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July 6, 2007

Advice 3080-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Sale and Conveyance of Certain Electric Streetlight Facilities to the City of Bakersfield – Request for Approval Under Section 851

Purpose

Pursuant to Section 851 of the California Public Utilities Code ("Section 851"), and the Rules of Practice and Procedure, Pacific Gas and Electric Company ("PG&E") and the City of Bakersfield ("City") hereby respectfully request authority of the California Public Utilities Commission ("Commission") to grant PG&E authority to sell and convey to the City certain electric streetlight facilities located within the City, on the terms and conditions specified in the "Purchase and Sale Agreement" ("Agreement") dated January 1, 2007, between PG&E and the City attached hereto as Attachment 1.

Background

PG&E currently owns ninety-seven (97) electric streetlight facilities (collectively, the "Facilities") located in the City, which represents all remaining streetlight facilities owned by PG&E within certain territory that has been annexed to the City. A detailed listing of the Facilities to be transferred and a description of the approximate location of the Facilities is provided in Exhibit A of the Agreement. The streetlights are being sold "as is," with no warranty.

PG&E wishes to sell the Facilities because it has received a fair offer from the City. The City has offered to pay PG&E a price equal to Reproduction Cost New Less Depreciation (RCNLD) for the Facilities. If an agreement were not reached on the sale of the Facilities, the City could potentially exercise its power of eminent domain to obtain ownership of the Facilities. If the City were successful in establishing its right to take in an eminent domain action, a court would set the purchase price. By selling the Facilities through a negotiated sale, PG&E and the City can avoid the costs of litigation and the uncertainty as to the sale price.

In accordance with Resolution ALJ-186, Appendix B, Section III.B, PG&E provides the following information related to the proposed transaction:

(a) Identity of All Parties to the Proposed Transaction:

| | |
|----------------------------------|---------------------------|
| Pacific Gas and Electric Company | Raul M. Rojas |
| Andrew L. Niven | Public Works Director |
| Peter Van Mieghem | City of Bakersfield |
| Law Department | 1501 Truxtun Avenue |
| P.O. Box 7442 | Bakersfield, CA 93309 |
| San Francisco, CA 94120 | Telephone: (661) 326-3724 |
| Telephone: (415) 973-2902 | PW_GEN@bakersfieldcity.us |
| Facsimile: (415) 973-5520 | |
| Email: PPV1@pge.com | |

(b) Complete Description of the Facilities and Property Including Present Location, Condition and Use:

The Facilities consist of ninety-seven (97) electric streetlight facilities owned by PG&E and located within certain territory that has been annexed to the City. The Facilities shall include all streetlight facilities beyond the secondary point of connection to PG&E's distribution facilities, including but not limited to luminaries, control facilities, support arms, streetlight only poles or posts, foundations, service wires on or inside poles and/or in the ground and associated conduits and substructures. The description of the Facilities contained in Exhibit A of the Agreement is intended to include all remaining streetlight facilities owned by PG&E within territory previously annexed to the City and all remaining PG&E-owned streetlight facilities beyond the secondary point of connection to PG&E's distribution facilities. This Agreement does not extend to any customer-owned streetlights within the annexed areas.

(c) Intended Use of the Property and Facilities:

The proposed sale represents all remaining streetlight facilities owned by PG&E and located within certain territory that has been annexed to the City. PG&E is informed that the City does not plan any physical changes to the Facilities and no changes have been made to the Facilities.

(d) Complete Description of Financial Terms of the Proposed Transaction:

The purchase price for the streetlights is one-hundred ninety-four thousand eight-hundred ninety-four (194,894) dollars (excluding any sales tax legally due) and is based upon the Facilities existing on the date of inventory. The

purchase price may be adjusted for any additions to and retirements from the Facilities that may be made by PG&E subsequent to the date on which PG&E completes its inventory of the Facilities, and prior to the conveyance of the Facilities to the City. The terms and conditions of the proposed sale are contained in the Agreement. The Agreement is generally in the form of the standard agreement for the sale of facilities maintained by PG&E to provide service to an individual customer, previously approved in Decision (D.) 04-08-031, but was modified to address various concerns raised by the City.

(e) Indication of How Financial Proceeds of the Transaction Will Be Distributed:

PG&E requests that the Commission allocate the proceeds from the sale of the Facilities to PG&E shareholders consistent with the Commission's D.06-05-041, which adopted a process for allocating gains (and losses) on sale of certain utility assets formerly used to serve utility customers.

In D.06-05-041, the Commission stated that it would continue to apply the principles of the Redding II decision, D.89-01-016, 32 CPUC 2d 233 (1989), in the narrow circumstances to which they were designed to apply. Pursuant to the Redding II decision, the streetlight sale must be under the following conditions: (1) a public utility sells a distribution system to a governmental entity, (2) the distribution system consists of part or all of the utility operating system located within a geographically defined area, (3) the components of the system are or have been included in the rate base of the utility, and (4) the sale of the system is concurrent with the utility being relieved of, and the governmental entity assuming, the public utility obligations to the customers within the area served by the system. Having satisfied the aforementioned conditions, the Redding II decision directs that the gains or losses from the sale of the system should be allocated to utility shareholders, provided that the ratepayers have not contributed capital to the distribution system and remaining ratepayers are not adversely affected by the transfer of the system. The Commission recently affirmed the Redding II gain-on-sale standard in D.02-12-020 regarding PG&E's sale and conveyance of its streetlight system located within the City of Manteca wherein one-hundred (100) percent of the gain-on-sale accrued to PG&E shareholders (Ordering Paragraph 2).

Decisions subsequent to Redding II have held that there is no adverse impact on existing customers when utilities sell streetlights to municipalities because the value of the properties sold and the lost revenues involved do not involve large sums of money, and the lost revenues are offset by

reduced operational expenses saved by the sale of the system and the elimination of any return on the utility's investment¹.

The sale of the streetlights to the City satisfies the above conditions. Attached is a declaration by Janice Krueger, Director of Capital Accounting for PG&E, stating that ratepayers have not contributed capital to the Facilities, either to the initial purchase or to any subsequent upgrades or modifications of the Facilities (Attachment 2).

Furthermore, the sale of the Facilities does not adversely affect existing ratepayers. It is expected that customers will neither see a decline in service, nor an increase in cost due to the sale. Finally, the Facilities sale is to a California Municipal Corporation, the Facilities are located within the geographically-defined area of the City, the streetlights were included in rate base, and, pending Commission approval, PG&E will be relieved of the public utility duty to operate and maintain the Facilities, and Bakersfield will assume those public utility duties.

Thus, PG&E requests that the Commission authorize PG&E to accrue any gain realized from the sale of the Facilities to the City to PG&E shareholders. The estimated pre-tax gain that results from this sale is seventy-four thousand three-hundred thirty-one (74,331) dollars. PG&E will file the final cost figures for the Facilities within ninety (90) days of the sale's closing date.

(f) Sufficient Information and Documentation (Including Environmental Review Information) to Indicate that All Criteria Set Forth in Section II(A) of Resolution ALJ-186 Are Satisfied:

PG&E has provided Information in this advice letter to meet the eligibility criteria under the Section 851 advice letter pilot program. The proposed transactions will not have an adverse effect on the public interest because they will not interfere in any way with the operation of PG&E's facilities, or with the provision of service to PG&E's customers. In fact, the proposed transaction will serve PG&E customer interests by eliminating significant maintenance costs. The proposed transaction is under the five (5) million dollar financial threshold for this type of transaction. PG&E will be collecting a total amount of one-hundred ninety-four thousand eight-hundred ninety-four (194,894) dollars for the sale of the Facilities.

Under the existing circumstances, no CEQA review is required for the sale. The Commission previously ruled that if the property being exchanged "will be used in the same manner as previously, and neither applicant seeks authority from the Commission for a change in the existing use, there is no

¹ See, e.g., D.02-12-020, Findings of Fact 6 and 8, p. 5.

substantial evidence of any change to the environment, and no CEQA review is required.” (D.99.03.033 (1999) Cal. PUC LEXIS 408).

In this instance, ownership of the Facilities is merely being transferred from PG&E to the City. There are no plans under the Agreement to alter the use of the Facilities and neither PG&E nor the City seeks authority to change its use. Because there is no physical change to the environment as a result of the sale, there is no “project” subject to CEQA. (See Code of California Regulations, Title 14, §§15000, *et seq.* (“CEQA Guidelines”), § 21065.)

(g) Complete Description of any Recent Past (Within the Prior Two Years) or Anticipated Future Transactions that May Appear To Be Related to the Present Transaction:

To PG&E’s knowledge, there are no anticipated future transactions that may appear to be related to this sale transaction.

(h) For Sales of Real Property and Depreciable Assets, the Advice Letter Shall Include the Original Cost, Present Book Value, and Present Fair

A table showing sales price, expenses, and tax effects is attached as Attachment 3. The pre-tax gain-on-sale is estimated to be seventy-four thousand three-hundred thirty-one (74,331) dollars, and the after-tax gain-on-sale is estimated to be thirty-four thousand seven-hundred ninety-nine (34,799) dollars.

The net book value of the Facilities is one-hundred twenty thousand five-hundred sixty-three (120,563) dollars. The original cost of the Facilities is one-hundred forty-one thousand three-hundred seventy-four (141,374) dollars. Rate base will decrease (reduction to rate base) by ninety-six thousand eight-hundred ninety-three (96,893) dollars upon Commission approval and close of the sale.

The Company proposes to allocate the gain-on-sale to shareholders as described in Section (e) of this advice letter.

(i) Market Value, and a Detailed Description of How the Fair Market Value Was Determined (e.g., Appraisal):

The market valuation (sale price) was based upon the RCNLD method of valuation, using Present-Worth, Remaining Life depreciation whereby Present-Worth is computed using six and a quarter (6.25) percent.

(j) For Leases of Real Property, the Advice Letter Shall Include the Fair Market Rental Value, and a Detailed Description of How the Fair Market Rental Value Was Determined:

Not applicable.

(k) Additional Information to Assist in the Review of the Advice Letter:

No additional information is readily available, other than what is already included with this filing.

(l) CEQA Checklist

Exemption

(1) Has the proposed transaction been found exempt from CEQA by a government agency?

The proposed transaction has not been found exempt from CEQA by a government agency.

(a) If yes, please attach notice of exemption. Please provide name of agency, date of exemption, and state clearinghouse number.

Not applicable.

(b) If no, does the applicant contend that the project is exempt from CEQA? If yes, please identify the specific exemption or exemptions that apply, citing to the applicable CEQA guideline(s).

The sale is not a "project" subject to CEQA because there will be no direct or indirect physical change in the environment as a result of the sale (CEQA Guidelines, § 21065). The Commission previously ruled that if the property being exchanged "will be used in the same manner as previously, and neither applicant seeks authority from the Commission for a change in the existing use, there is no substantial evidence of any change to the environment, and no CEQA review is required." (D.99.03.033 (1999) Cal. PUC LEXIS 408).

Prior or Subsequent CEQA review

(1) Has the project undergone CEQA review by another government agency? If yes, please identify the agency, the CEQA document that was prepared (EIR, MND, etc.) and its date, and provide one copy of any and all CEQA documents to the Director of the relevant Industry Division with a copy of the

advice letter. Be prepared to provide additional copies upon request.

This project has not undergone CEQA review by another government agency.

(2) Identify any aspects of the project or its environment that have changed since the issuance of the prior CEQA document.

Not applicable.

(3) Identify and provide section and page numbers for the environmental impacts, mitigation measures, and findings in the prior CEQA document that relate to the approval sought from the CPUC.

Not applicable.

(4) Does the project require approval by governmental agencies other than the CPUC? If so, please identify all such agencies, and the type of approval that is required from each agency.

Not applicable.

Need CEQA?

If no exemption is applicable, and no prior review has occurred, please identify what applicant believes is the correct level of CEQA review.

No CEQA review is required.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than **August 6, 2007**, which is 30 days after the date of this filing.² Protests should be mailed to:

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue

² The 30 day protest period concludes on a weekend. PG&E is hereby moving this date to the following business day.

San Francisco, California 94102

Facsimile: (415) 703-2200

E-mail: anj@cpuc.ca.gov and mas@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 U.S. 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:

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226

E-mail: PGETariffs@pge.com

Effective Date

Pursuant to the review process outlined in Resolution ALJ-186, PG&E requests that this advice filing become effective on **August 20, 2007**, which is 45 calendar days after the date of filing.

Notice

In accordance with General Order 96-B, Section III, Paragraph G, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes to the General Order 96-B service list 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>**

A handwritten signature in black ink, appearing to read "Brian K. Cherry". The signature is written in a cursive style with a large initial "B".

Vice President, Regulatory Relations

Attachments – 1-3

***** SERVICE LIST Advice 3080-E *****
APPENDIX A

***** STATE EMPLOYEE *****

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AdmAtt@ci.bakersfield.ca.us

***** 3rd Party *****

Raul M. Rojas
Public Works Director
City of Bakersfield
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Bakersfield, CA 93309
Telephone: (661) 326-3724
PW_GEN@bakersfieldcity.us

(END OF APPENDIX A)

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 E)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Scott Muranishi

Phone #: (415) 973-0237

E-mail: s3m2@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) #: **3080-E**

Tier: N/A (in accordance with Resolution ALJ-186)

Subject of AL: Sale and Conveyance of Certain Electric Streetlight Facilities to the City of Bakersfield – Request for Approval Under Section 851

Keywords (choose from CPUC listing): Section 851

AL filing type: Monthly Quarterly Annual One-Time Other _____

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

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No

Resolution Required? Yes No

Requested effective date: **August 20, 2007**

No. of tariff sheets: 0

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).

Tariff schedules affected: N/A

Service affected and changes proposed¹: N/A

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

Protests, dispositions, 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

Tariff Files, Room 4005

DMS Branch

505 Van Ness Ave.,

San Francisco, CA 94102

jn@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian K. Cherry

Vice President, Regulatory Relations

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

Advice 3080-E

Attachment 1

Attachment 1

CITY OF BAKERSFIELD
Agreement No. 07-035
Approved 2-7-07

PURCHASE AND SALE AGREEMENT
(Sale of Streetlight Facilities)

By and between

PACIFIC GAS AND ELECTRIC COMPANY

and

CITY OF BAKERSFIELD
A MUNICIPAL CORPORATION AND
A CHARTER CITY

CONTRACTOR
COPY

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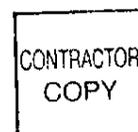


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EXHIBITS

**Exhibit A
Exhibit B**

**Description of the Facilities
Form of Bill of Sale**



PURCHASE AND SALE AGREEMENT

DISTRIBUTION:

Original Svc PIng
Copy Division
Copy PG&E

REFERENCE:

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

THIS PURCHASE AND SALE AGREEMENT (this "**Agreement**") is made and entered into as of this 1st day of January, 2007 ("**Effective Date**") by and between **PACIFIC GAS AND ELECTRIC COMPANY**, a California corporation ("**PG&E**"), and **CITY OF BAKERSFIELD**, a Municipal Corporation and a Charter City ("**Buyer**").

RECITALS:

A. PG&E currently owns ninety seven (97) electric streetlight facilities (collectively, the "**Facilities**") located in the City of Bakersfield, which represents all remaining streetlight facilities owned by PG&E located within certain territory that has been annexed to city. A detailed listing of the Facilities to be transferred and a description of the approximate location of such Facilities is provided in **Exhibit A** attached hereto and incorporated by reference.

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

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

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 B** 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 City.

1.9 **CPUC.** "CPUC" means the California Public Utilities Commission, or its regulatory successor, as applicable.

1.10 **CPUC Approval.** "CPUC Approval" means a final, unconditional and unappealable decision of the CPUC (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) approving 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 a decision of the CPUC approving 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 Estimated Closing Date. "Estimated Closing Date" has the meaning given in Section 6.1.

1.15 Excluded Taxes. "Excluded Taxes" means (a) Taxes (other than any sales, use, gross receipts, or any Taxes in the nature of sales, use or gross receipts 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) personal property Taxes to the extent the payment is addressed in Section 3.3(b), and is not required to be reimbursed to PG&E by Buyer.

1.16 Facilities. "Facilities" has the meaning given in Section 2.2 and further described in Exhibit 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, but excluding Buyer.

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 Inspection Period. "Inspection Period" has the meaning given in Section 5.1(a).

1.20 Inventory and Appraisal Payment. "Inventory and Appraisal Payment" has the meaning given in Section 3.4.

1.21 Inventory Date. "Inventory Date" means the date on which PG&E completes its inventory of the Facilities.

1.22 Land. "Land" means the real property on which the Facilities are located, together with any other real property that is encumbered by Land Rights.

1.23 Land Rights. "Land Rights" means the easements, leases, permits, franchise agreements or other agreements that grant PG&E the right to locate the Facilities on the Land and/or permit access to the Facilities by PG&E.

1.24 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.

1.25 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.

1.26 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.

1.27 Purchase Price. "Purchase Price" has the meaning given in Section 3.1.

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

1.29 Taxes. "Taxes" mean all federal, state, local or foreign income, ad valorem, gross receipts, license, payroll, employment, excise, 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.

2.1 Purchase and Sale. 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.

2.2 Description of Facilities. The Facilities consist of ninety-seven (97) electric streetlight facilities owned by PG&E and located within certain territory that has been annexed to the City of Bakersfield. The Facilities shall include all streetlight facilities beyond the secondary point of connection to PG&E's distribution facilities, including but not limited to luminaries, control facilities, support arms, street light only poles or posts, foundations, service wires on or inside poles and/or in the ground and associated conduits and substructures. A

detailed listing of the Facilities and a description of the approximate location of such Facilities is provided in Exhibit A. The description of the Facilities contained in Exhibit A is intended to include all remaining streetlight facilities owned by PG&E within territory previously annexed to the City of Bakersfield and all remaining PG&E-owned streetlight facilities beyond the secondary point of connection to PG&E's distribution facilities. This Agreement does not extend to any customer-owned street lights within the annexed areas.

The parties believe that Exhibit A contains a reasonably accurate inventory of all remaining streetlight facilities owned by PG&E within territory previously annexed to the City of Bakersfield. If the parties determine prior to the Closing that (i) additional streetlight facilities owned by PG&E are located within territory previously annexed to the City of Bakersfield or (ii) streetlight facilities described on Exhibit A do not exist within territory previously annexed to the City of Bakersfield or are not owned by PG&E, the description of the Facilities in the Bill of Sale to be delivered by PG&E at the Closing shall be modified accordingly, and the Purchase Price shall be adjusted in accordance with Section 3.1 below. If the parties determine after the Closing that additional streetlight facilities owned by PG&E within territory previously annexed to the City of Bakersfield were inadvertently omitted from the description of the Facilities in the Bill of Sale, Buyer agrees to pay PG&E for any such additional streetlight facilities, within thirty (30) days after demand, based upon the Reproduction Cost New Less Depreciation method of valuation, using Present-Worth, Remaining-Life depreciation whereby Present-Worth is computed using 6.25%. Upon receipt of such additional payment, PG&E shall deliver a supplemental Bill of Sale substantially in the form of Exhibit B attached hereto, covering the additional streetlight facilities. If the parties determine after the Closing that streetlight facilities described in the Bill of Sale delivered by PG&E at the Closing do not exist within territory previously annexed to the City of Bakersfield or are not owned by PG&E, upon request by PG&E, the description of the streetlight facilities in the Bill of Sale shall be corrected, but PG&E shall have no liability of any kind to Buyer, and there shall be no adjustment in the Purchase Price, by reason of such error.

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 One Hundred Ninety Four Thousand Eight Hundred Ninety Three and 75/100 Dollars (\$194,893.75). Buyer acknowledges that the Purchase Price includes a twenty five percent (25%) going concern value. The Purchase Price is based upon the Facilities existing on the Inventory Date. If any additions to or retirements from the Facilities are made after the Inventory 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 Present-Worth, Remaining-Life depreciation whereby Present-Worth is computed using 6.25%. PG&E shall provide Buyer with written notice of the adjusted Purchase Price at least ten (10) Business Days prior to the Closing Date.

3.2 Severance Costs. In addition to the Purchase Price, Buyer shall pay to PG&E, within ten (10) Business Days after written request, PG&E's good faith estimate of the cost of physically separating the Facilities from the balance of PG&E's distribution facilities, including the correction of PG&E's internal records to reflect the change in ownership of the Facilities ("**Severance Costs**"), provided that PG&E shall not request the Severance Costs until after the CPUC Approval Date. The preliminary estimated Severance Costs at the time of execution of the Agreement are \$1,913.70, but this sum will be adjusted accordingly to include, among other things, inflation and PG&E's cost adjustments at the time PG&E formally requests

payment of the Severance Costs from Buyer. At that time, if PG&E underestimates the Severance Costs, Buyer shall not be obligated to pay any shortfall, and if PG&E overestimates the Severance Costs, Buyer shall not be entitled to any refund. If the Closing does not occur for any reason other than Buyer's breach of this Agreement, any remaining balance of the Severance Costs shall be refunded to Buyer.

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.

(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.

3.4 Inventory and Appraisal Costs. Prior to the date of this Agreement, Buyer has paid to PG&E the sum of Two Thousand Eighty Dollars and no cents (\$2080.00) ("**Inventory and Appraisal Payment**"). The Inventory and Appraisal Payment constitutes Buyer's payment of PG&E's good faith estimate of the costs for preparing an inventory and appraisal of the Facilities. If PG&E underestimated such costs, Buyer shall not be obligated to pay any shortfall, and if PG&E overestimated such costs, Buyer shall not be entitled to any refund. If the Closing does not occur for any reason other than Buyer's breach of this Agreement, any remaining balance of the Inventory and Appraisal Payment shall be refunded to Buyer.

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. 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. 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.

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 AND LAND RIGHTS.

5.1 Right of Inspection.

(a) For a period not to exceed thirty days (30) Business Days following the Effective Date of this Agreement (the "**Inspection Period**"), Buyer and Buyer's authorized representatives, may visually inspect the Facilities, but no invasive testing of the Facilities or soil or groundwater sampling may be conducted.

(b) Buyer shall notify Denise Newton, PG&E's Sr. Account Manager, by telephone at (661) 321-4548 not less than seventy-two (72) hours prior to Buyer or Buyer's representatives inspecting the Facilities in each instance. No such inspection shall interfere with PG&E's use of the Facilities, and PG&E shall have the right to have a representative accompany Buyer on each such inspection.

(c) Buyer shall submit to PG&E, for review and comment, drafts of all reports and studies prepared by or on behalf of Buyer in connection with its investigation of the

Facilities. PG&E shall provide Buyer with its comments, if any, to the draft reports and studies within sixty (60) days after receipt of same. Buyer agrees to cause the issuer of the reports or studies to incorporate all reasonable revisions requested by PG&E into the final reports or studies.

(d) If, for any reason, Buyer is not satisfied with the results of its inspection of the Facilities, Buyer shall have the right to terminate this Agreement by written notice to PG&E given prior to the expiration of the Inspection Period. If Buyer elects to terminate this Agreement prior to the expiration of the Inspection Period, PG&E and Buyer shall thereupon each be released from any obligations under this Agreement, except those which expressly survive termination. If Buyer does not terminate this Agreement prior to the expiration of the Inspection Period, Buyer shall have no further right to terminate this Agreement based upon the physical condition of the Facilities (regardless of any changes in the condition of the Facilities or any facts or circumstances of which Buyer may become aware following the Inspection Period); and in addition to all other claims waived by Buyer hereunder, Buyer shall be deemed to have waived any and all rights or claims against PG&E with respect to matters discovered prior to the expiration of the Inspection Period. Buyer shall be deemed to have inspected the Facilities, to have knowledge of, and to have waived any and all Claims against PG&E with respect to, all facts and circumstances that a reasonable inspection of the Facilities pursuant to this Section 5.1 would have discovered, whether or not the Buyer actually inspects the Facilities.

5.2 Compliance with Legal Requirements and Governmental Approvals.

Except for (a) CPUC Approval, if applicable; and (b) PG&E's obligations under Section 6.5, 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. 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 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 portions thereof. Further, in the event the Facilities (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 and the Land. 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, THE LAND 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. 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 Specific Disclaimer Regarding Land Rights. BUYER SPECIFICALLY ACKNOWLEDGES AND AGREES THAT PG&E IS NOT ASSIGNING OR OTHERWISE TRANSFERRING ITS RIGHT, TITLE AND INTEREST IN AND TO ANY LAND RIGHTS (OR ANY CLAIM, RIGHT OR BENEFIT ARISING UNDER OR RESULTING FROM SUCH LAND RIGHTS) IN CONNECTION WITH ITS SALE OF THE FACILITIES TO BUYER, AND BUYER ASSUMES ANY AND ALL RISKS AND LIABILITIES IN CONNECTION WITH THE ABSENCE OF ADEQUATE OR APPROPRIATE LAND RIGHTS.

5.7 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 accordance with Streetlight Rate Schedule LS-1, and consistent with PG&E's custom and past practices.

5.8 New Facilities. Until the Closing, PG&E may continue to install new streetlights in the City of Bakersfield in accordance with PG&E's standard practices and tariffs and CPUC rules and regulations.

6. CLOSING.

6.1 Closing Date. The parties estimate that the closing of this transaction (the "**Closing**") will take place on April 30, 2007 (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 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) On the Closing Date, Buyer shall pay to PG&E in U.S. dollars the Purchase Price and the Taxes (to the extent the amount owing by Buyer to PG&E is determined as of 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 or as soon thereafter as reasonably practicable, PG&E shall deliver to Buyer copies of its current streetlight maps and maintenance records relating to the Facilities, to the extent the same are readily available to PG&E; provided, however, that PG&E makes no representations or warranties regarding the completeness or accuracy of said maps or maintenance records, and Buyer shall not be entitled to rely upon the information contained therein for any purpose.

6.3 Assumption of Liabilities. On 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 Rate Schedule. Within thirty (30) days after the Closing Date, the charge for electricity furnished to the Facilities will be changed from the Streetlight Rate Schedule LS-1 to the Streetlight Rate Schedule LS-2.

6.5 Removal of PG&E's Name. Within a reasonable time after the Closing Date, Buyer shall remove PG&E's name from the Facilities.

6.6 Prohibition on Connecting Non-Conforming Load. Buyer acknowledges and agrees that Buyer's purchase of the Facilities does not entitle Buyer to connect non-conforming load to the Facilities or supporting circuits beyond PG&E's initial point of connection. If Buyer wishes to connect such non-conforming load, Buyer agrees to comply with PG&E's applicable filed tariffs.

6.7 Survival. The covenants, agreements, and obligations of PG&E and Buyer contained in Section 6.3, Section 6.4, Section 6.5 and Section 6.6 shall survive the Closing.

7. RELEASE.

7.1 Release. Buyer, for itself, and for any future owners of all or a part of the Facilities, 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 transferred to Buyer, 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 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 in connection with the Facilities, whether or not such Hazardous Substances were present in the Facilities and/or in, on, or about the Land on the Closing Date; or (d) the failure of the Facilities to comply with any Legal Requirements, including Legal Requirements applicable to the Facilities prior to the Closing Date; or (e) Buyer's breach of its obligations under this Agreement, including, without limitation, Buyer's obligations under Section 6.5 and Section 6.6 above. 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.

Notwithstanding the foregoing, Buyer shall have no right to assign its rights and obligations under this Agreement.

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:

Account Services Department
Attention: Denise Newton
Pacific Gas and Electric Company
1918 H Street
Bakersfield, CA 93301
With a copy to:

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

If to Buyer:

Raul M. Rojas
Public Works Director
City of Bakersfield
1501 Truxtun Avenue
Bakersfield, CA 93309

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 expense), including in connection with any appeal thereof. Any such attorneys' fees, costs 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 PG&E's in-house attorneys who perform services in connection with any such enforcement action are recoverable, and shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the relevant subject matter area of the law, in law firms in the City of San Francisco with approximately the same number of attorneys as are employed by PG&E's Law Department. For purposes hereof, the reasonable fees of Buyer's in-house attorneys who perform services in connection with any such enforcement action are recoverable, and shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the relevant subject matter area of the law, in law firms in the City of Bakersfield with approximately the same number of attorneys as are employed in-house by Buyer. 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 (Reserved).

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

| | |
|-----------|-------------------------------|
| Exhibit A | Description of the Facilities |
| Exhibit B | Form of Bill of Sale |

9.12 Mediation. In the event any dispute arises concerning the enforcement and/or interpretation of this Agreement, the parties agree to attempt initially to settle such claims or disputes in good faith between themselves. Said obligation to discuss settlement of such claims or disputes shall be initiated by written notice of such claim or dispute. Should the parties not settle such claims or disputes within thirty (30) days of the date of mailing of said notice or within such additional time period to which the parties agree in writing (the "Negotiation Period"), the parties agree to submit any such claim or dispute to mediation. The parties shall select a mediator within thirty (30) days of the expiration of the Negotiation Period (the "Selection Period"), either by mutual agreement or, in the absence of agreement on a mediator, by requesting during the Selection Period that the American Arbitration Association in San Francisco, California appoint a mediator. The mediation shall be commenced within thirty (30)

days of the selection of a mediator by the parties or the American Arbitration Association. Except as provided herein or by written agreement of the parties, the mediation shall be conducted in San Francisco pursuant to the rules of the American Arbitration Association. Should the dispute be settled in mediation prior to litigation, each party shall bear its own costs and attorney's fees. If the parties are not able to settle the dispute through mediation per this paragraph, each party shall have all remedies entitled to such party by law or at equity. The covenants of Buyer and PG&E contained in this Section 9.12 shall survive the termination of this Agreement or the Closing.

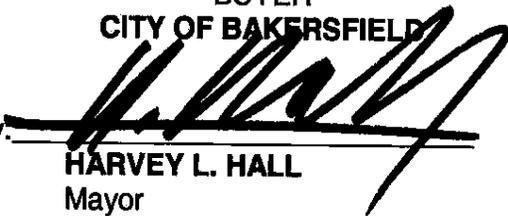
9.13 Interpretation. The language in all parts of this Agreement shall be construed according to its normal and usual meaning and not strictly for or against either PG&E or Buyer. The headings of the paragraphs of this Agreement are inserted solely for convenience of reference and are not a part of and 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 mediation provision, 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, the exhibits hereto, and the Tariff Related Work Agreement 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 caused this Agreement to be duly executed, the date and year first written above.

"BUYER"
CITY OF BAKERSFIELD
By: 
HARVEY L. HALL
Mayor

PG&E:
PACIFIC GAS AND ELECTRIC COMPANY,
A California corporation

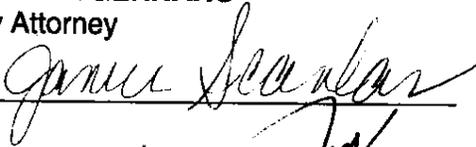
By: 

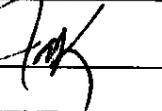
Name: Ben Campbell

Its: Director, New Revenue Development

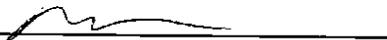
Date: 1/26/07

APPROVED AS TO FORM:
VIRGINIA GENNARO
City Attorney

By: 

Insurance: 

APPROVED AS TO CONTENT:
PUBLIC WORKS DEPARTMENT

By: 
RAUL M. ROJAS
Public Works Director

COUNTERSIGNED:

By: 
NELSON SMITH
Finance Director



Exhibit A

Description of the Facilities

North of Palm Ave. between Jenkins Rd. & Allen Rd.:

| Facility Number | Badge Number | Approximate Location |
|-----------------|--------------|--|
| 1 | 16444 | QUEEN PALM CT W/END CDS |
| 2 | 16445 | QUEEN PALM CT 225' W/O MAJESTY PALM |
| 3 | 16446 | MAJESTY PALM ST & QUEEN PALM ST SW |
| 4 | 16447 | MAJESTY PALM ST 870' N/O PALM ST ES |
| 5 | 16448 | MONARCH PALM 175' W/O MAJESTY PALM |
| 6 | 16449 | MONARCH PALM 400' W/O MAJESTY PALM |
| 7 | 16450 | MONARCH PALM 550' E/O MAJESTY PALM SS |
| 8 | 16451 | MONARCH PALM 350' E/O PALM RANCH SS |
| 9 | 16452 | MAJESTY PALM ST & MONARCH PALM AVE SW |
| 10 | 16453 | MAJESTY PALM ST 300' N/O PALM AVE ES |
| 11 | 16454 | MAJESTY PALM ST & KING PALM CT SW |
| 12 | 16455 | KING PALM CT 210' W/O MAJESTY PALM ST SS |
| 13 | 16456 | KING PALM CT @ W/END CDS |
| 14 | 16457 | PALM AVE 600' W/O MAJESTY PALM ST NS |
| 15 | 16458 | PALM AVE 300' W/O MAJESTY PALM ST NS |
| 16 | 16459 | PALM AVE & MAJESTY PALM ST NW |
| 17 | 17534 | NS PALM AVE 300' E/O PALM RANCH ST NS |
| 18 | 17535 | PALM AVE & PALM RANCH AVE NE |
| 19 | 17536 | PHOENIX PALM CT @ E/END CDS |
| 20 | 17537 | PHOENIX PALM CT 220' PALM RANCH AVE NS |
| 21 | 17538 | PALM RANCH ST & PHOENIX PALM CT NE |
| 22 | 17539 | PALM RANCH ST & MONARCH PALM AVE SE |
| 23 | 17540 | PALM RANCH ST 200' N/O MONARCH PALM ES |
| 24 | 17541 | COCO PALM CT @ E/END CDS |
| 25 | 17542 | COCO PALM CT 210' E/O PALM RANCH ST NS |
| 26 | 17543 | PALM RANCH ST & COCO PALM CT NE |

Annexation 426

North of Olive Dr. between Jewetta Ave. & Old Farm Rd.:

| Facility Number | Badge Number | City SL# | Approximate Location |
|-----------------|--------------|----------|---|
| 27 | 18200 | 812D5 | S/S MERCATELLO AVE 280' W/O MARSCIANO |
| 28 | 18201 | 812D6 | SW COR MERCATELLO AVE & MARSCIANO |
| 29 | 18202 | 812D7 | S/S MERCATELLO AVE 280' E/O MARSCIANO |
| 30 | 18203 | 812D4 | S/S MANTOVA AVE 450' W/O MARSCIANO |
| 31 | 18204 | 812D3 | SW COR MANTOVA AVE & MARSCIANO |
| 32 | 18205 | 812D2 | S/S MANTOVA AVE 280' E/O MARSCIANO |
| 33 | 18206 | 812D1 | END OF MANTOVA AVE 580' E/O MARSCIANO |
| 34 | 18207 | 812C6 | END OF SAN MINIATO AVE 420' W/O MARSCIA |
| 35 | 18208 | 812C7 | SW COR SAN MINIATO AVE 280' & MARSCIANO |
| 36 | 18209 | 812C8 | S/S SAN MINIATO AVE 280' E/O MARSCIANO |
| 37 | 18210 | 812C9 | END OF SAN MINIATO AVE 570' E/O MARSCIANO |
| 38 | 18211 | 812C5 | N/S OLIVE DR 360' W/O MARSCIANO ST |
| 39 | 18212 | 812C4 | NW COR OLIVE DR & MARSCIANO ST |
| 40 | 18213 | 812C3 | N/S OLIVE DR 380' W/O JEWETTA AVE. |

Allen Rd. between Olive Dr. & Reina Rd.:

| Facility Number | Badge Number | City SL# | Approximate Location |
|-----------------|--------------|----------|----------------------------------|
| 41 | 18279 | 81296 | ES OF ALLEN RD 615' S/O OLIVE DR |
| 42 | 18280 | | ES OF ALLEN RD 310' S/O OLIVE DR |
| 43 | 18281 | | SE COR ALLEN RD & OLIVE DR |
| 44 | 18282 | | TC E/O OF ALLEN RD 320' S/O |

Olive Dr.:

| Facility Number | Badge Number | City SL# | Approximate Location |
|-----------------|--------------|----------|---|
| 45 | 18442 | 81297 | ES OF ALLEN RD 300' N/O KNIGHTS BRIDGE ES |
| 46 | 18443 | 81298 | ALLEN RD 120' N/O KNIGHTS BRIDGE ES |

South of Olive Dr. between Allen Rd. & Old Farm Rd.:

| Facility Number | Badge Number | Approximate Location |
|-----------------|--------------|---|
| 47 | 18283 | OLIVE DR 20' E/O NAPOLI ST SS |
| 48 | 18284 | OLIVE DR 365' E/O NAPOLI ST SS |
| 49 | 18285 | OLIVE DR 690' E/O NAPOLI ST SS |
| 50 | 18286 | SPOLETA AVE END OF CDS 505' E/O NAPOLI ST |
| 51 | 18287 | NS SPOLETA AVE 245' E/O NAPOLI ST |
| 52 | 18288 | NS SPOLETA AVE 20' E/O NAPOLI ST |
| 53 | 18289 | NS SPOLETA AVE 188' E/O NAPOLI ST |
| 54 | 18290 | SPOLETA AVE END OF CDS 480' W/O |

Napoli Street:

| Facility Number | Badge Number | Approximate Location |
|-----------------|--------------|---|
| 55 | 18291 | MARRADI AVE END OF CDS 480' W/O NAPOLI ST |
| 56 | 18292 | NS MARRADI AVE 185' W/O NAPOLI ST |
| 57 | 18293 | NS MARRADI AVE 20' W/O NAPOLI ST |
| 58 | 18294 | NS MARRADI AVE 245' W/O NAPOLI ST |
| 59 | 18295 | MARRADI AVE END OF CDS 505' E/O NAPOLI ST |

Annexation 425 - Area 1:

| Facility Number | Badge Number | City SL# | Approximate Location |
|-----------------|--------------|----------|---------------------------------------|
| 60 | 18434 | 81289 | 310' E/O NAPOLI N/S VALENTANO AVE |
| 61 | 18435 | 81290 | NE COR OF NAPOLI & VALENTANO AVE |
| 62 | 18436 | 81291 | 180' W/O NAPOLI N/S OF VALENTANO |
| 63 | 18437 | 81292 | 500' W/O NAPOLI IN VALENTANO CDS |
| 64 | 18438 | 81293 | 320' W/O NAPOLI AVE IN LAVINA AVE CDS |
| 65 | 18439 | 81294 | SW COR OF SOLDI WY & LAVINA AVE |
| 66 | 18440 | 81295 | NE COR OF LAVINA AVE & NAPOLI AVE |
| 67 | 18441 | 812B1 | 260' E/O NAPOLI AVE N/S OF LAVINA AVE |

Annexation 425 - Area 2:

| Facility Number | Badge Number | City SL # | Approximate Location |
|-----------------|--------------|-----------|-----------------------------------|
| 68 | 18512 | 812A2 | VALLETA AVE @ W/END CDS |
| 69 | 18513 | 812A1 | NW COR VALLETA & MARSCIANO ST |
| 70 | 18514 | 81299 | VALETTA AVE 420' E/O MARSCIANO ST |
| 71 | 18515 | 812A3 | TRAVISO AVE @ W/END CDS |
| 72 | 18516 | 812A4 | TC NW COR TRAVISO & MARSCIANO ST |
| 73 | 18517 | 812A5 | 250' E/O MARSCIANO ST NS TRAVISO |
| 74 | 18518 | 812A6 | TRAVISO @ E/END CDS |
| 75 | 18519 | 812Y2 | 450' W/O MARSCIANO NS MONTAGUE |
| 76 | 18520 | 812A9 | NW COR MONTAGUE & MARSCIANO |
| 77 | 18521 | 812A8 | MONTAGUE 250' E/O MARSCIANO |
| 78 | 18522 | 812A7 | E/END MONTAGUE AVE @ CDS |

Annexation 432

North of Reina Rd. between Old Farm Rd. & Jewetta Ave.:

| Facility Number | Badge Number | City SL# | Approximate Location |
|-----------------|--------------|----------|---|
| 79 | 18573 | 812M7 | E/END TALLADEGA 300' E/O THUNDERHILL |
| 80 | 18574 | 812M6 | NS TALLADEGA AT THUNDERHILL |
| 81 | 18575 | 812M5 | NW COR TALLADEGA & MARSCIANO |
| 82 | 18576 | 812M4 | W/END OF TALLADEGA |
| 83 | 18577 | 812M3 | W/END OF MARTINSDALE 380' W/O MARSCIANO |
| 84 | 18578 | 812M2 | NW COR MARTINSVILLE & MARSCIANO |
| 85 | 18579 | 812M1 | MARTINSVILLE 270' W/O JEWETTA |
| 86 | 18580 | 812L9 | NS MARTINSVILLE 96' W/O JEWETTA |

Additional Streetlights identified in field inventory
Included in sale

| Facility Number | Badge Number | City SL# | Approximate Location |
|-----------------|--------------|----------|----------------------|
| 87 | 18334 | TBD | HAGEMAN & SARBONNE |
| 88 | 18335 | TBD | 4901 SAN ROCCA CT |
| 89 | 18336 | TBD | 5800 SAN PIERRE CT |
| 90 | 18337 | TBD | 5419 ROCKWELL DR. |
| 91 | 18338 | TBD | 5402 ROCKWELL DR |
| 92 | 18339 | TBD | 6006 LAUSANNE ST |
| 93 | 18340 | TBD | 5912 LAUSANNE ST |
| 94 | 18341 | TBD | 5901 LAUSANNE ST |
| 95 | 18342 | TBD | 5123 VIA VIRETTA DR |
| 96 | 18343 | TBD | 5107 VIA VIRETTA DR |
| 97 | 18344 | TBD | 5803 VIA MARISOL ST |

CUL

DOVE CREEK

17543 17542 17541 QUEEN PALM

COCO PALM 16444 16445 16446

17540 16447

MONARCH PALM

16451 16450 16449 16448 16452

17539 16453

PALM RANCH

17538

17537 KING PALM

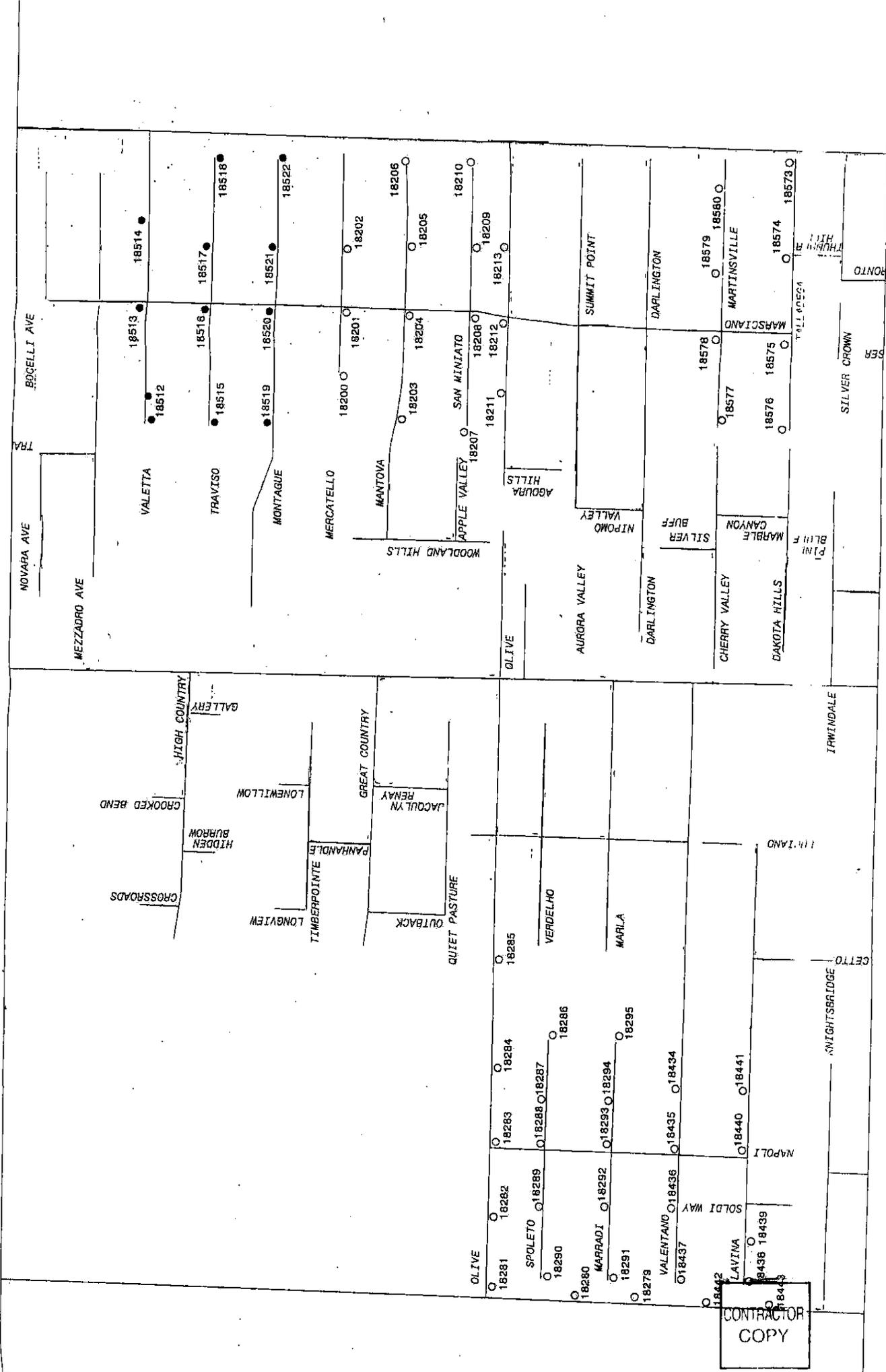
PHOENIX PALM 17536 16456 16455 16454

PALM

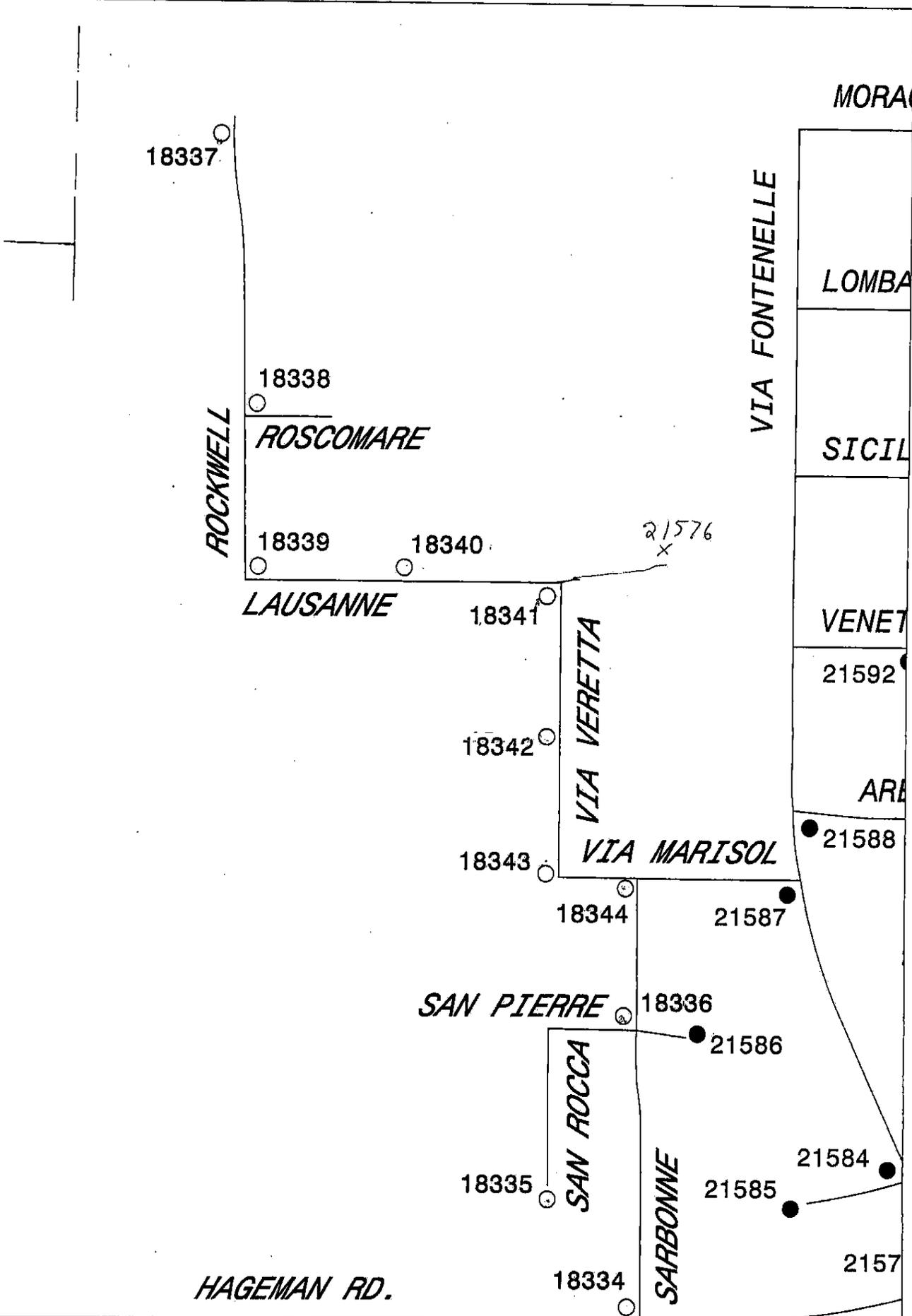
MAJESTY PALM

17535 17534 16457 16458 16459

CONTRACTOR COPY



CONTRACTOR
COPY



CONTRACTOR COPY

EXHIBIT B

FORM OF BILL OF SALE

DISTRIBUTION

Original Buyer
Copy Division
Copy Svc. Plng.

REFERENCE

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

BILL OF SALE

Pursuant to that certain Purchase and Sale Agreement dated January 1, 2007 (the "**Purchase Agreement**"), by and between **PACIFIC GAS AND ELECTRIC COMPANY**, a California corporation ("**PG&E**"), and **CITY OF BAKERSFIELD**, a Municipal Corporation and a Charter City ("**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.

This Bill of Sale is executed pursuant to authorization contained in the order of the California Public Utilities Commission in its Decision No. _____, 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: _____

CONTRACTOR
COPY

Advice 3080-E

Attachment 2

Attachment 2

DECLARATION OF JANICE KRUEGER

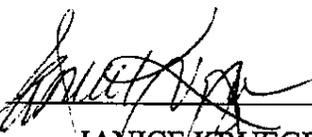
IN SUPPORT OF PACIFIC GAS AND ELECTRIC COMPANY'S SALE OF STREETLIGHTS
TO CITY OF BAKERSFIELD

I, Janice Krueger, declare as follows:

1. I am Director of Capital Accounting at Pacific Gas and Electric Company (PG&E). I have been Director of Capital Accounting since (date). I am familiar with the accounting rules and practices used by PG&E.
2. To the best of my knowledge, ratepayers have not contributed capital to the streetlight facilities located within the City of Bakersfield, either to the initial purchase of the facilities, or to any subsequent upgrade of modifications to the facilities.

I declare under the penalty of perjury that the foregoing statements are true and correct.

Dated this 24 day of May, 2007 at San Francisco, California.



JANICE KRUEGER
Director of Capital Accounting

Advice 3080-E

Attachment 3

Attachment 3
PACIFIC GAS AND ELECTRIC COMPANY
Streetlight Sale to the City of Bakersfield
Estimated Gain on Sale and Decrease in Rate Base Calculations
(DOLLARS)

1 SALES PROCEEDS

| | | |
|-------------------------|-----------------------|----------------------------|
| Sales Price | 194,894 | Appraisal (September 2006) |
| Less: Disposition Costs | <u>0</u> | |
| Net Sale Proceeds | <u><u>194,894</u></u> | |

| 2 NET BOOK VALUE | <u>Historical Plant</u> | <u>Depreciation</u> | <u>Net Book Value</u> |
|--------------------------------|-----------------------------|---------------------|---------------------------|
| Electric Distribution Property | <u>141,374</u> | <u>20,811</u> | <u>120,563</u> |

| 3 GROSS GAIN/(LOSS) ON SALE | <u>Sales Proceeds</u> | <u>Net Book Value</u> | <u>Pre-Tax Gain/(Loss)</u> |
|------------------------------------|---------------------------|---------------------------|--------------------------------|
| Electric Distribution Property | <u>194,894</u> | <u>120,563</u> | <u>74,331</u> |

| 4 TAXES ON PROPERTY | <u>Sales Proceeds</u> | <u>Net Tax Value</u> | <u>Pre-Tax Gain/(Loss)</u> | Tax Liability 0.40746 |
|----------------------------|---------------------------|--------------------------|--------------------------------|----------------------------------|
| Depreciable Property | <u>194,894</u> | <u>39,783</u> | <u>155,111</u> | 63,202 |
| Accumulated Deferred Taxes | | | | <u>23,670</u> |
| Total Tax Liability | | | | <u><u>39,532</u></u> |

5 RATE BASE CHANGES

| | |
|--|----------------------|
| Historical Plant (reduce plant) | 141,374 |
| Less: Depreciation Reserve (depreciation reserve is reduced by the theoretical reserve for depreciable property) | 20,811 |
| Less: Deferred Taxes (remove associated deferred taxes from rate base) | 23,670 |
| Decrease in Rate Base | <u><u>96,893</u></u> |

6 AFTER-TAX GAIN ON SALE

| | |
|--|----------------------|
| Pre-Tax Gain | 74,331 |
| Less Tax Liability (net of deferred taxes) | <u>39,532</u> |
| After-Tax Gain | <u><u>34,799</u></u> |

**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

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