act (Health and Safety Code §§25300 et seq.); and the Hazardous Waste Control Act (Cal. Health & Safety Code § 25100 et seq.).

**1.14 Excluded Taxes.** "**Excluded Taxes**" means (a) Taxes (other than any sales, use, gross receipts, transfer or property Taxes, or any Taxes in the nature of sales, use, gross receipts, transfer or property Taxes) imposed on PG&E that are capital gains Taxes, minimum or alternative minimum Taxes, accumulated earnings Taxes, franchise Taxes or Taxes on or measured by gross or net income, capital or net worth of PG&E; and (b) property Taxes to the extent the payment is addressed in Section 3.4(b), and is not required to be reimbursed to PG&E by Buyer.

**1.15 Estimated Closing Date.** "**Estimated Closing Date**" has the meaning given in Section 6.1.

**1.16 Facilities.** "**Facilities**" has the meaning given in Recital Paragraph A.

**1.17 Governmental Authority.** "**Governmental Authority**" means any federal, state, local or other governmental, regulatory or administrative agency, commission, department, board, subdivision, court, tribunal, or other governmental arbitrator, arbitral body or other authority.

**1.18 Hazardous Substances.** "**Hazardous Substances**" means any hazardous or toxic material or waste, which is or becomes regulated by Environmental Requirements. Without limiting the generality of the foregoing, Hazardous Substances include any material or substance: (a) now or hereafter defined as a "hazardous substance," "hazardous waste," "hazardous material," "extremely hazardous waste," "restricted hazardous waste" or "toxic substance" or words of similar import under any applicable Environmental Requirements; or (b) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous, and is now or hereafter regulated as a Hazardous Substance by the United States, the State of California, any local governmental authority or any political subdivision thereof, or which cause, or are listed by the State of California as being known to the State of California to cause, cancer or reproductive toxicity; or (c) the presence of which poses or threatens to pose a hazard to the health or safety of persons or to the environment; or (d) which contains gasoline, diesel fuel or other petroleum hydrocarbons; or (e) which contains lead-based paint or other lead contamination, polychlorinated biphenyls ("**PCBs**") or asbestos or asbestos-containing materials or urea formaldehyde foam insulation; or (f) which contains radon gas; (g) fuel or chemical storage tanks, energized electrical conductors or equipment, or natural gas transmission or distribution pipelines; and (h) other potentially hazardous substances, materials, products or conditions.

**1.19 Land.** "**Land**" means the real property described on Exhibit B attached hereto.

**1.20 Legal Requirements.** "**Legal Requirements**" means all laws, statutes, ordinances, rules, regulations, requirements or orders of any Governmental Authority now in force or that may later be in force, and the conditions of any permit, certificate, license or other approval issued by public officers relating to the Facilities, including Environmental Requirements.

**1.21 Mortgage.** "**Mortgage**" means the Indenture of Mortgage dated March 11, 2004, as supplemented through the Closing Date.

**1.22 PG&E Parties.** "PG&E Parties" means PG&E and/or each and all of its past, present and future officers, directors, partners, employees, agents, representatives, shareholders, attorneys, affiliates, parent and subsidiary corporations, divisions, insurance carriers, heirs, legal representatives, beneficiaries, executors, administrators, predecessors, transferees, successors and assigns.

**1.23 Potential Environmental Hazards.** "Potential Environmental Hazards" means electric fields, magnetic fields, electromagnetic fields, electromagnetic radiation, power frequency fields, and extremely low frequency fields, however designated, and whether emitted by electric transmission lines, other distribution equipment or otherwise.

**1.24 Purchase Price.** "Purchase Price" has the meaning given in Section 3.1.

**1.25 Severance Costs.** "Severance Costs" has the meaning given in Section 3.2.]

**1.26 Tax Claim.** "Tax Claim" has the meaning given in Section 3.3(e).

**1.27 Taxes.** "Taxes" mean all federal, state, local or foreign income, ad valorem, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property (including assessments, special assessments, special district assessments, escape assessments, benefit assessments and maintenance assessments, fees or other charges or surcharges of any nature based on the use or ownership of real property), personal property, sales, use, documentary transfer, registration, value added, alternative and add-on minimum, estimated taxes, and all other taxes of any kind whatsoever, including all interest, penalties, fines and additions thereto, whether disputed or not, including all items for which liability arises as a transferee or successor-in-interest.

## **2. PURCHASE AND SALE OF FACILITIES.**

Subject to the terms and conditions of this Agreement, PG&E agrees to sell, convey, assign, transfer and deliver to Buyer, and Buyer agrees to purchase and acquire from PG&E, all of PG&E's right, title and interest in the Facilities.

## **3. PURCHASE PRICE AND OTHER COSTS.**

**3.1 Purchase Price.** Subject to adjustment as provided in this Section 3.1, the purchase price ("**Purchase Price**") for the Facilities is Ten Thousand One Hundred Five Dollars (\$10,105.00). The Purchase Price is based upon the Facilities existing on the Effective Date. If any additions to or retirements from the Facilities are made after the Effective Date and prior to the Closing Date, the Purchase Price shall be adjusted upward or downward, as the case may be, in accordance with the Reproduction Cost New Less Depreciation method of valuing assets, using five percent (5%) present worth depreciation. PG&E shall provide Buyer with written notice of the adjusted Purchase Price no later than the ten (10) Business Days after the CPUC Approval Date. If the Purchase Price is adjusted upward by more than ten percent (10%), Buyer may terminate this Agreement without further liability by providing written notice to PG&E within ten (10) Business Days of Buyer's receipt of notice of the adjusted Purchase Price.

**3.2 Severance Costs.** In addition to the Purchase Price, Buyer shall pay to PG&E the sum of Twenty Eight Thousand Nine Hundred Eighteen and 54/100 Dollars (\$28,918.54) to reimburse PG&E for the cost of physically separating the Facilities from the balance of PG&E's distribution facilities ("**Severance Costs**".)]

**3.3 Taxes**

(a) Except for any Excluded Taxes for which Buyer will have no liability, Buyer shall pay all Taxes arising in connection with the sale and transfer of the Facilities (or any part thereof), this Agreement or the transactions contemplated herein, or the receipt of the Purchase Price or other amounts hereunder, regardless of whether levied or imposed on or with respect to PG&E, Buyer or all or any part of the Facilities or any use thereof, and regardless of when such Taxes are levied or imposed. Without limiting the generality of the foregoing, Buyer shall pay PG&E a charge to cover PG&E's estimated liability for federal and state income tax on the severance work, calculated at the tax factor approved by the CPUC for the Income Tax Component of Contributions, if applicable.

(b) State and local personal property Taxes relating to the Facilities for the tax year (ending June 30) will be prorated between Buyer and PG&E on the following basis: PG&E is to be responsible for all such Taxes for the period up to the Closing Date; and Buyer is responsible for all such Taxes for the period on and after the Closing Date. All Taxes assessed on an annual basis will be prorated on the assumption that an equal amount of Taxes applies to each day of the year, regardless of how any installment payments are billed or made, except that Buyer will bear all supplemental or other state and local personal property Taxes which arise out of a change in ownership of the Facilities. In addition, Buyer acknowledges that the Facilities are assessed by the California State Board of Equalization as of January 1 of each year, and, if the Closing occurs between January 1 and June 30, PG&E must pay personal property taxes arising out of the ownership of the Facilities for the subsequent fiscal year. If the Closing occurs between January 1 and June 30, Buyer will deposit with PG&E the full amount to pay personal property taxes for the tax year beginning on July 1, in addition to the prorated amount of personal property taxes for the current tax year (ending June 30), and PG&E will pay the personal property taxes for these tax years before they become delinquent; provided however, that PG&E may pay such taxes in installments as permitted by law. If the personal property taxes for the tax year beginning on July 1 are not available as of the Closing, then the amount due from Buyer to PG&E for such tax year will be estimated on the basis of the prior year's personal property taxes and such amount will be subject to adjustment after the Closing. If the Closing occurs between July 1 and December 31, Buyer will deposit with PG&E the prorated amount of personal property taxes for the tax year in which the Closing occurs and PG&E will pay the personal property taxes for such tax year before they become delinquent; provided however, PG&E may pay such taxes in installments as permitted by law.

(c) PG&E will be entitled to any refunds or credits of Taxes relating to the Facilities that are allocable to the period prior to the Closing Date. Buyer will promptly notify and forward to PG&E the amounts of any such refunds or credits to PG&E within five (5) Business Days after receipt thereof. Buyer will be entitled to a refund of Taxes relating to the Facilities that are allocable to the period on and after the Closing Date. PG&E agrees to reasonably cooperate with Buyer's efforts to obtain such refund.

(d) After the Closing Date, Buyer will notify PG&E in writing, within five (5) Business Days after Buyer's receipt of any correspondence, notice or other communication from a taxing authority or any representative thereof, of any pending or

threatened tax audit, or any pending or threatened judicial or administrative proceeding that involves Taxes relating to the Facilities for the period prior to the Closing Date, and furnish PG&E with copies of all correspondence received from any taxing authority in connection with any audit or information request with respect to any such Taxes relating to the Facilities for the period prior to the Closing Date.

(e) Notwithstanding any provision of this Agreement to the contrary, with respect to any claim for refund, audit, examination, notice of deficiency or assessment or any judicial or administrative proceeding that involves Taxes relating to the Facilities for the period either entirely prior to the Closing Date or both prior to and after the Closing Date (collectively, "**Tax Claim**"), the parties will reasonably cooperate with each other in contesting any Tax Claim, including making available original books, records, documents and information for inspection, copying and, if necessary, introduction as evidence at any such Tax Claim contest and making employees available on a mutually convenient basis to provide additional information or explanation of any material provided hereunder with respect to such Tax Claim or to testify at proceedings relating to such Tax Claim. PG&E will control all proceedings taken in connection with any Tax Claim that pertains entirely to the period prior to the Closing Date, and PG&E and Buyer will jointly control all proceedings taken in connection with any Tax Claim pertaining to the period both prior to and after the Closing Date. Buyer has no right to settle or otherwise compromise any Tax Claim which pertains entirely to the period prior to the Closing Date; and neither party has the right to settle or otherwise compromise any Tax Claim which pertains to the period both prior to and after the Closing Date without the other party's prior written consent.

(f) The obligations of the parties pursuant to this Section 3.3 shall survive the Closing.

#### **4. CONDITIONS PRECEDENT.**

**4.1 Conditions to Buyer's Obligations.** Buyer's obligation under this Agreement to purchase the Facilities is subject to the fulfillment or waiver of each of the following conditions precedent:

(a) PG&E shall have performed or complied in all material respects with all covenants, agreements and conditions contained in this Agreement to be performed or complied with by PG&E at or prior to the Closing.

(b) No suit, action or other proceeding shall be pending before any court or Governmental Authority which seeks to restrain or prohibit any of the transactions contemplated by this Agreement or to obtain material damages or other material relief in connection with this Agreement or the transactions contemplated hereby.

**4.2 Conditions to PG&E's Obligations.** PG&E's obligation under this Agreement to sell the Facilities to Buyer is subject to the fulfillment or waiver of each of the following conditions precedent:

(a) Buyer shall have performed or complied in all material respects with all covenants, agreements and conditions contained in this Agreement to be performed by Buyer at or prior to the Closing.

(b) No suit, action or other proceeding shall be pending before any court or Governmental Authority which seeks to restrain or prohibit any of the transactions contemplated by this Agreement or to obtain material damages or other material relief in connection with this Agreement or the transactions contemplated hereby.

**4.3 CPUC Approval.** The obligation of each party to close the sale of the Facilities is conditioned upon obtaining CPUC Approval on or prior to the Closing Date. PG&E shall have the right (but not the obligation) to extend the Estimated Closing Date to obtain CPUC Approval as set forth in Section 6.1. PG&E shall use good faith efforts to obtain CPUC Approval, and Buyer agrees to cooperate with PG&E's efforts to obtain CPUC Approval, including by promptly reviewing and signing the application for CPUC Approval. Buyer acknowledges and agrees that PG&E makes no representation or warranty with respect to the likelihood of obtaining CPUC Approval, and Buyer hereby waives all Claims against PG&E that may arise as a result of the need for CPUC Approval or PG&E's failure to obtain CPUC Approval, unless PG&E did not make a good faith effort to obtain CPUC Approval. If CPUC Approval has not been obtained on or prior to the Estimated Closing Date, as the same may be extended, the provisions of Section 4.4 below shall apply. Nothing in this Section in any way imposes upon PG&E an obligation to accept any term or condition imposed by the CPUC as a condition of its approval which term or condition is not acceptable to PG&E in its sole discretion.

**4.4 Satisfaction or Waiver of Conditions** Buyer may waive any of the conditions precedent set forth in Section 4.1, and PG&E may waive any of the conditions precedent set forth in Section 4.2. Neither party shall have the right to waive the condition precedent set forth in Section 4.3. Subject to the foregoing, in the event that any of the conditions precedent set forth in this Section 4 shall not be satisfied or waived on or before the Estimated Closing Date (as the same may be extended), then the party whose obligations are subject to such condition precedent shall have the right to terminate this Agreement upon written notice to the other party, and PG&E and Buyer shall thereupon each be released from all obligations under this Agreement, except those which expressly survive termination.

## **5. CONDITION OF FACILITIES**

**5.1 Prior Inspection** Buyer acknowledges that prior to the execution of this Agreement, Buyer has had ample opportunity to inspect the Facilities and has inspected the Facilities to its satisfaction. Based on Buyer's independent investigation of the Facilities, Buyer has decided to execute this Agreement.

**5.2 Compliance with Legal Requirements and Governmental Approvals.** Except for (a) CPUC Approval; and (b) PG&E's obligations under Section 6.4; Buyer, at Buyer's sole expense, is responsible for complying with all Legal Requirements and obtaining all authorizations, consents, licenses, permits and approvals of Governmental Authorities and third persons required by applicable Legal Requirements or required by any such third persons in connection with the consummation of the transactions contemplated by this Agreement and with Buyer's operation of the Facilities, whether as a result of the PCB content or otherwise, including all consents to the assignment from PG&E to Buyer of the Facilities (or any portion thereof). Notwithstanding the foregoing, Buyer is responsible for complying with the California Environmental Quality Act ("**CEQA**") to the extent applicable, and satisfying, at Buyer's sole expense, any and all mitigation measures under CEQA that may apply to Buyer's acquisition or operation of the Facilities. Buyer shall promptly notify PG&E of any and all mitigation measures that may affect PG&E. If PG&E determines in good faith that any such mitigation measures may adversely affect PG&E, PG&E shall have the right, without liability to Buyer, to terminate

this Agreement upon written notice to Buyer. In the event of such termination, PG&E and Buyer shall each be released from all obligations under this Agreement, except those that expressly survive termination. Buyer's obligations under this Section 5.2 shall survive the termination of this Agreement or the Closing.

**5.3 Disclosure Regarding Hazardous Substances** PG&E hereby discloses to Buyer that Potential Environmental Hazards and Hazardous Substances, including PCBs, may be present at, in, on, under, about, contained in, or incorporated in the Facilities or the Land, or portions thereof. Buyer represents that it is purchasing the Facilities for Buyer's own use, and not for resale. Buyer will continue to use the Facilities substantially in the manner in which they are currently being used for distribution purposes. If Buyer sells the Facilities or the Land, or any part thereof, it shall disclose, in writing, to all potential buyers, prior to the sale, that Potential Environmental Hazards and Hazardous Substances, including PCBs, may be present at, in, on, under, about, contained in, or incorporated in the Facilities or the Land, or portions thereof. Further, in the event the Facilities or the Land (or any portion thereof) are sold, conveyed or transferred in any manner to a person other than PG&E, Buyer shall incorporate in the agreement effectuating such transfer, language substantially in the same form as this paragraph. Buyer's obligations under this Section 5.3 shall survive the Closing.

**5.4 Disclaimers Regarding the Facilities** BUYER ACKNOWLEDGES THAT IT IS RELYING UPON ITS OWN INDEPENDENT INVESTIGATION IN DECIDING TO PURCHASE THE FACILITIES. BUYER EXPRESSLY DISCLAIMS RELIANCE ON ANY REPRESENTATIONS, WARRANTIES OR GUARANTIES, EITHER EXPRESS OR IMPLIED, BY PG&E, ITS OFFICERS, DIRECTORS, COUNSEL, REPRESENTATIVES OR AGENTS. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, PG&E EXPRESSLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, AS TO THE CONDITION, VALUE OR QUALITY OF THE FACILITIES, THE PROSPECTS (FINANCIAL AND OTHERWISE) OF THE FACILITIES, THE QUALITY OF WORKMANSHIP OF THE FACILITIES, OR THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT. PG&E FURTHER SPECIFICALLY DISCLAIMS ANY REPRESENTATION OR WARRANTY REGARDING POTENTIAL ENVIRONMENTAL HAZARDS, THE PRESENCE OF HAZARDOUS SUBSTANCES, COMPLIANCE OF THE FACILITIES WITH ENVIRONMENTAL REQUIREMENTS, OR LIABILITY OR POTENTIAL LIABILITY ARISING UNDER ENVIRONMENTAL REQUIREMENTS. NO SCHEDULE OR EXHIBIT TO THIS AGREEMENT, NOR ANY OTHER MATERIAL OR INFORMATION PROVIDED BY OR COMMUNICATIONS MADE BY PG&E, WILL CAUSE OR CREATE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED.

**5.5 "AS IS" SALE** THE FACILITIES ARE BEING TRANSFERRED "AS IS, WHERE IS, AND WITH ALL FAULTS" IN THEIR EXISTING CONDITION ON THE CLOSING DATE, WITHOUT ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND BY PG&E, EXPRESS, IMPLIED OR STATUTORY, AND WITHOUT RECOURSE AGAINST PG&E, EXCEPT AS SET FORTH IN THIS AGREEMENT. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, PG&E EXPRESSLY DISCLAIMS: (A) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY; (B) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE; AND (C) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR MATERIALS.

**5.6 Maintenance of Facilities Pending Closing** From the Effective Date through the Closing Date, PG&E will, at its expense, operate and maintain the Facilities in a manner consistent with PG&E practices.

## 6. CLOSING

**6.1 Closing Date** The parties estimate that the closing of this transaction (the "**Closing**") will take place on **May 1, 2006** (the "**Estimated Closing Date**"); provided, however, that if the CPUC Approval Date has not occurred prior to the Estimated Closing Date, PG&E shall have the right (but not the obligation) to extend the Estimated Closing Date for up to an additional one (1) year to obtain CPUC Approval, in which case the Closing Date shall occur on the date specified by PG&E, which date shall be no later than one hundred eighty (180) days following the CPUC Approval Date. If PG&E fails to obtain CPUC Approval prior to the Estimated Closing Date (as the same may be extended), this Agreement shall automatically terminate and except for agreements that expressly survive the termination of this Agreement, all obligations and liabilities of the parties under this Agreement shall terminate. If the conditions set forth in Section 4 have been satisfied (or waived by the party for whose benefit such condition precedent exists) prior to the Estimated Closing Date, the parties may mutually agree to accelerate the Closing Date. In addition, the parties may mutually agree to extend the Closing Date to take into account the scheduling of the final reading of electrical meters, weather conditions that may delay severance work, and other similar matters. The parties shall reasonably cooperate in modifying the Closing Date to accommodate the requirements of the other party, provided that in the event of any emergency situation or for other good cause, PG&E may unilaterally delay the Closing Date for a maximum of forty-five (45) days by written notice to Buyer. Upon request by PG&E, Buyer shall acknowledge the Closing Date in writing; provided, however, that Buyer's failure to execute such acknowledgement shall not affect the Closing Date.

**6.2 Delivery of Funds and Documents** The parties shall take the following actions on the respective dates specified below:

(a) Within ten (10) Business Days after written request, Buyer shall pay to PG&E in U.S. dollars the Purchase Price, the Severance Costs, and the Taxes (to the extent the amount owing by Buyer to PG&E is determined as of the date of the request), provided that PG&E shall not request such payment until approximately thirty (30) Business Days prior to the Closing Date.

(b) On the Closing Date, PG&E shall deliver to Buyer an original Bill of Sale duly executed by PG&E. The parties agree that delivery of the Bill of Sale shall be effective upon the earlier of (i) delivery to Buyer by hand of an original Bill of Sale; or (ii) Buyer's receipt of a facsimile transmission of the Bill of Sale as evidenced by electronic confirmation of receipt. If delivery is made by facsimile transmission, PG&E shall concurrently send the original document(s) to Buyer by registered or certified mail or overnight courier.

(c) On the Closing Date, PG&E shall sever the Facilities from the balance of PG&E's distribution system. Buyer hereby acknowledges receipt of the severance engineering drawings, a copy of which is attached hereto as Exhibit D

**6.3 Assumption of Liabilities** Upon the Closing Date, Buyer will assume all obligations and liabilities of any kind or nature whatsoever related to, arising from, or associated with ownership or possession of the Facilities.

**6.4 Warranty of Title and Removal of Lien of Mortgage** PG&E (i) warrants that upon CPUC Approval and execution and delivery of the Bill of Sale, Buyer shall have good title to the Facilities, free and clear of all liens and encumbrances except for the lien of the

Mortgage and (ii) within a reasonable time after the Closing Date, PG&E shall cause the Facilities to be released from the lien of the Mortgage.

**6.5 Survival** The covenants, agreements, and obligations of PG&E and Buyer contained in Section 6.3 and Section 6.4 shall survive the Closing.

## **7. RELEASE**

**7.1 Release** Buyer, for itself, and for any future owners or holders of all or a part of the Facilities and/or the Land, and each of their respective predecessors, successors, assigns, licensees, officers, directors, employees, agents, partners, shareholders, transferees, parent and subsidiary corporations, legal representatives, heirs, beneficiaries, executors and administrators hereby fully and forever releases, exonerates, discharges and covenants not to sue PG&E Parties of, from and for any and all losses (including diminution in the value of the Land and other consequential damages), costs, claims, demands, actions, suits, orders, causes of action, obligations, controversies, debts, expenses, accounts, damages, judgments and liabilities of whatever kind or nature (including fines and civil penalties), and by whomsoever asserted, in law, equity or otherwise, whether known or unknown, (each a "**Claim**" and, collectively, "**Claims**") arising from or in any way connected with the Facilities, including Claims relating to PG&E's maintenance of the Facilities prior to the Closing, Claims relating to Potential Environmental Hazards, and Claims relating to the presence of PCBs or any other Hazardous Substances in the Facilities and/or in, on or about the Land.

**7.2 Statutory Waiver** Buyer acknowledges that it may hereinafter discover facts different from or in addition to those, which it now knows or believes to be true with respect to the matters that are the subject of this Agreement, and agrees that this Agreement shall remain in effect in all respects, notwithstanding the discovery of such different or additional facts. In addition, Buyer understands and agrees that its agreements and covenants contained in this Agreement extend to all Claims of any nature and kind, known or unknown, suspected or unsuspected, based in whole or in part on facts existing in the past or as of the date hereof, and in that regard, Buyer acknowledges that it has read, considered and understands the provisions of Section 1542 of the California Civil Code which reads as follows:

### Section 1542. General Release

A general release does not extend to claims which a creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Based upon the advice of its counsel, Buyer knowingly and voluntarily waives and relinquishes any and all rights that it may have under Section 1542 as well as under the provisions of all comparable, equivalent, or similar statutes and principles of common law or other decisional law of any and all states of the United States or of the United States. Buyer understands and acknowledges the significance and consequences of this waiver and hereby assumes the risk of any injuries, losses or damages which may arise from such waiver.

**7.3 Survival** The releases, covenants, agreements, and obligations of Buyer contained in Section 7.1 and Section 7.2 shall survive the termination of this Agreement or the Closing.

8. **INDEMNITY.** Buyer agrees and covenants, at its sole cost and expense, to indemnify, protect, defend and hold the PG&E Parties harmless, to the fullest extent permitted by law, from and against any and all Claims (including the payment of damages, both actual and consequential, the payment of penalties and fines, the payment of the actual fees and expenses of experts, attorneys and others, and the payment of the cost of environmental investigations, monitoring, containment, abatement, removal, repair, cleanup, restoration, remedial work and other "response costs" under CERCLA or any other Environmental Requirements) arising from or in any way connected with: (a) any inspection of the Facilities, or activities conducted in connection therewith by Buyer, its employees, agents, or contractors prior to the Closing, including Claims arising from the passive or active negligence of PG&E Parties; or (b) the ownership, possession, use or operation of the Facilities from and after the Closing; or (c) Potential Environmental Hazards relating to the Facilities or (d) the presence, disposal, dumping, escape, seepage, leakage, spillage, discharge, emission, pumping, emptying, injecting, leaching, pouring, release or threatened release of PCBs or any other Hazardous Substances which occur on or after the Closing Date in connection with the Facilities; or (e) violation of any Legal Requirements which occur on or after the Closing Date. Notwithstanding anything to the contrary in this Section 8, Buyer shall not be required to indemnify, protect, defend or hold PG&E Parties harmless from or against any Claims that are brought by current or former employees of PG&E, their heirs, beneficiaries, executors or administrators, and which relate to such employees' activities in connection with the Facilities within the scope of their employment by PG&E. If any action or proceeding is brought against any one or more PG&E Parties for any Claim against which Buyer is obligated to indemnify or provide a defense hereunder, Buyer, upon written notice from PG&E, shall defend such action or proceeding at Buyer's sole expense by counsel approved by PG&E, which approval shall not be unreasonably withheld, conditioned or delayed. Buyer's obligation to defend the PG&E Parties includes the obligation to defend claims and participate in administrative proceedings, even if they are false or fraudulent. The covenants, agreements and obligations of Buyer contained in this Section 8 shall survive the termination of this Agreement or the Closing.

9. **MISCELLANEOUS**

9.1 **Time of Essence.** Time is of the essence of this Agreement and each and every provision hereof.

9.2 **Further Assurances** Each party hereto agrees to execute and deliver to the other party such further documents or instruments as may be necessary or appropriate in order to carry out the intentions of the parties as contained in this Agreement.

9.3 **Binding Effect; Assignment.** This Agreement shall be binding upon, and shall inure to the benefit of, the heirs, successors and assigns of the parties hereto.

9.4 **Severability** If any provision of this Agreement shall be unenforceable or invalid, the same shall not affect the remaining provisions of this Agreement and the provisions of this Agreement are intended to be and shall be severable; provided, however, if such unenforceability or invalidity alters the substance of this Agreement (taken as a whole) so as to deny either party, in a material way, the realization of the intended benefit of its bargain, such party may terminate this Agreement by notice to the other within thirty (30) Business Days after the final determination. If such party so elects to terminate this Agreement, PG&E and Buyer shall thereupon each be released from any obligations under this Agreement, except those that expressly survive termination.

**9.5 Governing Laws.** This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

**9.6 Counterparts** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**9.7 Notices** Any notice or other communication required or permitted under this Agreement shall be in writing and shall be either personally delivered or transmitted by registered or certified mail, return receipt requested, postage prepaid, or by a nationally recognized overnight courier, such as FedEx or Airborne Express, addressed to the parties as follows:

If to PG&E: Rates and Tariffs Department  
Attention: Patty S. Larson  
Pacific Gas and Electric Company  
P.O. Box 770000, Mail Code B8M  
San Francisco, CA 94177

With a copy to:

Law Department  
Attention: Grant Guerra  
Pacific Gas and Electric Company  
P.O. Box 7442, Mail Code B30A  
San Francisco, CA 94120

If to Buyer: Chris Rufer  
President  
c/o Lou Maffei, Administrator  
The Morning Star Company  
13448 Volta Rd.  
Los Banos, CA 93635

The date of any notice or communication shall be deemed to be the date of receipt if delivered personally, or the date of the receipt or refusal of delivery if transmitted by mail or overnight courier. Any party may change its address for notice by giving notice to the other party in accordance with this Section 9.7.

**9.8 Attorneys' Fees.** In the event that either party shall bring an action to enforce its rights under this Agreement, the prevailing party in any such proceeding shall be entitled to recover its reasonable attorneys' fees, costs and expenses (including accountants', consultants' or other professionals' fees, investigation expenses and any and all other out-of-pocket expenses), including in connection with any appeal thereof. Any such attorneys' fees and expenses incurred by either party in enforcing a judgment in its favor under this Agreement shall be recoverable separately from and in addition to any other amount included in such judgment, and such attorneys' fees obligation is intended to be severable from the other provisions of this Agreement and to survive and not be merged into any such judgment. For purposes hereof, the reasonable fees of in-house attorneys who perform services in connection with any such enforcement action are recoverable. The covenants of PG&E and Buyer contained in this Section 9.8 shall survive the termination of this Agreement or the Closing.

**9.9 Limitation on Liability** Buyer expressly agrees that the obligations and liabilities of PG&E under this Agreement and any document referenced herein shall not constitute personal obligations of the officers, directors, employees, agents, affiliates, members, representatives, stockholders or other principals or representatives of PG&E. The limitations contained in this Section 9.9 shall survive the termination of this Agreement or the Closing.

**9.10 Statute of Limitations** Any action by Buyer arising out of or in any way connected with the sale contemplated by this Agreement, whether sounding in tort, contract, strict liability or otherwise, must be commenced within two (2) years after the cause of action therefor has accrued.

**9.11 Exhibits** The following Exhibits are attached hereto and incorporated by reference into this Agreement:

<b>Exhibit A</b>	Description of the Facilities
<b>Exhibit B</b>	Description of the Land
<b>Exhibit C</b>	Form of Bill of Sale
<b>Exhibit D</b>	Severance Engineering Drawings

**9.12 Arbitration** Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by binding arbitration in accordance with the Commercial Arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction. All arbitration proceedings shall be conducted in San Francisco, California. Each party in any proceeding shall bear its own costs. The substantive law applied in the arbitration shall be the laws of the State of California without regard to its conflict of law principles, unless the claims or defenses raise issues of federal law in which case federal substantive law shall apply to those particular claims or defenses. The arbitrator shall be bound to apply the substantive law, and shall also be empowered to hear and determine dispositive motions, including motions to dismiss and motions for summary judgment. The arbitrator shall not be authorized to award any damages not permitted under Section 9.12.

**9.13 Interpretation** The language in all parts of this Agreement shall be construed according to its normal and usual meaning and not strictly for or against either PG&E or Buyer. The headings of the paragraphs of this Agreement are inserted solely for convenience of reference and are not a part of and are not intended to govern, limit or aid in the construction of any terms or provisions hereof. The words "include," "includes," and "including" shall be deemed to be followed by the phrase "without limitation."

**9.14 Survival** The attorneys' fees provision, the limitation on liability, the waivers of the right of jury trial, the other waivers of claims or rights, the releases and the obligations of Buyer under this Agreement to indemnify, protect, defend and hold harmless PG&E Parties shall survive the termination of this Agreement or the Closing, and so shall all other obligations or agreements of PG&E or Buyer which by their terms survive the termination of this Agreement or the Closing or which by their nature arise or occur following the termination of this Agreement or the Closing.

**9.15 Authority** Each party represents and warrants that the execution, delivery and performance of this Agreement has been duly authorized by such party and each person signing this Agreement on its behalf is duly and validly authorized to do so.

**9.16 Prior Agreements** This Agreement and the exhibits hereto contain the entire understanding of the parties relating to the subject matter hereto and shall supersede any prior written or oral agreements or communications between the parties pertaining to such subject matter.

**IN WITNESS WHEREOF**, the parties hereto have duly executed and delivered this Agreement as of the day and year first above written.

**PG&E:**

PACIFIC GAS AND ELECTRIC COMPANY,  
a California corporation

By: *Ken Wells* 3/23/06

Name: Ken Wells

Its: Director, Area 5, OM&C

Date: *J. A. Tubery* 3/22/06

APPROVED AS TO FORM:  
*Scott Quinn*  
Attorney

**BUYER:**

THE MORNING STAR COMPANY,  
a California corporation

By: *CR*

Name: Chris Rufer

Its: President

Date: 16 March 2006

**EXHIBIT A**

**DESCRIPTION OF THE FACILITIES**

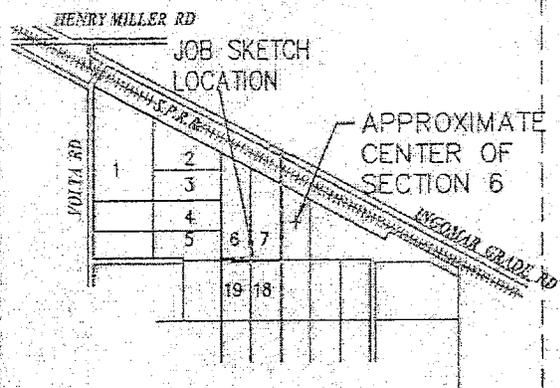
Two poles, aerial wires, cables, electrical conductors with associated crossarms, braces, transformers, anchors, guy wires and cables, fixtures, and appurtenances, and such underground conduits, pipes, manholes, service boxes, wires, cables, and electrical conductors; aboveground marker posts, risers, and service pedestals; underground and aboveground switches, fuses, terminals and transformers with associated concrete pads as necessary for the distribution of electric energy. The location of said overhead facilities are shown between points "A" and "B", and said underground facilities are shown between points "B" and "C" of attached map 30465455.

**EXHIBIT B**

**DESCRIPTION OF THE LAND**

LOT 6, AS SHOWN UPON THE MAP ENTITLED, "MILLER AND LUX'S SUBDIVISION OF LANDS AT VOLTA, MERCED CO., CAL", RECORDED JANUARY 3, 1895 IN BOOK 2 OF OFFICIAL PLATS, PAGE 31, MERCED COUNTY RECORDS.

APN-081-060-066



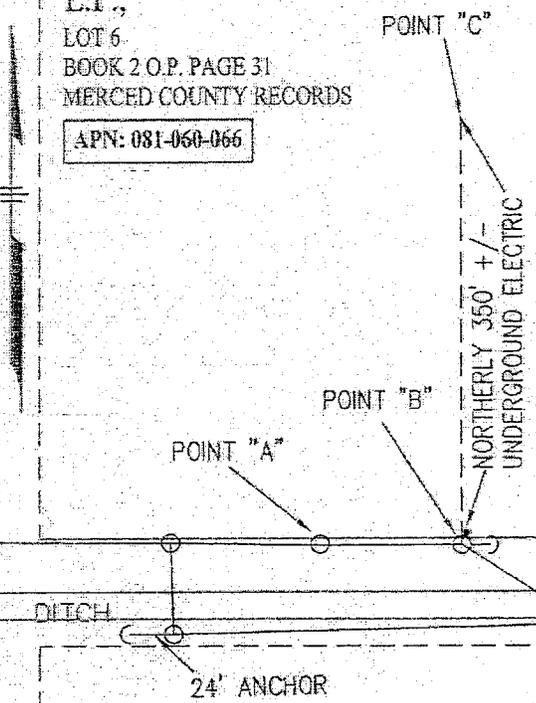
FACILITIES SITUATE IN THE  
NE 1/4 OF THE SW 1/4 OF  
SEC. 6, T10S, R10E, M.D.B. & M.

MORNING STAR PACKING CO.  
L.P.,  
LOT 6  
BOOK 2 O.P. PAGE 31  
MERCED COUNTY RECORDS  
APN: 081-060-066

**LEGEND:**

- RISER
- EXISTING PG&E POLE
- ⊥ ANCHOR
- EXISTING (OVERHEAD) ELECTRIC
- - - CENTERLINE FOR UNDERGROUND ELECTRIC LINE (approx. location)
- GRANTORS PROPERTY LINE
- OTHER PROPERTY LINES

PARALLEL TO EAST PROPERTY LINE



GRAND AVE ALIGNMENT

30'  
30'

Applicant: MORNING STAR PACKING COMPANY				SCALE: 1" = 100'	DATE: 2-22-06
SECTION: 6	TOWNSHIP: 10S	RANGE: 10E	MERIDIAN: MDB&M	COUNTY OF: MERCED	CITY OF:
PLAT MAP 10102-B		F.B.: NE, SW		DR. BY: D.H.H.	CH. BY:
REFERENCES 30465455		PG&E	YOSEMITE DIVISION	AUTHORIZ	30465455 DRAWING NO.

**EXHIBIT C**

**FORM OF BILL OF SALE**

**DISTRIBUTION**

Original            Buyer  
Copy                Division  
Copy                Svc. PIng.

**REFERENCE**

ORDER NO.  
AP NO.  
SAP BD NO.  
Wire Transfer No.

**BILL OF SALE**

Pursuant to that certain Purchase and Sale Agreement dated 16 March, 2006 (the "**Purchase Agreement**"), by and between **PACIFIC GAS AND ELECTRIC COMPANY**, a California corporation ("**PG&E**"), and **THE MORNING STAR COMPANY**, a California corporation ("**Buyer**"), effective on the Closing Date (as defined in the Purchase Agreement), PG&E hereby sells, assigns, transfers, and delivers to Buyer all of PG&E's right, title and interest in and to the property described on **Exhibit A**, attached hereto and incorporated herein by this reference (collectively, the "**Facilities**").

THE FACILITIES ARE BEING TRANSFERRED "AS IS, WHERE IS, AND WITH ALL FAULTS" IN THEIR EXISTING CONDITION ON THE CLOSING DATE, WITHOUT ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND BY PG&E, EXPRESS, IMPLIED OR STATUTORY, AND WITHOUT RECOURSE AGAINST PG&E. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, PG&E EXPRESSLY DISCLAIMS: (A) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY; (B) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE; AND (C) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR MATERIALS.

Notwithstanding the above paragraph, PG&E (i) warrants that upon CPUC Approval and execution and delivery of the Bill of Sale, Buyer shall have good title to the Facilities, free and clear of all liens and encumbrances except for the lien of the Mortgage and (ii) within a reasonable time after the Closing Date, PG&E shall cause the Facilities to be released from the lien of the Mortgage.

This Bill of Sale is executed pursuant to authorization contained in \_\_\_\_\_, dated \_\_\_\_\_, and is subject to all the terms and conditions of the Purchase Agreement.

IN WITNESS WHEREOF, PG&E has executed this Bill of Sale as of the date set forth below.

**PACIFIC GAS AND ELECTRIC COMPANY,**  
a California corporation

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

# Exhibit D

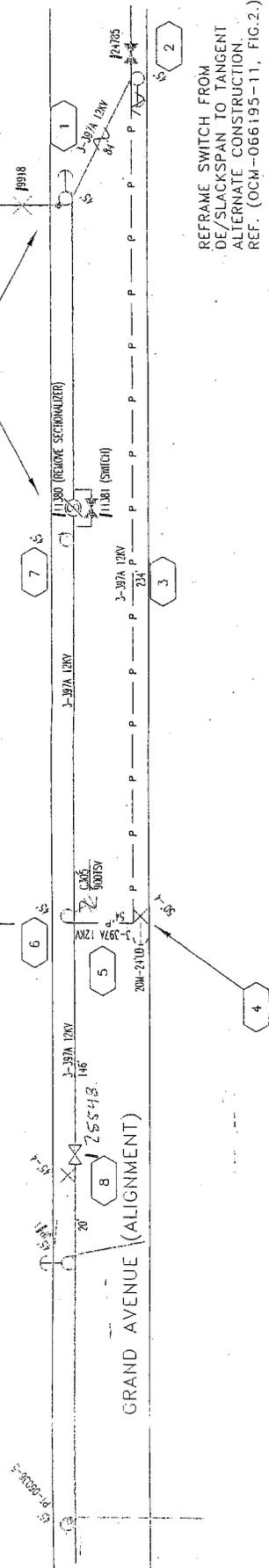
## MORNING STAR PACKING

PG-JEREMY CEDERLOF  
 PG-50042JM  
 PG 39-10  
 NEUTRAL 6  
 PT 23-5  
 SUPPORT 18  
 SET 6

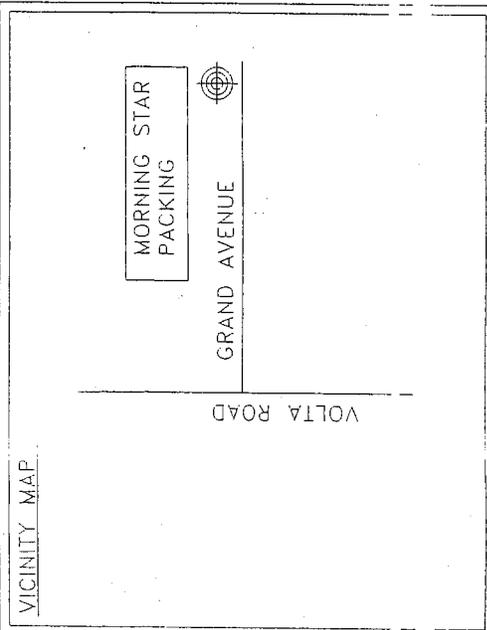
EXISTING 45' POLE  
 PG&E SOLELY OWNED POLE.  
 UNAUTHORIZED ATTACHMENT BY PT  
 TO PURCHASE INTEREST AND SHORTEN  
 GUY LEAD TO ALLOW FOR PG&E TO  
 INTERSET POLE 20" E/O EXISTING POLE.

PER STEVE MURPHY,  
 APPL TO PURCHASE  
 POLES SHOWN BELOW  
 FROM PG&E AND USE  
 FOR THEIR PRIMARY  
 TERMINATION POINT.

1500' +/- TO VOLTA RD.



REFRAME SWITCH FROM  
 DE/SLACKSPAN TO TANGENT  
 ALTERNATE CONSTRUCTION  
 REF. (OCM-066195-11, FIG.2.)



VICINITY MAP

EST: JEREMY CEDERLOF	SCALE: NOML	DATE: 10/31/05	PLNR: SCOTT AVERY
REP: STEVE MURPHY	SUPV: SHAHRAM MEHRASH	LIBERTY PACKING CO	
ADE: DAVE SILER	MORNINGSTAR PACKING		
13448 VOLTA RD			
LOS BANOS			
PACIFIC GAS AND ELECTRIC COMPANY			
CO:	SD:	NOTIF: 101795541	OTHER:
SHT: SHEETS	PM: 30465455	REV:	

NOT FOR CONSTRUCTION  
 DATE: 10/31/05  
 ADR: DAVE SILER 805-2008  
 PLAT: 10/10/05  
 FEEDER: WRIGHT-108  
 SSC: 5M-1387

**ATTACHMENT 2**

**Table Showing Sales Price, Expenses, and Tax Effects**

**PACIFIC GAS AND ELECTRIC COMPANY**  
**ELECTRIC DISTRIBUTION ASSET SALE**  
**to Morning Star Packing Company**  
(DOLLARS)

**1 SALES PROCEEDS**

Sales Price	10,105
Less: Transaction Costs	<u>0</u>
Net Sale Proceeds	<u><u>10,105</u></u>

**2 ALLOCATION OF SALES PROCEEDS BASED ON THE HISTORICAL COST OF PROPERTY**

	Historical Cost	Proportional %	Valuation Method
Non-Depreciable Property (Land)	0	0.00%	Appraisal Feb 2006
Depreciable Property	<u>8,840</u>	<u>100.00%</u>	
	<u><u>8,840</u></u>	<u><u>100.00%</u></u>	

**3 GROSS GAIN/(LOSS) ON SALE**

	Historical Cost	Net Book Value	Sales Proceeds	Pre-Tax Gain/(Loss)
Non-Depreciable Property (Land)	0	0	0	0
Depreciable Property	<u>8,840</u>	<u>4,465</u>	<u>10,105</u>	<u>5,640</u>
	<u><u>8,840</u></u>	<u><u>4,465</u></u>	<u><u>10,105</u></u>	<u><u>5,640</u></u>

**4 TAXES ON PROPERTY**

	Net Tax Value	Sales Proceeds	Before Tax Gain/ (Loss)	Tax 40.746%
Non-Depreciable Property (Land)	0	0	0	0
Depreciable Property	<u>6,413</u>	<u>10,105</u>	<u>3,692</u>	<u>1,504</u>
	<u><u>6,413</u></u>	<u><u>10,105</u></u>	<u><u>3,692</u></u>	<u><u>1,504</u></u>

**5 RATE BASE CHANGES**

Reduction to Gross Plant	(8,840)
Reduction to Depreciation Reserve (depreciation reserve is reduced by the historical cost of depreciable property)	8,840
	<u>0</u>
Reduction to Rate Base	<u><u>0</u></u>

**PG&E Gas and Electric Advice  
Filing List  
General Order 96-A, Section III(G)**

ABAG Power Pool	Douglass & Liddell	Palo Alto Muni Utilities
Accent Energy	Downey, Brand, Seymour & Rohwer	PG&E National Energy Group
Aglet Consumer Alliance	Duke Energy	Pinnacle CNG Company
Agnews Developmental Center	Duke Energy North America	Plurimi, Inc.
Ahmed, Ali	Duncan, Virgil E.	PPL EnergyPlus, LLC
Alcantar & Eisesser	Dutcher, John	Praxair, Inc.
Anderson Donovan & Poole P.C.	Dynergy Inc.	Price, Roy
Applied Power Technologies	Ellison Schneider	Product Development Dept
APS Energy Services Co Inc	Energy Law Group LLP	R. M. Hairston & Company
Arter & Hadden LLP	Energy Management Services, LLC	R. W. Beck & Associates
Avista Corp	Enron Energy Services	Recon Research
Barkovich & Yap, Inc.	Exelon Energy Ohio, Inc	Regional Cogeneration Service
BART	Exeter Associates	RMC Lonestar
Bartle Wells Associates	Foster Farms	Sacramento Municipal Utility District
Blue Ridge Gas	Foster, Wheeler, Martinez	SCD Energy Solutions
Bohannon Development Co	Franciscan Mobilehome	Seattle City Light
BP Energy Company	Future Resources Associates, Inc	Sempra
Braun & Associates	G. A. Krause & Assoc	Sempra Energy
C & H Sugar Co.	Gas Transmission Northwest Corporation	Sequoia Union HS Dist
CA Bldg Industry Association	GLJ Energy Publications	SESCO
CA Cotton Ginners & Growers Assoc.	Goodin, MacBride, Squeri, Schlotz &	Sierra Pacific Power Company
CA League of Food Processors	Hanna & Morton	Silicon Valley Power
CA Water Service Group	Heeg, Peggy A.	Smurfit Stone Container Corp
California Energy Commission	Hitachi Global Storage Technologies	Southern California Edison
California Farm Bureau Federation	Hogan Manufacturing, Inc	SPURR
California Gas Acquisition Svcs	House, Lon	St. Paul Assoc
California ISO	Imperial Irrigation District	Stanford University
Calpine	Integrated Utility Consulting Group	Sutherland, Asbill & Brennan
Calpine Corp	International Power Technology	Tabors Caramanis & Associates
Calpine Gilroy Cogen	Interstate Gas Services, Inc.	Tansev and Associates
Cambridge Energy Research Assoc	IUCG/Sunshine Design LLC	Tecogen, Inc
Cameron McKenna	J. R. Wood, Inc	TFS Energy
Cardinal Cogen	JTM, Inc	Transcanada
Cellnet Data Systems	Kaiser Cement Corp	Turlock Irrigation District
Chevron Texaco	Luce, Forward, Hamilton & Scripps	U S Borax, Inc
Chevron USA Production Co.	Manatt, Phelps & Phillips	United Cogen Inc.
Childress, David A.	Marcus, David	URM Groups
City of Glendale	Masonite Corporation	Utility Cost Management LLC
City of Healdsburg	Matthew V. Brady & Associates	Utility Resource Network
City of Palo Alto	Maynor, Donald H.	Wellhead Electric Company
City of Redding	McKenzie & Assoc	Western Hub Properties, LLC
CLECA Law Office	McKenzie & Associates	White & Case
Commerce Energy	Meek, Daniel W.	WMA
Constellation New Energy	Mirant California, LLC	
CPUC	Modesto Irrigation Dist	
Cross Border Inc	Morrison & Foerster	
Crossborder Inc	Morse Richard Weisenmiller & Assoc.	
CSC Energy Services	Navigant Consulting	
Davis, Wright, Tremaine LLP	New United Motor Mfg, Inc	
Defense Fuel Support Center	Norris & Wong Associates	
Department of the Army	North Coast Solar Resources	
Department of Water & Power City	Northern California Power Agency	
DGS Natural Gas Services	Office of Energy Assessments	