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April 28, 2009

Advice 3454-E

(Pacific Gas and Electric Company ID U 39 E)

Subject: Granite Construction Company Sole Customer Facility Sale – Request for Approval Under Section 851

Public Utilities Commission of the State of California

Purpose

Pacific Gas and Electric Company (“PG&E”) requests Commission approval under Public Utilities Code § 851¹ to sell certain electric facilities and associated appurtenances to Granite Construction Company (“Granite”) on the terms and conditions specified in the “Purchase and Sale Agreement (“Agreement”) dated April 24, 2009 between PG&E and Granite Construction Company,² attached hereto as Attachment 1.

Background

Pursuant to the authority granted in Decision (D.) 99-12-030 and D.04-08-031, PG&E hereby requests final Commission approval of a proposed sale of limited sole-customer public utility facilities.

PG&E and Granite seek approval from the Commission for Granite to purchase certain PG&E primary and secondary electric facilities that currently provide Secondary service to Granite’s mining and excavation site at 37400 South Bird Road in Tracy, California. The facilities being sold to Granite include, but are not limited to, 3000 feet of overhead primary service conductor (12 KV), 1 - 300KVA pad-mount transformer and 1 pole-mount 30 KVA transformer (the “Facilities”).

Granite is a diversified construction services company offering services that range from building roads, tunnels, bridges, airports and other infrastructure-related

¹ In addition to qualifying as a sole customer facility sale under D.04-08-031, the subject sale of public utility facilities also meets the review process outlined in Resolution ALJ-202 because it does not exceed the \$5 million threshold and is exempt from environmental review under the California Environmental Quality Act (CEQA), as discussed below.

² This Agreement is based on the form approved by the CPUC in D.04-08-031.

projects to mining of materials used in construction such as sand, gravel and asphalt concrete. Granite owns and operates numerous sites within PG&E's service territory. The proposed transaction affects their mining and excavation operations at 37400 South Bird Road in Tracy, California.

In July 2008, Granite began building a very large mining quarry operation with an estimated load of 7 MW (the "Project"). In October 2008, PG&E constructed a 115 kV transmission service for Granite's customer-owned substation. The Project also included the construction of a customer-owned primary distribution service on the quarry site.

For many years, the quarry site had been and continued to be served at the end of an existing PG&E 12 kV primary line. This primary service fed three secondary services to minor mining operations on the quarry site. As the Project moved forward, PG&E was asked to remove the primary (12 kV) overhead line and secondary services upon completion of the transmission service. A map of the Project can be found in Exhibit D of the Agreement (Attachment 1).

In October 2008, Granite requested that, instead of removing the existing primary service, PG&E sell the primary facilities and secondary transformers to Granite with the intent of incorporating the service into the proposed customer-owned primary distribution service on the quarry site.

The Facilities proposed for sale will not affect PG&E's ability to serve its customers and the public. Consistent with the requirements of D.99-12-030 and D.04-08-031, the facilities proposed for sale have been owned, operated and maintained by PG&E solely to provide utility service to the proposed purchaser.

In accordance with the format of advice letter directed in Resolution ALJ-202, Appendix A, Section IV., PG&E provides the following information related to the proposed transaction:

(1) Identity and Addresses of All Parties to the Proposed Transaction:

Pacific Gas and Electric Company	Steve Bridge
Andrew L. Niven	Granite Construction Company
Gail L. Slocum	P.O. Box 151
Law Department	Stockton, CA 95201
P.O. Box 7442	Telephone: (209) 982-4750
San Francisco, CA 94120	Facsimile: (209) 983-1257
Telephone: (415) 973-6583	Email: Stephen.Bridge@gcinc.com
Facsimile: (415) 973-0516	
Email: GLSG@pge.com	

(2) Complete Description of the Property Including Its Present Location, Condition and Use:

The facilities subject to this transaction consist of primary and secondary conductor and associated appurtenances owned by PG&E. These facilities are located on the Granite Construction Company property at 37400 South Bird Road in Tracy, California. The description of the Facilities can be found in Exhibit A of the Agreement (Attachment 1).

(3) Intended Use of the Property:

PG&E is not aware of any anticipated change in the use of the Facilities. The Facilities currently are used for the distribution of electric service to Granite Construction Company and upon completion of the sale, Granite Construction Company plans to operate the Facilities and its associated appurtenances to serve the quarry in Stockton, California. The sale of the Facilities is beneficial to PG&E's customers because it alleviates the need for Facilities operations, maintenance and costly future replacement/retirement.

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

Granite Construction Company has agreed to purchase the Facilities and associated appurtenances subject to this Advice Letter for the price of \$68,749.00.

(5) Description of How Financial Proceeds of the Transaction Will Be Distributed:

The Facilities for sale consist of electric distribution assets. 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 electric distribution assets adopted in the Commission's Gain on Sale Rulemaking, in D.06-05-041 as modified in D.06-12-043. Pursuant to the forgoing authority, PG&E will credit the gain on sale to the Depreciation Reserve, consistent with CFR Title 18, Electric Plant Instruction 10, Paragraph F, accounting, and consistent with CPUC treatment of sole customer facility sales since D.04-08-031.

(6) Impact of the Transaction on Ratebase and Any Effect on the Ability of the Utility to Serve Customers and the Public:

Pursuant to the authority granted in D.99-12-030 and D.04-08-031, the purchase price is greater than or equal to Replacement Cost New Less

Depreciation ("RCNLD").³ 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 as a net benefit to PG&E ratepayers. This filing will not increase any other rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

(7) The Original Cost, Present Book Value, and Present Fair Market Value for Sales of Real Property and Depreciable Assets, and a Detailed Description of How the Fair Market Value Was Determined (e.g., Appraisal):

The original cost of the Facilities is \$34,544, and the net book value of the Facilities is \$18,364. (Obviously, Granite's purchase price of \$68,749 is higher than either the original cost or net book value.)

(8) The Fair Market Rental Value for Leases of Real Property, and a Detailed Description of How the Fair Market Rental Value Was Determined:

Not Applicable.

(9) The Fair Market Value of the Easement or Right-of-Way and a Detailed Description of How the Fair Market Rental Value Was Determined:

Not Applicable.

³ The Commission appears to use the terms "Replacement Cost New Less Depreciation" and "Reproduction Cost New Less Depreciation" interchangeably; D.04-08-031 provides that "each facility would be valued at a price equal or greater to *replacement* cost new less depreciation," yet the modified form of Purchase and Sale Agreement (PSA) adopted in that decision cites *Reproduction* Cost New Less Depreciation in Section 3.1 of the PSA as the default appraisal method. Actually, these terms refer to separate, but similar, valuation methodologies: "Reproduction cost new" is defined as the current cost of reproducing a new replica of a property with the same or similar materials, whereas "replacement cost new" is defined as the current cost, new, of a similar new property having the nearest equivalent use as the property being appraised (Application (A.) 02-01-012, p.3-1). According to the appraisal process established by the American Institute of Appraisal, the type of asset(s) at issue should drive which of these methodologies is used. For assets subject to significant advances in technology, e.g., certain substation equipment, replacement cost new would be the preferable approach. In appraisal of the Facilities as they relate to Granite, PG&E used "reproduction cost new" because the assets (transformers, wires, conductors, etc.) in this case are not subject to such technological advances. In any event, PG&E believes that either approach in this case would yield a similar result.

(10) A 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:

Not applicable. There are no other related transactions between PG&E and Granite that are related to this sale transaction.⁴

(11) Sufficient Information and Documentation (Including Environmental Documentation) to Show that All Criteria Set Forth in Section II of Resolution ALJ-202 Are Satisfied:

PG&E has provided sufficient information in this advice letter as specified in D. 99-12-030 as modified in D.04-08-031. Additionally, the proposed Facilities sale by PG&E constitutes solely a change in ownership and no direct or indirect environmental impacts will occur as a result of the sale of these specific facilities.

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

PG&E is not aware of any additional relevant information other than what is included with this advice letter.

(13) Environmental Information

The proposed Facilities sale constitutes a change in ownership only 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. For the reasons set forth below, PG&E believes this transaction is not a "project" under CEQA. Otherwise, it would be categorically exempt under Section 15301(d) and/or Section 15302 of the CEQA guidelines.

a. Exemption

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

⁴ During adoption of the Advice Letter pilot program in ALJ-186 (later followed by ALJ-202), this category of information was included to enable the CPUC to ensure that utilities were not seeking to circumvent the \$5 million Advice Letter threshold by dividing what is a single asset with a value of more than \$5 million into component parts each valued at less than \$5 million, which is clearly not the case here. (See CPUC Resolution ALJ-186, issued August 25, 2005, *mimeo*, p. 5.)

(a) If yes, please attach notice of exemption. Please provide name of agency, date of Notice 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 CEQA exemption or exemptions that apply to the transaction, citing to the applicable State CEQA Guideline(s) and/or Statute(s).

Pursuant to the Agreement, PG&E will sell its 12 kV primary facilities and secondary transformers to Granite with the intent of incorporating the service into the proposed customer-owned primary distribution service on the quarry site. To effectuate the transaction, PG&E will perform certain minor routine work, using bucket trucks on existing roadways to separate and rearrange the pole-mounted Facilities so as to physically separate the Granite portion of the current overhead facilities from the PG&E portion of these overhead facilities. This work will not cause any ground disturbance or change to the existing poles supporting these overhead facilities; therefore it is not a CEQA "Project" as discussed below. If, however, the CPUC were to believe that this minor separation and rearrangement work on these Facilities somehow constituted a reasonably foreseeable indirect physical change to the environment, then the Commission should find this work to be categorically exempt from CEQA. In that event, the applicable exemptions would be Section 15301(d), which exempts minor alterations to existing utility facilities, and/or Section 15302, which exempts "replacement or reconstruction of existing structures and facilities where the new structure will be located on the same site as the structure to be replaced and will have substantially the same purpose and capacity as the structure replaced."

b. Not a "Project" Under CEQA

(1) If the transaction is not a "project" under CEQA, please explain why.

Because this PG&E transaction does not involve any direct or indirect environmental impacts, it is not a "project" under CEQA. The proposed sale constitutes a change in ownership only and PG&E has shown above that no direct or indirect environmental

impact will occur as a result of the sale of these specific assets. Accordingly, as stated in D.99-12-030 (pp. 7, 9), this sole customer facility sale advice letter process is exempt from further action under CEQA.

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 20 days after the date of this filing, which is **May 18, 2009**. Protests should be mailed to:

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

Facsimile: (415) 703-2200
E-mail: mas@cpuc.ca.gov and jnj@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:

Pacific Gas and Electric Company
Attention: Brian Cherry
Vice President, Regulatory Relations
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-202, PG&E requests that this advice filing become effective by Commission resolution as soon as possible. **PG&E submits this filing as a Tier 3.**

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 IV of General Order 96-B, 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>.

A handwritten signature in black ink that reads "Brian Cheung / Dmt". The signature is fluid and cursive, with "Brian Cheung" on the top line and "Dmt" on the line below it, likely initials.

Vice President, Regulatory Relations

Attachments

cc: Service List – Advice Letter 3454-E

***** SERVICE LIST Advice 3454-E *****
APPENDIX A

Karen Clopton
Administrative Law Judge Division
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703-2008
kvc@cpuc.ca.gov

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Brewster Fong
Division of Ratepayer Advocates
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San Francisco, CA 94102
(415) 703- 2187
bfs@cpuc.ca.gov

***** AGENCIES *****

Thomas R. Flinn
Director Public Works
1810 East Hazelton Avenue
Stockton, CA 95205
Telephone: (209) 468-3000
Facsimile: (209) 468-2999
Email: nestoll@sjgov.org

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

Steve Bridge
Granite Construction Company
PO Box 151
Stockton, CA 95201
Telephone: (209) 982-4750
Facsimile: (209) 983-1257
Email: Stephen.Bridge@gcinc.com

Steve McCracken, Area Manager
Granite Construction Company
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Stockton, CA 95201
Telephone: (916) 855-8875
Mobile: (916) 307-7467
Email: Steve.McCracken@gcinc.com

Jeff Otto
Granite Construction Company
PO Box 151
Stockton, CA 95201
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Facsimile: (209) 983-1257
Email: Jeff.Otto@gcinc.com

D 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 M)**

Utility type:	Contact Person: <u>Linda Tom-Martinez</u>
<input checked="" type="checkbox"/> ELC <input checked="" type="checkbox"/> GAS	Phone #: <u>(415) 973-4612</u>
<input type="checkbox"/> PLC <input type="checkbox"/> HEAT <input type="checkbox"/> WATER	E-mail: <u>lmt1@pge.com</u>

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **3454-E**

Tier: 3

Subject of AL: **Granite Construction Company Sole Customer Facility Sale - 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 #: D.99-12-030 and D.04-08-031

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:

Confidential information will be made available to those who have executed a nondisclosure agreement: Yes No

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: _____

Resolution Required? Yes No

Requested effective date: **as soon as possible**

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).

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

jnj@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 3454-E

Attachment 1

**PURCHASE AND SALE AGREEMENT
(Customer Specific Sales)**

By and between

PACIFIC GAS AND ELECTRIC COMPANY

and

Granite Construction Company

02898.208.0013.h
04/20/09

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PURCHASE AND SALE AGREEMENT

DISTRIBUTION:		REFERENCE:
Original	Svc Plng	ORDER NO.
Copy	Division	AP NO.
Copy	PG&E	D&C NO.

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is made and entered into as of this _____, 2009, the ("Effective Date") by and between PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("PG&E"), and Granite Construction 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. 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, 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 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 **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.

1.22 **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.

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

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

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

1.26 **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 sixty eight thousand seven hundred forty nine Dollars (\$68,749.00). 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 eight point seven nine percent (8.79%) 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 Four Thousand, Two Hundred Sixty One Dollars (\$4,261.00) 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 within 5 years 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 December 18, 2009 (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, or soon thereafter, 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. PG&E 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.

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.

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:

Errol Kissinger
Regulatory Relations Department
Pacific Gas and Electric Company
P.O. Box 770000, Mail Code N10A
San Francisco, CA 94177

With a copy to:

Gail Slocum
Law Department
Pacific Gas and Electric Company
P.O. Box 7442, Mail Code B30A
San Francisco, CA 94120

If to Buyer:

Granite Construction, Inc.
Steve McCracken, Area Manager
P.O. Box 151
Stockton, CA 95201

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:

Exhibit A	Description of the Facilities
Exhibit B	Description of the Land
Exhibit C	Form of Bill of Sale
Exhibit D	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.

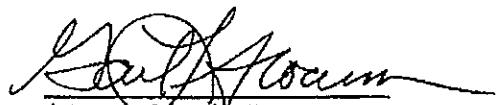
9.16 Prior Agreements. This Agreement and the exhibits hereto contain the entire understanding of the parties relating to the subject matter hereto and shall supersede any prior written or oral agreements or communications between the parties pertaining to such subject matter.

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

APPROVED AS TO FORM:


Karl H. Moam
Attorney for PG&E

By: DSB
Name: DES BELL
Its: SVP Shared Services & CIO
Date: 4/24/2009

BUYER:

Granite Construction, Inc.
Steve McCracken, Area Manager
P.O. Box 151
Stockton, CA 95201

By: Steve McCracken
Name: Steve McCracken
Its: Operations Manager
Date: 4/20/09

EXHIBIT A
DESCRIPTION OF THE FACILITIES

Account	Description	Qty	Year Installed
0204	EA. ANCHOR GUY 5/16" E.H.S. 5M	1	2005
0204	EA. ANCHOR POWER INSTALLED SCREW 15M	1	2005
0204	EA. POLE SOLELY OWNED 30 FT	2	1975
0204	EA. POLE SOLELY OWNED 40 FT	2	1975
0204	EA. POLE SOLELY OWNED 40 FT	5	2005
0204	EA. POLE SOLELY OWNED 40 FT	1	1975
0204	EA. POLE SOLELY OWNED 45 FT	1	1975
0204	EA. POLE SOLELY OWNED 45 FT	2	2005
0204	EA. POLE SOLELY OWNED 45 FT	1	1975
0205	/FT CBL ACSR 6/1 4	84,828	1975
0205	/FT CBL ACSR 6/1 4	5,040	2005
0205	EA. CUTOUT OPEN LINK 15KV 100A PT 25	9	1996
0210	/FT CBL DUPLEX (N-SD) AL 6	231	2005
0210	/FT CBL DUPLEX (N-SD) AL 6	105	2005
0210	/FT CBL DUPLEX (N-SD) AL 6	168	2005
0210	/FT CBL DUPLEX (N-SD) AL 6	77	2005
0210	/FT CBL DUPLEX (N-SD) AL 6	401	2005
0211	EA. U.G. SVC (211)	140	2005
0220	EA. TRANSFORMER	1	2005
0220	EA. XFMR 3PH12KV-480/277V 300KVA	1	2005

EXHIBIT B
DESCRIPTION OF THE LAND

AFTER RECORDING
RETURN TO:2204-06-0195
FOR RECORDER'S USE ONLY

PACIFIC GAS AND ELECTRIC COMPANY

Land Department

77 Beale Street

San Francisco, California 94106

Attn: Title Administration Unit

Location: City/Uninc. _____

Recording Fee _____

Documentary Transfer Tax \$ _____

Computed on Full Value of Property Conveyed, or
 Computed on Full Value Less Liens & Encumbrances
 Remaining at Time of Sale

Signature of declarant or agent determining tax _____

EASEMENT

POWELL FAMILY TRUSTS

first party, hereby grants to PACIFIC GAS AND ELECTRIC COMPANY, a California corporation,

second party, the right from time to time to construct, install, inspect, maintain, replace, remove, and use facilities of the type hereinafter specified, together with a right of way therefor, within a strip or parcel of land or along a route as hereinafter set forth, and also ingress thereto and egress therefrom, over and across the lands situate in the _____

County of San Joaquin, State of California, described as follows:

The parcel of land, situate in Section 7, Township 4 South, Range 6 East, M.D.B.& M., described and designated PARCEL TWO-A in the deed from Robert D. Powell and wife to Powell Family Trusts dated January 9, 1975 and recorded in Book 3947 of Official Records at page 366, San Joaquin County Records.

Said facilities shall consist of:

Such poles, aerial wires, cables, electrical conductors with associated crossarms, braces, transformers, anchors, guy wires and cables, fixtures, and appurtenances, as second party deems necessary located along the route described as follows:

Beginning at a point within second party's existing pole line and running thence north $0^{\circ} 42\frac{1}{2}'$ west 610.0 feet, thence north $6^{\circ} 50\frac{1}{2}'$ west 212.8 feet to a point herein for convenience called Point "A", thence north $6^{\circ} 54'$ east approximately 146-feet to a point in the northerly boundary line of said Parcel Two-A; said Point "A" bears south $20^{\circ} 56\frac{1}{2}'$ west 158.3 feet distant from the found 1-inch iron pipe accepted as marking the most northerly corner of said Parcel Two-A.

Second party shall also have the right to trim
and clear away or otherwise control any trees or brush along said

facilities whenever considered necessary for the complete enjoyment of the rights hereby granted.

The provisions hereof shall inure to the benefit of and bind the successors and assigns of the respective parties hereto.

IN WITNESS WHEREOF first party has executed these presents this 10th day
of November, 1976.

POWELL FAMILY TRUSTS

by Albert J. Smith

C. R. E. Smith - Trustee

Emil J. Pansky

Emil J. Pansky - Trustee

Executed in the presence of:

Stockton Division
CM 492756, E-03-024
Dwg.: A-4-6-7-S, Map CC-9
M.D.B. & M., T.4S., R.6E.,
SE $\frac{1}{4}$ of NE $\frac{1}{4}$, Section 7
NE $\frac{1}{4}$ of SE $\frac{1}{4}$

WITNESS

Prepared BY

Checked _____

FOR NOTARY'S USE ONLY

STATE OF CALIFORNIA,

County of ALAMEDA

On the 10 day of November in the year one thousand nine hundred and seventh-six

before me, DORIS L. RANSOM

a Notary Public in and for the County of ALAMEDA, State of California, residing therein,

duly commissioned and sworn, personally appeared

EMIL J. PANSKY and C. R. E. SMITH

known to me to be the persons whose name is EMIL J. PANSKY subscribed to the within instrument, and acknowledged to me that they executed the same, as Trustees

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal
in the County of ALAMEDA, the 28 day and year in the 1976

certificate first above written.

Doris L. Ransom



Notary Public in and for the County of ALAMEDA, State of California, My Commission Expires July 28, 1978

My Commission Expires July 28, 1978

62-3111-2-T3REV1

AFTER RECORDING
RETURN TO:

PACIFIC GAS AND ELECTRIC COMPANY
Land Department
P. O. Box 930
Stockton, CA 95201

Location: 9447 Union
Recording Fee \$4.00
Documentary Transfer Tax None
 Computed on Full Value of Property Conveyed, or
 Computed on Full Value Less Liens & Encumbrances
Remaining at Time of Sale

John A. Palermo
Signature of deponent or agent determining tax

80030194

2204-06-0,008. v
SAN JOAQUIN COUNTY
RECORDER'S OFFICE
FOR RECORDATION OF JOHNSTONE

1980 MAY -8 PM 2:17
RECORDED AT REQUEST OF
COMPANY SHOWN

FEE

EASEMENT

MICHAEL A. BOGETTI and LAURIE L. BOGETTI, husband and wife,

ALBERT M. BOGETTI, JR., a single man,

First party, hereby grants to PACIFIC GAS AND ELECTRIC COMPANY, a California corporation,

second party, the right from time to time to construct, install, inspect, maintain, replace, remove, and use facilities of the type hereinafter specified, together with a right of way therefor, within a strip or parcel of land or along a route as hereinafter set forth, and also ingress thereto and egress therefrom, over and across the lands situate in the County of San Joaquin, State of California, described as follows:

Parcel "A" as shown upon the parcel map filed for record in Book 8 of Parcel Maps at page 93, San Joaquin County Records.

Said facilities shall consist of:

Such poles, aerial wires, cables, electrical conductors with associated crossarms, braces, transformers, anchors, guy wires and cables, fixtures and appurtenances, as second party deems necessary located within the strip of land described as follows:

A strip of land of the uniform width of 15 feet lying contiguous to and southwesterly of the northeasterly boundary line of said lands and extending from the northerly boundary line of said lands southeasterly 3,417 feet, being measured along said northeasterly boundary line.

P.G.&E CO.
ORIGINAL

Second party shall also have the right to trim _____
and clear away or otherwise control any trees or brush along said _____

facilities whenever considered necessary for the complete enjoyment of the rights hereby granted.

The provisions hereof shall inure to the benefit of and bind the successors and assigns of the respective parties hereto.

IN WITNESS WHEREOF first party has executed these presents this 2 nd day
of May, 19 80.

Stockton Division
WO 1-1868-F, E-00239
Map No. CC-9, Dwg. L-4-6-6-S
T4S, R6E, M.D.B.&M.
Section 6
NE 1/4, NE 1/4 of SE 1/4,
NW 1/4 of SE 1/4, NE 1/4 of SW 1/4
NW 1/4 of SW 1/4, NW 1/4

Michael A. Bogetti
Michael A. Bogetti

Laurie L. Bogetti
Laurie L. Bogetti

Albert M. Bogetti, Jr.
Albert M. Bogetti, Jr.

Executed in the presence of:

Michael D. Grinstead

WITNESS
Michael D. Grinstead

Prepared 5

Checked 5

62-4205 (Witness) Rev. 7/78

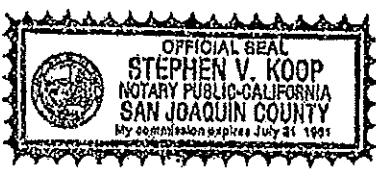
STATE OF CALIFORNIA
County of... San Joaquin } ss.

On this 5 day of May, in the year 1980, before me, Stephen V. Koop,
a Notary Public in and for said State, duly commissioned and sworn, personally appeared Michael D. Grinstead,
known to me to be the same person whose name is subscribed to the within instrument, as a
witness thereto, who, being duly sworn, deposed and said that he/she resides in the County of San Joaquin.

Official Seal

State of California, that he/she was present and saw Michael A. Bogetti,
Laurie L. Bogetti and Albert M. Bogetti, Jr.

personally known to him/her to be the person(s) described in and whose name(s)
is/are subscribed to the said instrument, as party les thereto, sign and
execute the same, and that, at their request, he/she the said affiant,
thereupon subscribed his/her name as a witness thereto.



Stephen V. Koop

Notary Public in and for the said State

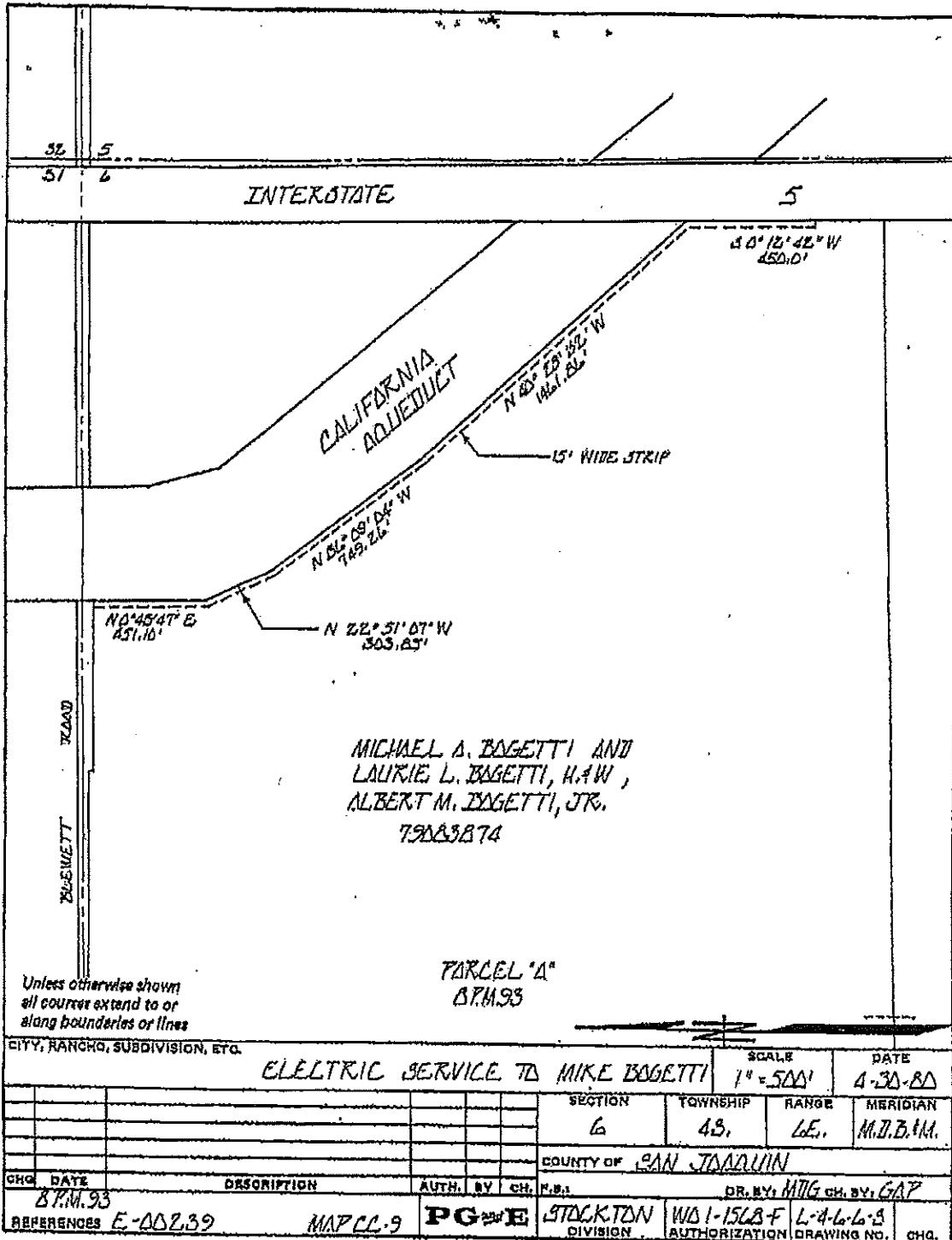


EXHIBIT C

FORM OF BILL OF SALE

DISTRIBUTION		REFERENCE
Original	Buyer	ORDER NO.
Copy	Division	AP NO.
Copy	Svc. Plng.	SAP BD NO.
		Wire Transfer No.

BILL OF SALE

Pursuant to that certain Purchase and Sale Agreement dated _____, 20____ (the "Purchase Agreement"), by and between **PACIFIC GAS AND ELECTRIC COMPANY**, a California corporation ("PG&E"), and _____, ("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 to the Purchase Agreement, in the locations described in Exhibit D within the site described in Exhibit B attached to the Purchase Agreement, and incorporated herein by this reference (collectively, the "Facilities").

As stated in Section 5.5 of the Purchase Agreement: 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 RE COURSE 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 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.

This Bill of Sale is executed pursuant to authorization contained in _____ [Cite to CPUC 851 Approval], 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

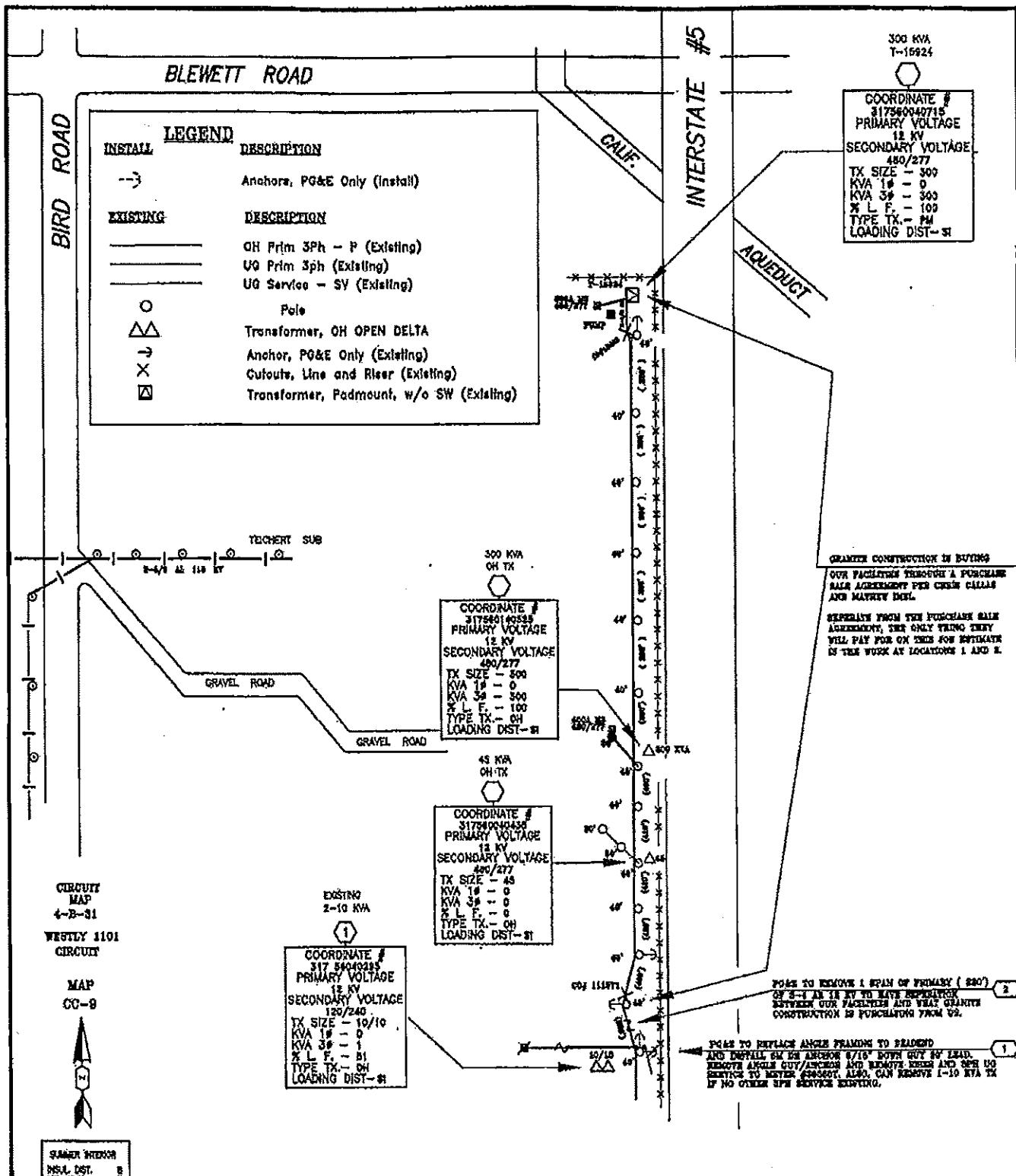
Dated: _____

By: _____

Name: _____

Its: _____

EXHIBIT D
SEVERANCE ENGINEERING DRAWINGS



EST: DRNS
ADE: EXL5
SUPV: BRISKEY
REP: Chris R. Callas
PLNR: DAN THOMAS
SCALE: NONE
DATE: 02/22/09



GRANITE CONSTRUCTION COMPANY
REARRANGEMENT-REQUEST BY OTHERS

37400 S BIRD RD, TRACY

PACIFIC GAS AND ELECTRIC COMPANY

CO:	
SD:	
NOTIF:	
OTHER:	
SHT: 1 OF 1	Sheets
PM: 30671517	REV.

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

Aglet	Department of the Army	Northern California Power Association
Agnews Developmental Center	Dept of General Services	Occidental Energy Marketing, Inc.
Alcantar & Kahl	Division of Business Advisory Services	OnGrid Solar
Ancillary Services Coalition	Douglas & Liddell	PPL EnergyPlus, LLC
Anderson & Poole	Douglass & Liddell	Pinnacle CNG Company
Arizona Public Service Company	Downey & Brand	Praxair
BART	Duke Energy	R. W. Beck & Associates
BP Energy Company	Duncan, Virgil E.	RCS, Inc.
Barkovich & Yap, Inc.	Dutcher, John	RMC Lonestar
Bartle Wells Associates	Ellison Schneider & Harris LLP	Recon Research
Blue Ridge Gas	Energy Management Services, LLC	SCD Energy Solutions
Braun & Associates	FPL Energy Project Management, Inc.	SCE
C & H Sugar Co.	Foster Farms	SESCO
CA Bldg Industry Association	Foster, Wheeler, Martinez	SMUD
CAISO	Franciscan Mobilehome	SPURR
CLECA Law Office	G. A. Krause & Assoc.	Santa Fe Jets
CSC Energy Services	GLJ Publications	Seattle City Light
California Cotton Ginners & Growers Assn	Goodin, MacBride, Squeri, Schlotz & Ritchie	Sempra Utilities
California Energy Commission	Green Power Institute	Sequoia Union HS Dist
California League of Food Processors	Hanna & Morton	Sierra Pacific Power Company
California Public Utilities Commission	Heeg, Peggy A.	Silicon Valley Power
Calpine	Hitachi	Smurfit Stone Container Corp
Cameron McKenna	Hogan Manufacturing, Inc.	Southern California Edison Company
Cardinal Cogen	Imperial Irrigation District	St. Paul Assoc.
Casner, Steve	Innercite	Sunshine Design
Cerox	International Power Technology	Sutherland, Asbill & Brennan
Chamberlain, Eric	Intestate Gas Services, Inc.	TFS Energy
Chevron Company	J. R. Wood, Inc.	Tabors Caramanis & Associates
Chris, King	JTM, Inc.	Tecogen, Inc.
City of Glendale	Los Angeles Dept of Water & Power	Tiger Natural Gas, Inc.
City of Palo Alto	Luce, Forward, Hamilton & Scripps LLP	Tioga Energy
City of San Jose	MBMC, Inc.	TransCanada
Clean Energy Fuels	MRW & Associates	Turlock Irrigation District
Coast Economic Consulting	Manatt Phelps Phillips	U S Borax, Inc.
Commerce Energy	Matthew V. Brady & Associates	United Cogen
Commercial Energy	McKenzie & Associates	Utility Cost Management
Constellation	Meek, Daniel W.	Utility Resource Network
Constellation New Energy	Merced Irrigation District	Utility Specialists
Consumer Federation of California	Mirant	Vandenberg Air Force
Crossborder Energy	Modesto Irrigation District	Verizon
Davis Wright Tremaine LLP	Morgan Stanley	Wellhead Electric Company
Day Carter Murphy	Morrison & Foerster	Western Manufactured Housing
Defense Energy Support Center	New United Motor Mfg., Inc.	Communities Association (WMA)
Department of Water Resources	Norris & Wong Associates	White & Case
	North Coast SolarResources	eMeter Corporation