

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



January 24, 2007

Advice Letter 2945-E

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

Subject: Blanchard Mobile Home Lease Agreement – Request for Approval Under Section 851

Dear Ms. de la Torre:

Advice Letter 2945-E is effective January 22, 2007. A copy of the advice letter is returned herewith for your records.

Sincerely,

Sean H. Gallagher, Director  
Energy Division

<b>REGULATORY RELATIONS</b>	
Tariffs Section	
M Brown	D Poster
R Dela Torre	S Ramaiya
B Lam	
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Records	
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cc to _____	

December 8, 2006

**Advice 2945-E**

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Blanchard Mobile Home Lease Agreement – Request for  
Approval Under Section 851**

**Purpose**

Pacific Gas and Electric Company (“PG&E”) submits this filing seeking approval from the California Public Utilities Commission (“CPUC”) under Section 851 of the California Public Utilities Code to enter into a ground lease agreement (“Lease”) with Robert Blanchard Jr. (“Blanchard”) permitting Blanchard to maintain an existing mobile home on PG&E’s property known as Pecho Ranch, which is located along the coast near the Diablo Canyon Nuclear Power Plant. Blanchard will use the mobile home in support of cattle grazing activity on the Pecho Ranch, which PG&E authorized under a separate license agreement pursuant to General Order 69-C (“Grazing License Agreement”).

**Background**

PG&E’s Diablo Canyon Power Plant is located on the coast of San Luis Obispo County between San Luis Obispo Bay, adjacent to Avila and Shell Beach and extending northwest towards Point Buchon, which is south of Morro Bay. To the east of the power plant site is 4,500 acres of land known as Pecho Ranch. Cattle grazing and farming have been practiced on this land for over 100 years.

On November 1, 1990, PG&E and Blanchard entered into a grazing lease, which allowed Blanchard to perform cattle grazing activities and the right to use a mobile home in support of cattle grazing activity on the Pecho Ranch.<sup>1</sup> In 1995, the grazing lease was extended for an additional five-year term. The grazing lease expired on October 31, 2000, but Blanchard continued his grazing activity as a

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<sup>1</sup> The lease to Blanchard was previously approved by the Commission in Decision (D.) 04-07-023.

holdover tenant with PG&E's consent. On June 6, 2006, PG&E and Blanchard entered into a license agreement pursuant to General Order 69-C for the use of 3,358 acres of the Pecho Ranch for grazing purposes to permit the grazing of cattle, goats and sheep (Attachment 1). By this advice letter, PG&E wishes to memorialize in a new ground lease the use of the mobile home, which had been expressly authorized under the terms of the prior lease with Blanchard.

The mobile home owned by Blanchard that is situated on the Pecho Ranch will continue to be utilized as an on-site residence for Blanchard's employees and agents performing the activities authorized under the Grazing License Agreement. PG&E agrees that it is in the mutual interest of PG&E and Blanchard to provide for the on-site presence of an employee or agent of Blanchard to perform the activities authorized under the Grazing License Agreement, and agrees to a ground lease for the mobile home site on 6,099 square feet of land (the "Premises") at the Pecho Ranch, subject to the terms and conditions set forth in the Lease.

The Lease is provided to assist Blanchard in performing the activities authorized under the Grazing License Agreement, and the month-to-month tenancy of the Lease shall not extend beyond the expiration or termination of the Grazing License Agreement.

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

Pacific Gas and Electric Company	Robert Blanchard, Jr.
Andrew L. Niven	12520 Santa Rita Road
Peter Van Mieghem	Cayucos, CA 93430
Law Department	Telephone: (805) 995-1164
P.O. Box 7442	Facsimile: (805) 995-3752
San Francisco, CA 94120	Email: oldcreekranch@att.net
Telephone: (415) 973-2902	
Facsimile: (415) 973-5520	
Email: PPV1@pge.com	

**(b) Complete Description of the Premises Including Present Location, Condition and Use:**

PG&E owns certain real property commonly known as Pecho Ranch, as further described in the Lease (Attachment 2). Under the terms and conditions set forth in the Lease, PG&E will lease to Blanchard a portion of the Pecho Ranch consisting of approximately 6,099 square feet of land, APN 076-011-028, SBE No. 135-40-25C-2 as further described in Exhibit A (Description of Premises) and A-1 (Map of the Blanchard Lease Area) of the Lease.

**(c) Intended Use of the Property:**

Blanchard shall use and occupy the Premises solely for a single mobile home and parking for three (3) vehicles and for no other purpose whatsoever. The maximum occupancy of the Premises shall be two (2) persons. Blanchard shall not use or allow Blanchard's employees, agents, contractors, licensees, invitees and visitors to use the Premises for any other use whatsoever and shall not expand Blanchard's use of the Premises beyond those activities specifically authorized by PG&E under the terms of the Lease.

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

Tenant shall pay to PG&E as rent for the Premises, Ten (\$10) dollars per month. Rent for the first year shall be payable in advance in a single payment of One Hundred Twenty Dollars (\$120.00) to be made concurrently with the execution of the Lease. The use of the mobile home is ancillary to the Grazing License Agreement issued to Blanchard, for which PG&E is recovering an annual license fee of Five Thousand Dollars (\$5,000). For this reason, the amount of rent for the Premises, although adequate consideration to support the Lease, does not reflect the total compensation paid by Blanchard to PG&E. In view of the ancillary nature of the use the mobile home, the total compensation to PG&E from both the Grazing License Agreement and the Lease is Five Thousand One Hundred Twenty Dollars (\$5,120).

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

As consideration for the grant of Lease described in this advice letter, Blanchard will pay PG&E rent for use of the Premises. The property described in this advice letter is part of PG&E's nuclear generation facilities. Any compensation received by PG&E from Blanchard will be credited to Other Operating Revenue and will be used to reduce the generation revenue requirement in future general rate cases, consistent with conventional cost-of-service ratemaking.

There is no reduction to rate base as a result of PG&E's proposed Lease to Blanchard. PG&E is not selling or disposing of the property described in this advice letter.

**(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:**

The CEQA Guidelines, adopted by the Commission in Rule 17.1(a) of the Commission's Rules of Practice and Procedure, include a list of categories of projects that have been determined not to have a significant effect on the environment and that are therefore exempt from the provisions of CEQA. (Cal. Code Regs., tit. 14, §§15300, et seq.) Among the classes of exempt projects are "construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities in small structures; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure." (Id., § 15303.) The CEQA Guidelines specifically cite as an example of an exempt project, a "single-family residence." (Id., § 15303(b).) Therefore, PG&E requests that the Commission find that a mobile home site is categorically exempt from the provisions of CEQA and that the requirements concerning the evaluation of projects and the preparation and review of environmental documents do not apply.

Finally, the transaction does not involve the transfer or change in ownership of facilities currently used in utility operations. Blanchard will operate on the Premises in accordance with the terms and conditions of the Lease.

**(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:**

PG&E and Blanchard entered into a license agreement pursuant to General Order 69-C for the use of 3,358 acres of the Pecho Ranch for grazing purposes on June 6, 2006. This Grazing License Agreement replaces a grazing lease that was previously entered into between PG&E and Blanchard, and that was approved by the Commission in D.04-07-023, on July 8, 2004. The Lease, which is the subject of approval under this advice letter, is provided to assist Blanchard in performing the activities authorized under the Grazing License Agreement, and the month-to-month tenancy of the Lease shall not extend beyond the expiration or termination of the Grazing License Agreement.

**(h) For Sales of Real Property and Depreciable Assets, the Advice Letter Shall Include the Original Cost, Present Book Value, and Present Fair Market Value, and a Detailed Description of How the Fair Market Value Was Determined (e.g., Appraisal):**

Not applicable.

**(i) 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:**

The annual rent for Blanchard's use of the Premises is One Hundred Twenty Dollars (\$120.00). However, the use of the mobile home is ancillary to the Grazing License Agreement issued to Blanchard, for which PG&E is recovering an annual license fee of Five Thousand Dollars (\$5,000). For this reason, the amount of rent for the Premises, although adequate consideration to support the lease, does not reflect the total compensation paid by Blanchard to PG&E. In view of the ancillary nature of the use the mobile home, the total compensation to PG&E from both the Grazing License Agreement and the ground lease is Five Thousand One Hundred Twenty Dollars (\$5,120).

**(j) 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.

**(k) CEQA Checklist**

**Exemption**

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

This 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).

PG&E contends that this project is categorically exempt according to the CEQA Guidelines, adopted by the Commission in Rule 17.1(a) of the Commission's Rules of Practice and Procedure, which include a list of categories of projects that

have been determined not to have a significant effect on the environment and that are therefore exempt from the provisions of CEQA. (Cal. Code Regs., tit. 14, §§15300, et seq.) Among the classes of exempt projects are “construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities in small structures; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure.” (Id., § 15303.) The CEQA Guidelines specifically cite as an example of an exempt project, a “single-family residence.” (Id., § 15303(b).)

### **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.

Not applicable.

(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.

Not applicable.

**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 30 days after the date of this filing, which is **January 8, 2007**.<sup>2</sup> Protests should be mailed to:

CPUC Energy Division  
Tariff Files, Room 4005  
DMS Branch  
505 Van Ness Avenue  
San Francisco, California 94102

Facsimile: (415) 703-2200  
E-mail: jnj@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 **January 22, 2007**, which is 45 calendar days after the date of filing.

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

**Notice**

In accordance with General Order 96-A, 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-A 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>**



Vice President, Regulatory Relations

Attachments 1-2

cc: Service List – GO 96-A  
ALJ Peter V. Allen, CPUC  
ALJ Lynn T. Carew, CPUC  
Andrew Barnsdale, CPUC – Energy Division  
Junaid Rahman, CPUC – Energy Division  
Brewster Fong, DRA  
Robert Blanchard, Jr.

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

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

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

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Bernard Lam

Phone #: (415) 973-4878

E-mail: bxlc@pge.com

EXPLANATION OF UTILITY TYPE

(Date Filed/ Received Stamp by CPUC)

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

Advice Letter (AL) #: **2945-E**

Subject of AL: Blanchard Mobile Home Lease Agreement – 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 #:

ALJ-186

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

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

Resolution Required?  Yes  No

Requested effective date: **January 22, 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 proposed<sup>1</sup>: N/A

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

**Protests and all other correspondence regarding this AL are due no later than 30 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

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

Advice 2945-E

Attachment 1

## LICENSE AGREEMENT FOR GRAZING PURPOSES

This License Agreement ("**License Agreement**") is made and entered into this 6 day of JUNE, 2006 (the "**Effective Date**") by PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, hereinafter called "**PG&E**", and **ROBERT BLANCHARD, JR.**, a married man as to his separate property, hereinafter called "**Licensee**."

### R E C I T A L S:

- A. PG&E owns the real property commonly known as **Pecho Ranch**, (Assessor's Parcel Numbers 076-011-006, 008, 013, 016, 021, 022, 024, 026, 027, 028, and 029; 076-031-005 and 006, 076-091-002, 004 and 005; 076-021-023; State Board of Equalization No.135-40-25c, Parcels 1 through 10) hereinafter called the "**Property**", situate in the County of **San Luis Obispo**, State of California.
- B. PG&E and Licensee previously entered into a lease dated November 1, 1990, for the use of the Property, which lease expired on October 1, 2000, and thereafter Licensee has been in possession on a holdover basis.
- C. Licensee wishes to graze **cattle, goats and sheep** on a portion of the Property, consisting of seventeen (17) parcels of land containing approximately 3358 acres, as shown on **EXHIBIT "A"** attached hereto and by this reference made a part hereof (the "**License Area**").
- D. PG&E is willing to grant such permission subject to the terms and conditions set forth herein.

NOW, THEREFORE, for good and valuable consideration, PG&E and Licensee hereby agree as follows:

1. Temporary Grazing License. Subject to the terms and conditions set forth in this License Agreement, PG&E hereby confers to Licensee a temporary, personal, non-exclusive and non-possessory right and license to enter, and for Licensee to allow Licensee's directors, officers, partners, members, managers, employees, contractors, subcontractors, consultants, representatives, agents, permittees and invitees ("**Licensee's Representatives**") to enter, the License Area for the sole purpose of grazing livestock in connection with Licensee's livestock business hereinafter referred to as "**Licensee's Activities**." This License Agreement gives Licensee a license only and does not constitute a grant by PG&E of any ownership, leasehold, easement or other similar property interest or estate.

2. Fees. Licensee shall pay to PG&E at the address set forth herein, or at such other place as PG&E shall designate in writing, PG&E's standard administrative fee of Three hundred fifty Dollars (\$350.00) plus Five Thousand Dollars (\$5,000.00) annual fee, totaling Five

Thousand Three Hundred Fifty dollars (\$5,350.00), payable in advance, the first payment to be made concurrently with the execution of this License Agreement, and thereafter on or before the anniversary of the Effective Date of this License Agreement as set forth below.

<u>Period</u>	<u>Annual Fee</u>
First Year	\$5,000.00
Second Year	\$5,000.00
Third Year	\$5,000.00
Fourth Year	\$5,000.00
Fifth Year	\$5,000.00

3. Term; Termination; Surrender. This License Agreement shall be for a term of *five (5) years* commencing on the Effective Date of this License Agreement, unless sooner terminated **Provided however, that PG&E may terminate this License Agreement, at any time, for any reason or no reason, including, without limitation, pursuant to the provisions of General Order No. 69-C of the California Public Utilities Commission (the "CPUC"), upon thirty (30) days written notice to the Licensee.** (Licensee to initial here TCB). In the event that PG&E terminates this License Agreement, Licensee shall be entitled to a refund of any fees allocable to the period after the date that Licensee vacates the Property. Upon the expiration or termination of this License Agreement, at Licensee's sole cost and expense, Licensee shall remove all of Licensee's livestock, personal property and all debris, repair and restore the Property as nearly as possible to the condition that existed prior to Licensee's entry hereunder. As part of such restoration, at PG&E's election, Licensee shall remove all fencing and other improvements installed by Licensee following the Effective Date of this License Agreement. Licensee shall bear the entire cost of such repair, removal and restoration, and PG&E shall bear no liability for any costs caused or related to any termination of this License Agreement. In the event Licensee fails to remove Licensee's livestock or fails to repair or restore the Property within said thirty (30) day period, PG&E may elect to remove Licensee's livestock and effect such removal, repair or restoration as necessary and recover such costs and expenses therefor from Licensee. Licensee shall pay such costs and expenses within ten (10) days of receipt of an invoice therefor. Licensee further acknowledges that PG&E's right to terminate this License Agreement shall not be affected by any improvements which Licensee has made to the License Area regardless of the nature or extent of those improvements. Licensee's obligations under this Section shall survive the expiration or termination of this License Agreement.

4. Condition of the Property. Licensee accepts the Property "as is", in its existing physical condition, without warranty by PG&E or any duty or obligation on the part of PG&E to maintain the Property. Licensee acknowledges that one or more of the following (collectively, "**Potential Environmental Hazards**") may be located in, on or underlying the Property:

(a) 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 ("EMFs");

(b) Hazardous Substances (as hereinafter defined). For purposes hereof, the term "**Hazardous Substances**" means any hazardous or toxic material or waste which is or becomes regulated by Legal Requirements, as defined herein, relating to the protection of human health or the environment, including, but not limited to, 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. Without limiting the generality of the foregoing, the term Hazardous Substances includes any material or substance:

(1) 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 local, state or federal law or under the regulations adopted or promulgated pursuant thereto, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §§9601 et seq. ("CERCLA"); the Resource Conservation and Recovery Act of 1976, 42 U.S.C. §§6901 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 Substance Control Act, 15 U.S.C. §§2601 et seq.; the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. §§136 et seq.; the Atomic Energy Act of 1954, 42 U.S.C. §§2014 et seq.; the Nuclear Waste Policy Act of 1982, 42 U.S.C. §§10101 et seq.; the California Hazardous Waste Control Law, Cal. Health and Safety Code §§25100 et seq.; the Porter-Cologne Water Quality Control Act, Cal. Water Code §§13000 et seq.; the Carpenter-Presley-Tanner Hazardous Substance Account Act (Health and Safety Code §§25300 et seq.); and the Medical Waste Management Act (Health and Safety Code §§25015 et seq.); or

(2) 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

(3) the presence of which on the Property poses or threatens to pose a hazard to human health or safety or to the environment; or

(4) which contains gasoline, diesel fuel or other petroleum hydrocarbons; or

(5) which contains lead-based paint or other lead contamination, polychlorinated biphenyls ("PCBs") or asbestos or asbestos-containing materials or urea formaldehyde foam insulation; or

(6) which contains radon gas;

(c) fuel or chemical storage tanks, energized electrical conductors or equipment, or natural gas transmission or distribution pipelines; and

- (d) other potentially hazardous substances, materials, products or conditions.

Licensee shall take reasonable precautions to protect Licensee's Representatives and Licensee's livestock from risks of harm from Potential Environmental Hazards. Licensee acknowledges that it has previously evaluated the condition of the Property and the License Area and all matters affecting the suitability of the Property for the uses permitted by this License Agreement, including, but not limited to, the Potential Environmental Hazards listed herein.

5. Licensee's Covenants.

(a) Legal Compliance. Licensee covenants and agrees, at Licensee's sole cost and expense, promptly to comply, and cause all of Licensee's Representatives to comply, with (i) all laws, statutes, ordinances, rules, regulations, requirements or orders of municipal, state, and federal authorities now in force or that may later be in force, (ii) with the conditions of any permit, occupancy certificate, license or other approval issued by public officers relating to Licensee's use or occupancy of the Property; and (iii) with any liens, encumbrances, easements, covenants, conditions, restrictions and servitudes (if any) of record, or of which Licensee has notice, which may be applicable to the Property (collectively, "**Legal Requirements**") regardless of when they become effective, insofar as they relate to the use or occupancy of the Property by Licensee. This License Agreement shall also be subject to any and all future environmental mitigation agreements with any federal, state or local entity or agency that may relate to the Property. The judgment of any court of competent jurisdiction, or the admission of Licensee in any action or proceeding against Licensee, whether or not PG&E is a party in such action or proceeding, that Licensee has violated any Legal Requirement relating to the use or occupancy of the Property, shall be conclusive of that fact as between PG&E and Licensee. Licensee shall furnish satisfactory evidence of such compliance upon request by PG&E;

(b) Use of Property. Licensee covenants and agrees that Licensee shall not in any way interfere or permit any interference with the use by PG&E of the Property. Interference shall include, but not be limited to, any activity by Licensee that places any of PG&E's gas or electric facilities in violation of any of the applicable provisions of General Order Nos. 95 (Overhead Electric), 112 (Gas), and 128 (Underground Electric) of the CPUC or to any other applicable provisions of the laws and regulations of the State of California or other governmental agencies under which the operations of utility facilities are controlled or regulated, including, but not limited to the CPUC and the Federal Energy Regulatory Commission ("**FERC**");

(c) Licensee's Activities. Licensee covenants and agrees that Licensee shall conduct Licensee's Activities in such a manner so as to protect the Property, PG&E's utility facilities, the environment and human health and safety. Licensee shall not cause or permit any Hazardous Substances, as defined herein, to be brought upon, produced, stored, used, discharged or disposed of on, or in the vicinity of, the Property. Notwithstanding the foregoing, Licensee may store or use on the License Area (i) Hazardous Substances specifically authorized by PG&E, at PG&E's sole and absolute discretion and subject to whatever conditions PG&E may impose, pursuant to the Work Plan as described in Section 5(g) below, in the manner so authorized, and (ii) gasoline, diesel or other fuel contained within the gas tanks of automobiles or trucks on the Property. Licensee agrees to store and/or use all such authorized Hazardous Substances in

compliance with all Legal Requirements. In the event PG&E determines that Licensee's Activities in any way endanger the Property, PG&E's utility facilities, the environment, or human health and safety, PG&E may, at PG&E's sole discretion, require that the Licensee halt Licensee's Activities until appropriate protective measures may be taken to eliminate such endangerment to PG&E's satisfaction. Licensee shall hold PG&E harmless from any claims in any way resulting from any delay under this paragraph. PG&E's right to halt activities under this section shall not in any way affect or alter Licensee's insurance or indemnity obligations under this License Agreement, nor shall it relieve Licensee from any of Licensee's obligations hereunder that pertain to health, safety, or the protection of the environment;

(d) Site Security. Licensee hereby covenants and agrees that Licensee and Licensee's Representatives shall comply with any and all PG&E's on-site safety and security requirements and any other rules and regulations that may be applicable to Licensee's Activities at the Property. Licensee covenants and agrees to cooperate with PG&E and abide by any and all orders or instructions issued by PG&E, its employees, agents or representatives. PG&E reserves the right to restrict access to the Property in the event of fire, earthquake, storm, riot, civil disturbance, or other casualty or emergency, or in connection with PG&E's response thereto, or if emergency repairs or maintenance are required to PG&E facilities within or in the vicinity of the Property, or otherwise when PG&E deems it advisable to do so, including in connection with events and emergencies occurring or affecting PG&E's business operations located elsewhere than in the immediate vicinity of the Property;

(e) Non-Interference; Use Restrictions. Licensee covenants and agrees to coordinate Licensee's Activities regarding the license granted herein to strictly avoid any interference with the use by PG&E of the Property and any adjoining lands owned by PG&E. Licensee shall not park any vehicle in such a manner to restrict PG&E's access and shall not use the Property for overnight parking or storage of any vehicles, trucks or pieces of equipment. Except with respect to transportation of livestock, activities associated with the management of Licensee's livestock business, or the removal of any deceased livestock, Licensee shall not allow any vehicles on the Property without PG&E's consent, which consent shall be at PG&E's sole and absolute discretion. Furthermore, Licensee covenants and agrees not to dispose of any personal property or materials of any kind, including but not limited to, any vehicles or pieces of equipment on the Property;

(f) Fencing. Licensee covenants and agrees to install, repair and maintain fencing and gates on the Property approved by PG&E and in the locations and in the manner reasonably required by PG&E. Licensee covenants and agrees to maintain all fencing in good and proper condition and repair to the satisfaction of PG&E. Licensee shall not erect any buildings, structures or other improvements without PG&E's written consent, which shall be at PG&E's sole and absolute discretion; and,

(g) Hazardous Materials; Work Plan. Licensee covenants and agrees to use, store or discharge on the Property, only such Hazardous Materials that are approved in writing by PG&E as set forth below, at PG&E's sole and absolute discretion, prior to any release of such substances. Licensee shall prepare a work plan for the review and approval of PG&E which describes in detail and with specificity the exact substances, including, but not limited

to, all Hazardous Substances, proposed to be used on the Property and the proposed area of exposure and method of application (the "Work Plan"). The Work Plan will be submitted to the following person at PG&E for approval: **Rick Hernandez**, (805) 595-6376, 4325 So. Higuera, San Luis Obispo, CA 93401. PG&E reserves the right to request Licensee to provide additional information, reports, studies or other documents not included in the Work Plan. Licensee acknowledges and agrees that PG&E's review of the Work Plan is solely for the purpose of protecting PG&E's interests, and shall not be deemed to create any liability of any kind on the part of PG&E, or to constitute a representation on the part of PG&E or any person consulted by PG&E in connection with such review that the Work Plan is adequate or appropriate for any purpose, or complies with applicable Legal Requirements.

(h) Livestock Requirements. Licensee covenants and agrees that Licensee is responsible for the individual health of Licensee's livestock and shall take any and all appropriate steps to insure that proper and timely inoculations are given to protect the overall health of the herd. Licensee also agrees to diligently and promptly dispose of any dead livestock in accordance with all applicable Legal Requirements. Licensee further shall conduct Licensee's livestock operations in accordance with good and prudent management, and Licensee will not permit the Property to be overgrazed.

(i) Subleasing. No subleasing and or unauthorized use<sup>1</sup> of the property or its natural resources is allowed. Requests for additional authorized uses of natural resources must be submitted in writing and be approved by PG&E prior to any such use occurring.

(j) Chemical Use. Licensee shall keep a timely log of the type, amount, and location of any pesticide, fertilizer or herbicide that Licensee uses on PG&E property. The log shall be made available to the Land Stewardship Committee upon request.

(k) Noxious Weeds. Licensee shall cooperate in the control and prevention of noxious weeds and their re-occurrence by performing any and all actions identified by the Land Stewardship Committee as necessary to achieve these ends. The Land Stewardship Committee will be principally responsible for directing noxious weed control activities, including herbicide treatments performed by a certified pest control operator, monitoring and documentation of noxious weed occurrence on the property.

(l) Resource Management. Licensee shall cooperate with the Land Stewardship Committee in the protection of sensitive habitat areas (e.g., riparian zones and coastal bluff scrub habitats), in minimizing loss of soil from erosion, and in providing necessary protections to known cultural sites. Licensee shall be responsible for the timely development and maintenance of any and all facilities, including fencing, gates and distributed water supplies, necessary to accomplish resource management and protection goals, as directed by the Land Stewardship Committee, subject to the additional stipulations presented below [covenants (m) through (q)].

(m) Public Access. Licensee shall support the plan of public access now being developed for the Pecho Ranch, and assist PG&E in efforts to minimize conflicts between the public and sustainable agriculture. Grazing management practices may be modified as the Land

Stewardship Committee deems necessary to reduce impacts on public access trails and related facilities, as well as the view shed associated with these public use areas.

(n) Land Stewardship Committee. Licensee shall participate with the Land Stewardship Committee in the development, implementation, and monitoring of management goals for the Pecho Ranch; the principal goal being natural and cultural resource protection and rangeland health.

(o) Approval for Improvements. Licensee shall receive prior approval from Licensor before implementing improvements of any kind on the Ranch.

(p) Cost of Improvements. Unless otherwise agreed in writing by PG&E's Director of Site Services, Licensee shall bear the full cost of any improvements requested by Licensee for his operation.

(q) Licensor Improvements. Licensor shall bear the full cost of any improvement required by the Land Stewardship Committee designed to protect sensitive resource areas, cultural sites, bluff setbacks or other designated area. Licensor may negotiate with Licensee to provide the labor for these improvements.

<sup>1</sup> Unauthorized uses include but are not limited to the following: 1) any commercial or personal consumptive use of native plants or animals (other than forage consumed by livestock); 2) grazing by livestock within any area designated by PG&E as restricted for reasons of natural or cultural resource protection, protection of the primary access road from erosion-related impacts, or to protect the access road viewshed; 3) animal impact that exceeds acceptable levels as determined by PG&E using standard RDM monitoring criteria, 4) facilitating access by third-party individuals without prior notification and proper exercise of all required PG&E security protocols; and 5) expansion, addition, or significant maintenance of infra-structure facilities of any kind without prior written authorization from PG&E.

## 6. Indemnification; Release.

(a) Licensee shall, to the maximum extent permitted by law, indemnify, protect, defend and hold harmless PG&E, its parent corporation, subsidiaries, affiliates, and their officers, managers, directors, representatives, agents, employees, transferees, successors and assigns (each, an "**Indemnitee**" and collectively, "**Indemnitees**") from and against all claims, losses (including, but not limited to, diminution in value), actions, demands, damages, costs, expenses (including, but not limited to, experts fees and reasonable attorneys' fees and costs) and liabilities of whatever kind or nature (collectively, "**Claims**"), which arise from or are in any way connected with Licensee's Activities, or the entry on, occupancy or use of, the Property by Licensee or Licensee's Representatives, or the exercise by Licensee of Licensee's rights hereunder, or the performance of, or failure to perform, Licensee's duties under this License Agreement, including, but not limited to, Claims arising out of: (a) injury to or death of persons, including but not limited to employees of PG&E or Licensee (and including, but not limited to, injury due to exposure to EMFs and other Potential Environmental Hazards in, on or about the Property); (b) injury to property or other interest of PG&E, Licensee or any third party; (c) violation of any applicable federal, state, or local laws, statutes, regulations, or ordinances, including all Legal Requirements relating to the

environment and including any liability imposed by law or regulation without regard to fault; excepting only with respect to any Indemnitee, to the extent of any Claim arising from the sole negligence or willful misconduct of such Indemnitee.

Without limiting the generality of the foregoing, Licensee shall, to the maximum extent permitted by law, indemnify, protect, defend and hold Indemnitees harmless from and against Claims arising out of or in connection with any labor performed on the Property by, or at the request or for the benefit of, Licensee. In the event any action or proceeding is brought against any Indemnitee for any Claim against which Licensee is obligated to indemnify or provide a defense hereunder, Licensee upon written notice from PG&E shall defend such action or proceeding at Licensee's sole expense by counsel approved by PG&E, which approval shall not be unreasonably withheld, conditioned or delayed.

(b) Licensee acknowledges that all Claims arising out of or in any way connected with releases or discharges of a Hazardous Substance, or the exacerbation of a Potential Environmental Hazard, occurring as a result of or in connection with Licensee's use or occupancy of the Property, Licensee's Activities or the activities of any of Licensee's Representatives, and all costs, expenses and liabilities for environmental investigations, monitoring, containment, abatement, removal, repair, cleanup, restoration, remediation and other response costs, including reasonable attorneys' fees and disbursements and any fines and penalties imposed for the violation of any Legal Requirements relating to the environment or human health, are expressly within the scope of the indemnity set forth above.

(c) Licensee's use of the Property shall be at Licensee's sole risk and expense. Licensee accepts all risk relating to Licensee's occupancy and use of the Property. PG&E shall not be liable to Licensee for, and Licensee hereby waives and releases PG&E and the other Indemnitees from, any and all liability, whether in contract, tort or on any other basis, for any injury, damage, or loss resulting from or attributable to an occurrence on or about the Property, including, but not limited to, any injury to, or death of, any of Licensee's livestock.

(d) Licensee shall, to the maximum extent permitted by law, indemnify, protect, defend and hold Indemnitees harmless against claims, losses, costs (including attorneys' fees and costs), liabilities and damages resulting from the failure of Licensee, or any of Licensee's consultants, contractors or subcontractors, to comply with the insurance requirements set forth in **EXHIBIT "B"**. If Licensee fails to so indemnify, defend or hold harmless any Indemnitee, then at PG&E's option, this License Agreement shall terminate, if such failure continues for five (5) days following the giving of written notice of termination to Licensee, unless within such time such failure is cured to the reasonable satisfaction of PG&E.

(e) The provisions of this Section 6 shall survive the expiration or termination of this License Agreement.

7. Reserved Rights. PG&E reserves the right to use the Property for any and all purposes which will not unreasonably interfere with Licensee's enjoyment of the rights hereby granted. PG&E reserves the right to make use of the Property for such purposes as it may deem necessary or appropriate if, and whenever, in the interest of its service to its patrons or consumers or the public, it shall appear necessary or desirable to do so. Licensee shall not make use of the

Property in any way which will endanger human health or the environment, create a nuisance or otherwise be incompatible with the use of the Property by PG&E or others entitled to use the Property.

8. Compliance; Safety; Insurance. Without notice, PG&E shall have a right to access and inspect the License Area and Licensee's operations at any time to confirm Licensee's compliance with the requirements of this License Agreement and the Legal Requirements. PG&E shall have the right at any time to have a PG&E employee, biologist or other consultant make a detailed inspection of Licensee's practices. Licensee shall procure, carry and maintain in effect throughout the term of this Agreement, the insurance specified in **EXHIBIT "B"**, by this reference made a part hereof, provided that PG&E reserves the right to review and modify the coverages and limits of coverage required and the deductibles in effect from time to time. All insurance shall be written on forms and with insurance carriers acceptable to PG&E. Prior to Licensee's entry onto the Property, and thereafter thirty (30) days prior to the expiration date of any policy, Licensee shall provide PG&E with evidence of the insurance coverage, or continuing coverage, as applicable, required by this License Agreement as more specifically set forth in **EXHIBIT "B"**. Licensee is also responsible for causing Licensee's agents, contractors and subcontractors to comply with the insurance requirements of this License Agreement at all relevant times the insurance specified in **EXHIBIT "B"**.

9. Additional Activities. Licensee shall not perform any activities beyond Licensee's Activities specifically authorized by this License Agreement without the prior written consent of PG&E, which consent shall be at PG&E's sole and absolute discretion, and the prior consent, to the extent required by applicable law or regulation, of any governmental authority having jurisdiction, including, but not limited to, the CPUC or the FERC.

10. Notices. Any notices or communications hereunder shall be in writing and shall be personally delivered, or sent by first class mail, certified or registered, postage prepaid, or by national overnight courier, with charges prepaid for next business day delivery, addressed to the addressee party at the address or addresses listed below, or to such other address or addresses as such party may from time to time designate in writing. Notices shall be deemed received upon actual receipt of the notice by the party being sent the notice, or on the following business day if sent by overnight courier, or on the expiration of three (3) business days after the date of mailing.

If to PG&E:

**Claire Mastin**  
Land Services  
Pacific Gas and Electric Company

4325 So. Higuera  
San Luis Obispo, CA 93401  
(805) 546-3888

With a copy to:

**Grant Guerra, Esq.**  
Pacific Gas and Electric Company  
P.O. Box 7442, Mail Code B3OA  
San Francisco, California 94120  
Phone No. (415) 973-3728

If to Licensee:

**Robert Blanchard, Jr.**  
12520 Santa Rita Road  
Cayucos, CA 93430  
(805) 995-1164

11. Governing Law; Venue. This License Agreement shall in all respects be interpreted, enforced, and governed by and under the laws of the State of California. PG&E and Licensee agree that the venue of any action, proceeding or counterclaim shall be in the County of San Francisco, California. The covenants of the parties contained in this section shall survive the expiration or termination of this License Agreement.

12. Entire Agreement. This License Agreement supersedes all previous oral and written agreements between and representations by or on behalf of the parties and constitutes the entire agreement of the parties with respect to the subject matter hereof, with the exception of the use of Licensee's mobile home located on the Property which shall be memorialized in a separate lease agreement to be entered into by the parties. This License Agreement may not be amended except by a written agreement executed by both parties.

13. Binding Effect. This License Agreement and the covenants and agreements herein contained shall be binding on, and inure to the benefit of, the parties hereto and their respective heirs, successors and assigns, subject to the limitations on assignment set forth in this License Agreement.

14. Assignment. This License Agreement is personal to Licensee, and Licensee shall not assign, transfer, convey or encumber the license and other rights herein granted or any portion thereof or interest herein.

15. Attorneys' Fees. Should either party bring an action against the other party, by reason of or alleging the failure of the other party with respect to any or all of its obligations hereunder, whether for declaratory or other relief, and including any appeal thereof, then the party which prevails in such action shall be entitled to its reasonable attorneys' fees (of both in-house and outside counsel) and expenses related to such action, in addition to all other recovery or relief. A

party shall be deemed to have prevailed in any such action (without limiting the generality of the foregoing) if such action is dismissed upon the payment by the other party of the sums allegedly due or the performance of obligations allegedly not complied with, or if such party obtains substantially the relief sought by it in the action, irrespective of whether such action is prosecuted to judgment. Attorneys' fees shall include, without limitation, fees incurred in discovery, contempt proceedings, and bankruptcy litigation. The non-prevailing party shall also pay the attorney's fees and costs incurred by the prevailing party in any post-judgment proceedings to collect and enforce the judgment. The covenant in the preceding sentence is separate and several and shall survive the merger of this provision into any judgment on this License Agreement. For purposes hereof, the reasonable fees of PG&E's in-house attorneys who perform services in connection with any such action shall be 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.

16. No Waiver. Any waiver with respect to any provision of this License Agreement shall not be effective unless in writing and signed by the party against whom it is asserted. The waiver of any provision of this License Agreement by a party shall not be construed as a waiver of a subsequent breach or failure of the same term or condition or as a waiver of any other provision of this License Agreement.

17. No Offsets. Licensee acknowledges that PG&E is executing this License Agreement in its capacity as the owner of real property, and not in its capacity as a public utility company or provider of electricity and natural gas. Notwithstanding anything to the contrary contained herein, no act or omission of PG&E or its employees, agents or contractors as a provider of electricity and natural gas shall abrogate, diminish, or otherwise affect the respective rights, obligations and liabilities of PG&E and Licensee under this License Agreement. Further, Licensee covenants not to raise as a defense to Licensee's obligations under this License Agreement, or assert as a counterclaim or cross-claim in any litigation or arbitration between PG&E and Licensee relating to this License Agreement, any claim, loss, damage, cause of action, liability, cost or expense (including, without limitation, attorneys' fees) arising from or in connection with PG&E's provision of (or failure to provide) electricity and natural gas.

18. No Dedication; No Third Party Beneficiary. The provisions of this License Agreement are for the exclusive benefit of the parties and their successors and assigns, and shall not be deemed to confer any rights upon any person except such parties and their successors and assigns, subject to the limitations on assignment set forth in this License Agreement. No obligation of a party under this License Agreement is enforceable by, or is for the benefit of, any other third parties.

19. Captions. The captions in this License Agreement are for reference only and shall in no way define or interpret any provision hereof.

20. Time. Except as otherwise expressly provided herein, the parties agree that as to any obligation or action to be performed hereunder, time is of the essence.

21. Severability. If any provision of this License Agreement shall be invalid or unenforceable, the remainder of this License Agreement shall not be affected thereby, and each provision of this License Agreement shall be valid and enforced to the full extent permitted by law, provided the material provisions of this License Agreement can be determined and effectuated.

22. Counterparts. This License Agreement may be executed in identical counterpart copies, each of which shall be an original, but all of which taken together shall constitute one and the same agreement.

23. Survival. The waivers of claims or rights, the releases and the obligations of Licensee under this License Agreement to indemnify, protect, defend and hold harmless PG&E and other Indemnitees shall survive the expiration or earlier termination of this License Agreement, and so shall all other obligations or agreements of PG&E and Licensee hereunder which by their terms survive the expiration or earlier termination of this License Agreement.

24. Other Documents. Each party agrees to sign any additional documents or permit applications which may be reasonably required to effectuate the purpose of this License Agreement. Provided, however, that PG&E will not be required to take any action or execute any document that would result in any liability, cost or expense to PG&E.

IN WITNESS WHEREOF, the parties have executed this License Agreement as of the date set forth below each signature, effective upon the Effective Date first written above.

“PG&E”

“Licensee”

**PACIFIC GAS AND ELECTRIC COMPANY, ROBERT BLANCHARD, JR.**  
a California corporation

By: Karen D. Cochran

By: [Signature]

Name: Karen D. Cochran

Name: ROBERT C BLANCHARD JR

Its: Manager, Corporate Real Estate

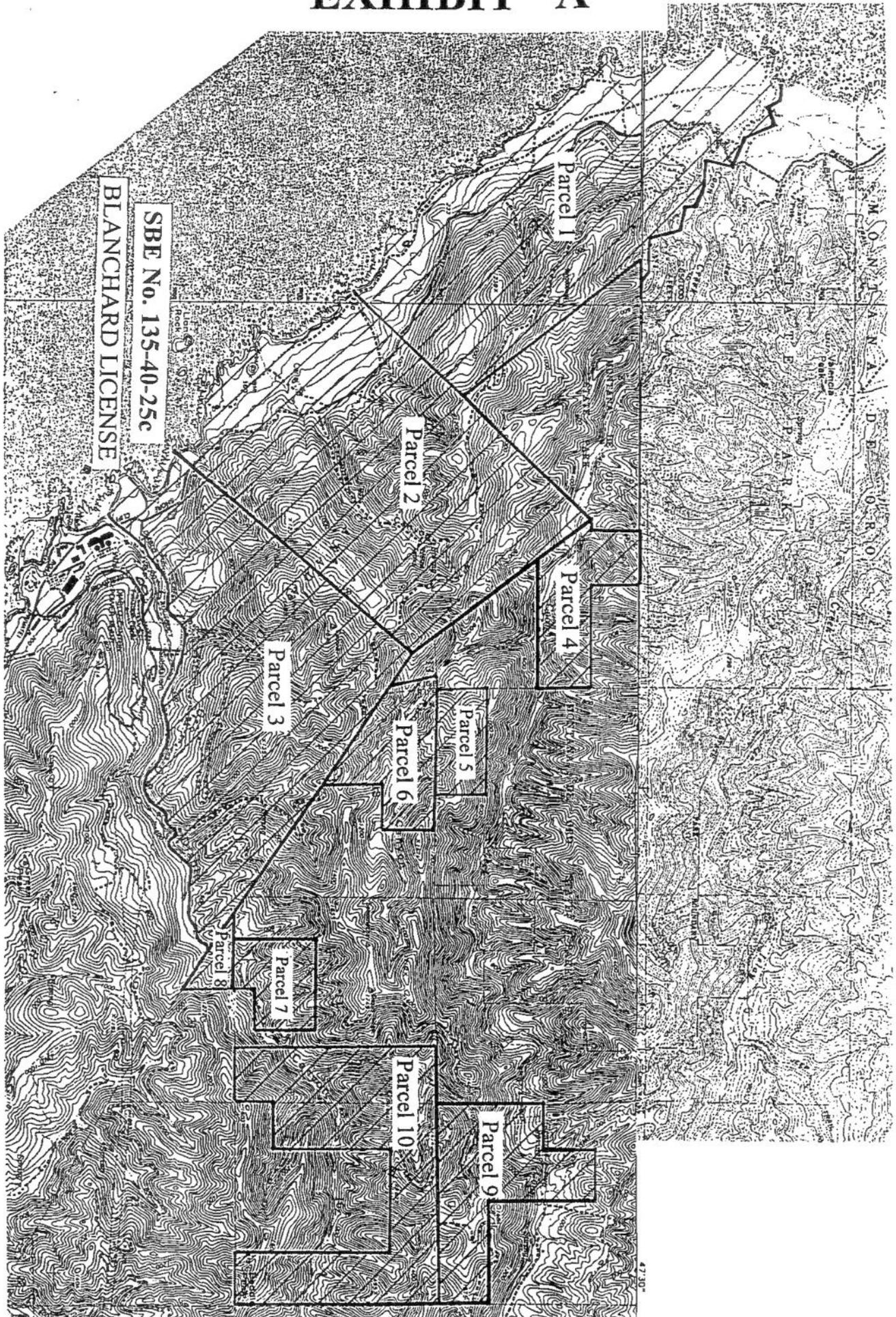
Its: \_\_\_\_\_

Date: 6-28-06

Date: 6-6-06

EXHIBITS “A” and “B” attached

# EXHIBIT "A"



## EXHIBIT B

### INSURANCE REQUIREMENTS

Licensee shall procure, carry and maintain the following insurance coverage:

A. Workers' Compensation and Employers' Liability

1. Workers' Compensation insurance or self-insurance indicating compliance with any applicable labor codes, acts, laws or statutes, state or federal.
2. Employers' Liability insurance shall not be less than One Million Dollars (\$1,000,000) for injury or death each accident.

B. Commercial General Liability

1. Coverage shall be at least as broad as the Insurance Services Office (ISO) Commercial General Liability Coverage "occurrence" form, with no coverage deletions.
2. The limit shall not be less than One Million Dollars (\$1,000,000) each occurrence/ Two Million Dollars (\$2,000,000) aggregate for bodily injury, property damage and personal injury.
3. Coverage shall: a) By "Additional Insured" endorsement add as insureds PG&E, its directors, officers, agents and employees with respect to liability arising out of work performed by or for the Licensee; b) Be endorsed to specify that the Licensee's insurance is primary and that any insurance or self-insurance maintained by PG&E shall not contribute with it.

C. Business Auto

1. Coverage shall be at least as broad as the Insurance Services Office (ISO) Business Auto Coverage form covering Automobile Liability, code 1 "any auto."
2. The limit shall not be less than One Million Dollars (\$1,000,000) each accident for bodily injury and property damage.

D. Additional Insurance Provisions

1. Before commencing performance of work under this License Agreement, Licensee shall furnish PG&E with certificates of insurance and endorsements of all required insurance for Licensee.
2. The documentation shall state that coverage shall not be canceled except after thirty (30) days prior written notice has been given to PG&E.

3. The documentation must be signed by a person authorized by that insurer to bind coverage on its behalf and shall be submitted to:

Pacific Gas and Electric Company  
Insurance Department  
One Market, Spear Tower, Suite 2400  
San Francisco, CA 94105

A copy of all such insurance documents shall be sent to PG&E's Land Agent as specified under Notices in the body of the License Agreement.

4. PG&E may inspect the original policies or require complete certified copies, at any time.
5. Upon request, Licensee shall furnish PG&E the same evidence of insurance for Licensee's agents or contractors as PG&E requires of Licensee.

DO NOT RECORD THIS PAGE

Los Padres Division  
San Luis Obispo Land Services Office  
Operating Dept.: Corporate Real Estate  
MDB&M, T31S,R10E and T31S,R11E  
Section: See Attached  
Ferc: n/a  
PG&E Dwg.: none  
Interest: 111, 22  
SBE: 135-40-25c, Parcels 1 through 10  
%QC: n/a  
O# 2023085  
Plat: NN-27 & 28, OO-28  
JCN: n/a  
County: San Luis Obispo  
Prepared: Law/CRE  
Checked: Law/CRE  
Revision: 0  
File: 96205.220  
x-ref: 2231-10-0070  
Lease ID #380903  
6/15/06

Advice 2945-E

Attachment 2

## SHORT FORM GROUND LEASE

This Short Form Ground Lease ("**Lease Agreement**") is made and entered into this 29 day of June, 2006 (the "**Effective Date**") by **PACIFIC GAS AND ELECTRIC COMPANY**, a California corporation, hereinafter called "**PG&E**", and **ROBERT BLANCHARD, JR.**, a married man as to his separate property, hereinafter called "**Tenant**." PG&E and Tenant are hereafter also referred to individually as "Party" and collectively as "Parties." PG&E and Tenant agree as follows:

### R E C I T A L S:

- A. PG&E owns the real property commonly known as **Pecho Ranch**, (Assessor's Parcel Numbers 076-011-006, 008, 013, 016, 021, 022, 024, 026, 027, 028, and 029; 076-031-005 and 006, 076-091-002, 004 and 005; 076-021-023; State Board of Equalization No.135-40-25c, Parcels 1 through 10) hereinafter called the "**Property**", situated in the County of **San Luis Obispo**, State of California.
- B. PG&E and Tenant have entered into that certain License Agreement For Grazing Purposes dated June 6, 2006 ("License Agreement") to permit the grazing of cattle, goats and sheep on a portion of the Property in connection with Tenant's livestock business.
- C. Tenant owns a mobile home that is currently situated on the Property that Tenant intends to utilize as an on-site residence for Tenant's employees and agents performing the activities authorized under the License Agreement.
- D. PG&E agrees that it is in the mutual interest of the Parties to provide for the on-site presence of an employee or agent of Tenant to perform the activities authorized under the License Agreement, and agrees to a ground lease for the mobile home on the Property, subject to the terms and conditions set forth herein.

NOW, THEREFORE, for good and valuable consideration, PG&E and Tenant hereby agree as follows:

1. Premises. PG&E hereby leases to Tenant, and Tenant hereby leases from PG&E, for the Term (as defined below), at the rental, and upon all of the terms and conditions set forth herein, that certain property situated in the County of San Luis Obispo, California, consisting of approximately 6099 square feet of land, APN 076-011-028 (ptn), SBE No. 135-40-25C-2 (ptn) ("Premises") as further described on Exhibit A attached hereto.

2. Use. Tenant shall use and occupy the Premises solely for a single mobile home and parking for three (3) vehicles that and for no other purpose whatsoever (the "Allowed Use"). The maximum occupancy of the Premises shall be two (2) persons. Tenant shall not use or allow Tenant's employees, agents, contractors, licensees, invitees and visitors (the "Tenant Parties") to use the Premises for any other use whatsoever and shall not expand Tenant's use of the Premises

beyond those activities specifically authorized by PG&E under the terms of this Lease. Tenant acknowledges that PG&E has made no representation to Tenant regarding the fitness or suitability of the Premises for Tenant's Allowed Use. Tenant and the Tenant Parties shall not do or permit to be done in or about the Premises, nor bring into or keep in or permit to be brought into or kept therein, anything which is prohibited by or will in any way conflict with any Legal Requirements, as defined below, now in force or which may hereafter be enacted or promulgated. Tenant shall not use or permit the use of the Premises in any manner that would tend to create waste or a nuisance, or which may in any way injure or annoy, disturb the quiet enjoyment of, or obstruct or interfere with the rights of, any occupant of the surrounding area, nor shall Tenant use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, as determined by PG&E.

3. Term and Commencement. The term ("Term") of this Lease shall commence on 29 JUNE, 2006 ("Commencement Date") and shall continue on a month-to-month basis, unless terminated pursuant to any provisions hereof. This Lease is provided to assist Tenant in performing the activities authorized under the License Agreement, and the month-to-month tenancy of this Lease shall not extend beyond the expiration or termination of the License Agreement.

4. Termination. PG&E may terminate this lease as to the entire premises or as to any portion thereof, if PG&E, in its reasonable judgment, finds it necessary to obtain the premises, or a portion thereof, in order to use the premises for utility purposes, upon thirty (30) days written notice to tenant. If PG&E terminates this lease as to the entire premises pursuant to this section, tenant shall be entitled to a refund of any rent allocable to the period after the date that Tenant vacates the premises. If PG&E terminates this lease as to a portion of the premises, the rent shall be equitably reduced by PG&E as PG&E deems reasonable considering the impact, if any, on Tenant's business. Tenant shall surrender possession of the premises, or portion thereof, no later than thirty (30) days after Tenant's receipt of the termination notice. If PG&E so terminates, tenant shall surrender possession of the premises, or portion thereof, in the condition required by this lease. (Tenant to initial here     )

5. Rent. Tenant shall pay to PG&E as rent ("Rent") for the Premises, Ten (\$10) Dollars per month. Rent shall be payable in advance in a single payment of One Hundred Twenty Dollars (\$120.00) representing payment for a twelve (12) month period, payment to be made concurrently with the execution of this Lease Agreement, and thereafter on or before the anniversary of the Effective Date of this Lease Agreement. Rent shall be paid at PG&E's address for notices hereunder or to such other person or at such other place as PG&E may from time to time designate in writing.

6. CPUC APPROVAL. This Lease is made subject to the approval of the California Public Utilities Commission ("CPUC") pursuant to Public Utilities Code section 851 ("CPUC Approval"), which shall be a condition precedent to any obligations hereunder to lease the Premises to Tenant. Tenant acknowledges and agrees that CPUC Approval shall not be deemed to have occurred for purposes of this Agreement unless and until the CPUC approves the lease of the Premises to Tenant in a form that is final, unconditional and unappealable, including exhaustion of all administrative appeals or remedies before the CPUC, and such CPUC Approval is approved by PG&E in its sole and absolute discretion. Tenant further acknowledges and agrees that PG&E

makes no representation or warranty with respect to the CPUC Approval, and Tenant hereby waives all claims against PG&E which may arise out of losses, expenses or damages suffered or incurred by Tenant as a result of the need for the CPUC Approval or the failure of the CPUC to approve the lease of the Premises to Tenant.

7. "As Is" Condition. Tenant acknowledges that it has had an opportunity thoroughly to inspect the condition of the Premises, and Tenant agrees that it is leasing the Premises on an "AS IS" basis, with all defects, without any representation or warranty by PG&E or its agents as to the condition of the Premises or their fitness for Tenant's use, and subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the use of the Premises, and any easements, covenants or restrictions of record. Tenant acknowledges that PG&E and its agents have not made any representations or warranties that the Premises comply with Legal Requirements, and Tenant assumes responsibility for causing the Premises to comply with all Legal Requirements throughout the Term. Tenant acknowledges that it has satisfied itself that the Premises are suitable for its intended use. PG&E shall have no obligation to do any work in and to the Premises in order to prepare the Premises for occupancy or use by Tenant.

8. Taxes. In addition to all other sums to be paid by Tenant hereunder, Tenant shall pay, before delinquency, any and all taxes allocable to the Term on the Improvements, Alterations, equipment, furniture, fixtures, merchandise, and other personal property located at or in the Premises. If PG&E is assessed for such taxes as part of PG&E's real property tax bill or otherwise, PG&E shall have the right, but not the obligation, to pay such taxes, and in that event, Tenant shall reimburse PG&E for the portion of such expense attributable to the Improvements, Alterations, equipment, furniture, fixtures, merchandise, and other personal property within thirty (30) days of receipt of an invoice therefor.

9. Utilities; Services. During the term, Tenant shall pay or cause to be paid prior to delinquency all charges for electricity, gas and all other public or private utility services at any time rendered to or in connection with the Premises, or any part thereof, and shall comply with all contracts relating to such services. The procurement, construction and installation of any and all utilities necessary for Tenant's Allowed Use of the Premises shall be solely at Tenant's expense, and any such utility installation must be approved by PG&E, at PG&E's sole and absolute discretion as an Alteration subject to the terms of this Lease. Tenant may use the existing system pressure system for provision of water from a spring on the Property to the Premises, except that Tenant shall be solely responsible for any treatment of such water that may be necessary to render it potable water. PG&E shall have no obligation for the quality of such water, the flow rate of such water or its availability. PG&E shall have no obligation to provide the Premises with electricity, heat, air conditioning, ventilation, water, septic system or other utility services whatsoever. PG&E has no obligation to provide any services to the Premises, and PG&E shall not be liable for any damages directly or indirectly resulting from, nor shall Tenant be entitled to any reduction or abatement of rent, should there be a failure or interruption in services, including, without limitation, utility service.

10. Tenant Improvements. The existing mobile home and all existing structures, and all other improvements ("Tenant Improvements") currently located on the Premises are owned by

Tenant. Tenant or Tenant's predecessor-in-interest constructed the Tenant Improvements on the Premises prior to the Effective Date of this Lease. Upon expiration or termination of this Lease, Tenant shall remove or demolish any and all Tenant Improvements that PG&E elects to have removed or demolished, and shall restore the Premises to the condition that existed prior to the Improvements being installed. Tenant shall repair and restore any damage to the Premises caused by such removal or demolition. Specifically excluded from this definition of Tenant Improvements is the existing septic system and the existing pressure system for the provision of water from a spring on the Property to the Premises. Tenant is permitted to use such septic system and water system but Tenant shall have no obligation to remove such improvements upon expiration or termination of this Lease.

11. Maintenance. Tenant shall maintain the Premises, the Tenant Improvements and the existing septic system and water system in good, clean and sanitary condition and repair. Tenant shall promptly remove all rubbish and waste from the Premises. Tenant shall also control any and all rodents and vermin, and shall be responsible for weed abatement as needed. PG&E shall have no obligation whatsoever to maintain the Premises or any part thereof.

12. Compliance; Dangerous Activities.

(a) Tenant shall faithfully observe and comply, and cause the Tenant Parties to observe and comply, at Tenant's sole expense, with all laws, ordinances, rules, regulations, requirements, or orders of municipal, state and federal authorities now in force or that may later be in force (collectively, "Legal Requirements") applicable to the Premises or Tenant's use or occupancy thereof or the Tenant Improvements or Alterations. PG&E determines that Tenant's activities in any way endanger, or reasonably could be anticipated to endanger, the Premises, utility facilities, the environment, or the health or safety of any person or persons, PG&E may, at PG&E's sole discretion, temporarily halt Tenant's use and activities until proper and appropriate protective measures may be taken to eliminate such endangerment. PG&E's right to halt activities shall not in any way affect or alter Tenant's obligations under this Lease, nor shall it release Tenant from any of its obligations hereunder that pertain to health, safety, or the protection of the environment.

(b) Tenant shall faithfully observe and comply, and cause the Tenant Parties to observe and comply, with all emergency response and security measures that PG&E may require in its reasonable discretion.

13. Hazardous Material.

(a) Definition of Hazardous Material. The term "Hazardous Material" means (a) petroleum or petroleum products, natural or synthetic gas, asbestos in any form, urea formaldehyde foam insulation, radon gas, polychlorinated biphenyls (PCBs), electromagnetic fields (EMFs), special nuclear or byproduct material, lead based paint and other lead contamination; (b) any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "contaminants" or "pollutants," or words of similar import, under any applicable federal, state or local statute, law, rule, regulation, ordinance, code,

policy or rule of common law now or hereafter in effect and in each case as amended, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, relating to the environment, health or safety; and (c) any other substance the exposure of which is regulated by any governmental authority.

- (b) Definition of Hazardous Material Laws. The term “Hazardous Material Laws” means all Legal Requirements relating to industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, presence, disposal or transportation of any Hazardous Material, as defined above.
- (c) Compliance with Hazardous Materials Laws. Tenant, at its sole cost and expense, shall comply with all Hazardous Material Laws which impose any obligation on PG&E or Tenant with respect to the Premises or the use or occupation thereof, including, without limitation, any obligation to post so-called “Proposition 65” notices or similar disclosures of the existence of Hazardous Materials in or about the Premises which may be required by the circumstances of Tenant’s business. Tenant shall not cause or permit any Hazardous Material to be brought upon, kept, used, released, discharged or disposed of in or about the Premises without the prior written consent of PG&E, which consent may be withheld in PG&E’s sole and absolute discretion. Notwithstanding the foregoing, Tenant may store or use on the Premises (i) Hazardous Materials authorized in writing by PG&E, such permission to be at PG&E’s sole and absolute discretion and subject to whatever conditions PG&E may impose, and (ii) de minimus quantities of cleaning products, or the gasoline, diesel or other fuel contained within the gas tanks of vehicles on the Premises. Tenant shall maintain Material Safety and Data Sheets (and supply copies thereof to PG&E) for each and every Hazardous Material brought into the Premises. The disposal of Hazardous Materials shall be in approved containers which shall be removed from the Premises only by duly licensed carriers. Any removal, manifesting, transport or disposal of Hazardous Materials shall be conducted pursuant to an EPA generator number or other appropriate license obtained by Tenant or its authorized agent.
- (d) Remediation. If any clean-up, remedial removal or restoration work is required by any federal, state or local governmental agency or political subdivision (“Governmental Agency”) because of the presence of Hazardous Materials in or about the Premises, then Tenant shall, at its sole cost, promptly take any and all action necessary to perform such clean-up, remedial removal or restoration in compliance with all Hazardous Material Laws to the extent caused or permitted by Tenant or any of the Tenant Parties. The disposal of Hazardous Materials shall be in approved containers which shall be removed from the Premises only by duly licensed carriers. Any removal, manifesting, transport or disposal of Hazardous Materials shall be conducted pursuant to an EPA generator number or other appropriate license obtained by Tenant or its authorized agents. Tenant shall deliver immediately to PG&E a copy of any notice regarding the Premises received from any person, including any Governmental Agency, relating to, or asserting a violation

of any Hazardous Material Laws or a claim arising under or relating to any Hazardous Material Laws.

- (e) Testing. If PG&E has good cause to believe that the Premises have or may have become contaminated by Hazardous Materials permitted by Tenant or any of the Tenant Parties, PG&E may cause tests to be performed, including tests of the air, soil and ground water, to detect the presence of Hazardous Materials. The cost of such tests shall be paid by Tenant upon demand, as Additional Rent.
- (f) Survival. The rights and obligations of the parties under this Section shall survive the expiration or termination of this Lease and/or Tenant's leasehold estate hereunder.

14. No Interference. Tenant shall not in any way interfere or permit any interference with PG&E's use of the Premises or surrounding property for utility purposes, or the use of any third parties authorized to use the Premises under licenses, easements and rights of way granted to such parties by PG&E. Tenant shall not drill, bore, or excavate without the prior written consent of PG&E, which consent may be withheld at PG&E's sole and absolute discretion.

15. Alterations. Tenant will not make or allow to be made any alterations, additions or improvements ("Alterations") without in each instance first obtaining PG&E's prior written consent to such Alterations. Tenant acknowledges and agrees that PG&E has no obligation to be reasonable in connection with its granting or withholding such approval, and Tenant agrees that PG&E's approval may be withheld in PG&E's sole and absolute discretion, for no reason or for any reason (including, among others, that the proposed Alterations, in the opinion of PG&E, may require consent of the CPUC).

16. Assignment or Subletting. Tenant shall not assign, mortgage or otherwise transfer this Lease or any interest herein, permit the Premises or any part thereof to be used or occupied by anyone other than Tenant or Tenant's employees or agents that perform work authorized under the License Agreement, or sublet the Premises or any portion thereof. Any assignment, sublease, mortgage, pledge, encumbrance or other transfer violating the requirements of this Section shall be voidable at PG&E's election, and, at the option of PG&E, shall constitute an Event of Default hereunder.

17. Indemnity; Release; Security; Insurance.

- (a) Indemnity. Tenant shall protect, indemnify, defend and hold harmless PG&E and PG&E's directors, officers, partners, employees, agents, successors and assigns (collectively, "Indemnitees") from and against any and all claims, demands, obligations, damages (including consequential and/or punitive damages), costs, liabilities, actions and judgments (collectively, "Claims") including, without limitation, Claims for injury or damage to persons or property, and Claims for penalties, fines and reasonable attorneys' fees and costs (including attorneys' fees and costs incurred to enforce this indemnity), incurred in connection with or arising from this Lease, however the same may have been caused (including, without limitation, if caused in whole or in part by the act, omission, or active or passive

negligence of Indemnitees, except with respect to any Indemnitee, to the extent caused by the willful or criminal misconduct of such Indemnitee), and including, without limiting the generality of the foregoing, Claims arising out of or in connection with: (1) any default by Tenant in the observance or performance of any of the terms, covenants or conditions of this Lease on Tenant's part to be observed or performed, or (2) the use or occupancy or manner of use or occupancy of the Premises by Tenant, any Tenant Party or any person or entity claiming through or under Tenant, or (3) the condition of the Premises or any occurrence or happening on the Premises from any cause whatsoever, or (4) any act, omission or negligence of Tenant or any person or entity claiming through or under Tenant, or of any of the Tenant Parties occurring in, on or about the Premises, either prior to the commencement of, during, or after the expiration of the Term, including without limitation any acts, omissions or negligence in the making or performing of any alterations, (5) any failure by Tenant to surrender the Premises at the end of the Term, or (6) the use, storage, treatment, transportation, release, or disposal of any Hazardous Material by Tenant. In the event any action or proceeding is brought against any Indemnitee for any Claim against which Tenant is obligated to indemnify or provide a defense to an Indemnitee hereunder, Tenant upon notice from PG&E shall defend such action or proceeding at Tenant's sole expense by counsel approved by PG&E, which approval shall not be unreasonably withheld. The provisions of this Section shall survive the expiration or earlier termination of this Lease.

- (b) Environmental Claims. Tenant acknowledges that any Claims that are caused by or arise from the presence, movement, use, release, emission, discharge, or spill of any Hazardous Materials and that are caused by or arise from Tenant's use or occupancy of the Premises, including, without limitation, the exacerbation by any Tenant Parties of environmental conditions on the Premises as of the Commencement Date, are expressly within the scope of the foregoing indemnity. Likewise, the costs, expenses, and legal liability for environmental investigations, monitoring, containment, abatement, removal, repair, cleanup, restoration, remedial work, penalties, and fines arising from strict liability or the violation of any local, state, or federal law or regulation, attorney's fees, disbursements, and other response costs incurred as a result of such presence, movement, use, releases or spills are expressly within the scope of the foregoing indemnity. In no event shall Tenant have any responsibility for any Claims related to any release or threatened release of any Hazardous Materials on, from, into or onto the Premises or any adjacent property except to the extent caused by or arising from Tenant's activities or the Tenant Parties.
- (c) Tenant's Waiver and Release. The PG&E shall not be liable to Tenant for, and Tenant hereby waives and releases the PG&E and its affiliates and officers from, any and all Claims, whether in contract, tort or on any other basis, for any injury to or death of any person, for loss of use of or damage to or destruction of property in or about the Premises, and for damage to Tenant's business, loss of Tenant's profits

or other financial loss to Tenant, resulting from or attributable to an occurrence on the Premises, the condition of the Premises, or the use or occupancy of the Premises, including, without limitation, the presence, movement, use, release, emission, discharge, or spill of any Hazardous Materials or earthquake or earth movement, gas, fire, oil, electricity or flood. The provisions of this Section shall survive the expiration or earlier termination of this Lease.

- (d) Security. Tenant expressly assumes all responsibility for security, in, on or about the Premises, and PG&E shall not be liable for any damage to goods, wares, merchandise or other property located in the Premises, or injury or death to any of the Tenant Parties or any other person in or about the Premises. The foregoing waiver includes criminal acts of third parties.
  - (e) Insurance; Waiver of Subrogation. Tenant shall carry insurance, and comply with the terms regarding such insurance, as set forth in Exhibit B.
  - (f) Rights Reserved to PG&E.
  - (g) Access. Upon reasonable prior notice (except in an emergency) PG&E may enter the Premises to inspect the same and determine whether Tenant is complying with all of its obligations hereunder.
  - (h) PG&E's Facilities. PG&E reserves the right to access the Premises to construct, reconstruct, maintain, operate and use such facilities on the Premises as PG&E deems appropriate for the conduct of PG&E's business, including, without limitation, aqueducts, electric lines, telecommunication lines and pipelines.
  - (i) Third Party Use. PG&E also reserves the right to grant licenses, easements and rights of way in, on and across the Premises to third parties to the extent that such licenses, easement and rights of way do not unreasonably and materially interfere with Tenant's use of the Premises.
18. Condition of Premises at End of Term; Holding Over.
- (a) Personal Property. Prior to the expiration or earlier termination of this Lease, Tenant shall remove its mobile home and personal property and shall surrender the Premises to PG&E in broom clean condition and in as good order, repair and condition as when the Premises were delivered to Tenant, ordinary wear and damage and damage by fire and the elements excepted.
  - (b) Tenant Improvements. Prior to the expiration or earlier termination of this Lease, Tenant shall remove or demolish all Tenant Improvements, unless Tenant obtains PG&E's written consent to leave any Tenant Improvements in place, which consent may be withheld at PG&E's sole and absolute discretion. Tenant shall promptly repair, at its sole cost and expense, any damage to the Premises caused by such removal or demolition.
  - (c) Holding Over. If Tenant holds over after the expiration or earlier termination of the Term without the express written consent of PG&E, Tenant shall become a tenant at sufferance only. Nothing contained in this Section shall be construed as implied

consent by PG&E to any holding over by Tenant, and Tenant shall protect, indemnify, defend and hold PG&E and the Indemnitees harmless from and against any and all Claims resulting from any failure to surrender possession of the Premises upon the expiration or earlier termination of the Term, as provided in this Lease. If Tenant holds over after the expiration or earlier termination of the Term with the express written consent of PG&E, Tenant shall become a month-to-month tenant.

19. Events of Default. The occurrence of one or more of the following events shall constitute an "Event of Default" under this Lease: (a) any failure by Tenant to pay any Rent when due; (b) any holding over after the expiration or earlier termination of the Term without the express written consent of PG&E, without the necessity of any notice from PG&E or cure period; (c) any failure to deliver to PG&E evidence of the insurance required to be carried by Tenant hereunder within three (3) days after demand; (d) any failure by Tenant to perform any of the other provisions of this Lease to be observed or performed by Tenant where such failure continues for fifteen (15) days after notice by PG&E, provided that if the nature of the default is such that it cannot be reasonably cured within such fifteen (15) day period, so long as Tenant has commenced efforts to cure within such fifteen (15) day period and is diligently prosecuting such efforts, Tenant shall have such additional time as is required to cure the default, not to exceed the thirty (30) days; (e) the bankruptcy or insolvency of Tenant, any transfer by Tenant in fraud of creditors, assignment by Tenant for the benefit of creditors, or the commencement of any proceedings of any kind by or against Tenant under any provision of the Federal Bankruptcy Act or under any insolvency, bankruptcy or reorganization; (f) the appointment of a receiver for a substantial part of the assets of Tenant.

20. Termination Upon Default. In any notice given pursuant to Section 19 above, PG&E in its sole discretion may elect to declare a forfeiture of this Lease as provided in Section 1161 of the California Code of Civil.

21. PG&E's Remedies Cumulative. All of PG&E's remedies under this Lease shall be in addition to all other remedies PG&E may have at law or in equity. Waiver by PG&E of any breach of any obligation by Tenant shall be effective only if it is in writing, and shall not be deemed a waiver of any other breach, or any subsequent breach of the same obligation. The possession of Tenant's funds, negotiation of Tenant's negotiable instruments, or acceptance of Tenant's payment by PG&E or its agents shall not constitute a waiver of any breach by Tenant, and if such possession, negotiation or acceptance occurs after PG&E's notice to Tenant, or termination of this Lease or of Tenant's right to possession, such possession, negotiation or acceptance shall not affect such notice or termination. Acceptance of payment by PG&E after commencement of a legal proceeding or final judgment shall not affect such proceeding or judgment.

22. Right to Cure. If Tenant shall default in the performance of any act, covenant or condition on Tenant's part to be performed hereunder and if Tenant shall not cure such default within the applicable cure period, if any, PG&E may, but shall not be obligated to, perform such act, covenant or condition to the extent PG&E may, in its reasonable judgment, deem desirable, and pay the expenses which PG&E may deem necessary or advisable in connection with such performance. Notwithstanding the foregoing, PG&E shall have the right to cure any failure by

Tenant to perform any of its obligations under this Lease without notice to Tenant if such failure results in an immediate threat to life or safety of any person. All sums paid or incurred by PG&E in curing any such defaults shall be paid by Tenant to PG&E upon demand, together with interest thereon from the date PG&E pays or incurs such sums or expenses to the date of repayment by Tenant, at the Default Rate. If Tenant fails to pay the same, PG&E shall have the same rights and remedies as are provided in the case of default in the payment of Rent.

23. Notices. All notices, consents, demands and other communications from one party to the other given pursuant to the terms of this Lease or under the laws of the State of California, including but not limited to, notice under the provisions of Section 1161 of the California Code of Civil Procedure and Section 1946 of the California Civil Code, shall be in writing and shall be deemed to have been fully given when deposited in the United States mail, certified or registered, postage prepaid, and addressed to Tenant or PG&E at the addresses respectively specified below or to such other place as Tenant or PG&E may from time to time designate in a written notice to the other.

The address for PG&E is:

**Claire Mastin**  
Land Services  
Pacific Gas and Electric Company  
4325 So. Higuera  
San Luis Obispo, CA 93401  
(805) 546-3888

With a copy to:

**Grant Guerra, Esq.**  
Pacific Gas and Electric Company  
P.O. Box 7442, Mail Code B3OA  
San Francisco, California 94120  
Phone No. (415) 973-3728

The address for Tenant is:

**Robert Blanchard, Jr.**  
12520 Santa Rita Road  
Cayucos, CA 93430  
(805) 995-1164

24. Limitation of Liability. No director, officer, shareholder, employee, adviser or agent of PG&E shall be personally liable in any manner or to any extent under or in connection with this Lease. In no event shall PG&E or any of its directors, officers, shareholders, employees, advisers or agents be responsible for any consequential damages suffered or incurred by Tenant, including, without limitation, on account of lost profits or the interruption of Tenant's business. PG&E's

liability shall be limited to its fee interest in the Premises, and shall not extend to any other property or assets of the PG&E.

25. No Offsets. Tenant acknowledges that PG&E is executing this Lease in its capacity as the owner of the Premises, and not in its capacity as a public utility company or provider of electricity and natural gas. Notwithstanding anything to the contrary contained herein, no act or omission of Pacific Gas and Electric Company or its employees, agents or contractors as a provider of electricity and natural gas shall abrogate, diminish, or otherwise affect the respective rights, obligations and liabilities of Tenant and PG&E under this Lease. Further, Tenant covenants not to raise as a defense to its obligations under this Lease, or assert as a counterclaim or cross-claim in any litigation or arbitration between Tenant and PG&E relating to this Lease, any claim, loss, damage, cause of action, liability, cost or expense (including, without limitation, attorneys' fees) arising from or in connection with Pacific Gas and Electric Company's provision (or failure to provide) electricity and natural gas.

26. Miscellaneous.

- (a) Time. In all instances where Tenant is required by the provisions of this Lease to pay any sum of money or to do any act at a particular indicated time or within any indicated period, it is understood and agreed that time is of the essence.
- (b) Attorneys' Fees. Should either party bring an action against the other party, by reason of or alleging the failure of the other party with respect to any or all of its obligations hereunder, whether for declaratory or other relief, and including any appeal thereof, then the party which prevails in such action shall be entitled to its reasonable attorneys' fees (of both in-house and outside counsel) and expenses related to such action, in addition to all other recovery or relief. A party shall be deemed to have prevailed in any such action (without limiting the generality of the foregoing) if such action is dismissed upon the payment by the other party of the sums allegedly due or the performance of obligations allegedly not complied with, or if such party obtains substantially the relief sought by it in the action, irrespective of whether such action is prosecuted to judgment. Attorneys' fees shall include, without limitation, fees incurred in discovery, contempt proceedings, and bankruptcy litigation. The non-prevailing party shall also pay the attorney's fees and costs incurred by the prevailing party in any post-judgment proceedings to collect and enforce the judgment. The covenant in the preceding sentence is separate and several and shall survive the merger of this provision into any judgment on this Lease. For purposes hereof, the reasonable fees of PG&E's in-house attorneys who perform services in connection with any such action shall be 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.

- (c) No Liens. Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished or obligations incurred by or for the benefit of Tenant. Tenant has no authority to cause or permit any lien or encumbrance of any kind to affect PG&E's interest in the Premises, and any such lien or encumbrance shall attach to Tenant's interest only. If any mechanic's lien shall be filed or claim of lien made for work or materials furnished to Tenant, then Tenant shall at its expense within ten (10) days thereafter either discharge or contest the lien or claim. If Tenant contests the lien or claim, then Tenant shall (a) within such ten (10) day period, provide PG&E adequate security for the lien or claim, (b) contest the lien or claim in good faith by appropriate proceedings that operate to stay its enforcement, and (c) pay promptly any final adverse judgment entered in any such proceeding. If Tenant does not comply with these requirements, PG&E may discharge the lien or claim, and the amount paid, as well as attorney's fees and other expenses incurred by PG&E, shall constitute Additional Rent payable by Tenant on demand.
- (d) Successors. The terms, covenants and conditions of this Lease shall be binding upon and inure to the benefit of PG&E and Tenant and their respective successors, and except as otherwise provided, their assigns.
- (e) Survival. The waivers of claims or rights, the releases and the obligations of Tenant under this Lease to indemnify, protect, defend and hold harmless PG&E and other Indemnitees shall survive the expiration or earlier termination of this Lease, and so shall all other obligations or agreements of PG&E and Tenant hereunder which by their terms survive the expiration or earlier termination of this Lease.
- (f) Construction. This Lease is the result of negotiations between the parties and their respective attorneys and shall be construed in an even and fair manner, regardless of the party who drafted this Lease or any provision hereof.
- (g) No Waiver. No waiver with respect to any provision of this Lease shall be effective unless in writing and signed by the party against whom it is asserted. No waiver of any provision of this Lease by a party shall be construed as a waiver of any subsequent breach or failure of the same term or condition, or as a waiver of any other provision of this Lease.
- (h) Entire Agreement. There are no oral agreements between PG&E and Tenant affecting this Lease, and this Lease supersedes and cancels any and all prior negotiations, arrangements, correspondence, communications, agreements and understandings, if any, whether oral or written, between PG&E and Tenant with respect to the subject matter of this Lease, and none of the foregoing shall be used to construe this Lease. No amendment or modification of this Lease shall be binding or valid unless expressed in writing and executed and delivered by PG&E and Tenant. There are no

representations between PG&E and Tenant other than those contained in this Lease and all reliance with respect to any representations is based solely upon the terms of this Lease.

- (i) Exhibits. The following Exhibit is attached to this Lease and are made a part of this Lease:

Exhibit A Description of Premises

Exhibit B Insurance Requirements

IN WITNESS WHEREOF, the parties have executed this Lease as of the date first indicated below, effective upon the Effective Date hereinabove first written.

“PG&E”

“TENANT”

**PACIFIC GAS AND ELECTRIC COMPANY, ROBERT BLANCHARD, JR.**  
a California corporation

By: \_\_\_\_\_

By: 

Name: \_\_\_\_\_

Name: ROBERT C. BLANCHARD JR

Its: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Date: 6-29-06

EXHIBITS “A” and “B” attached

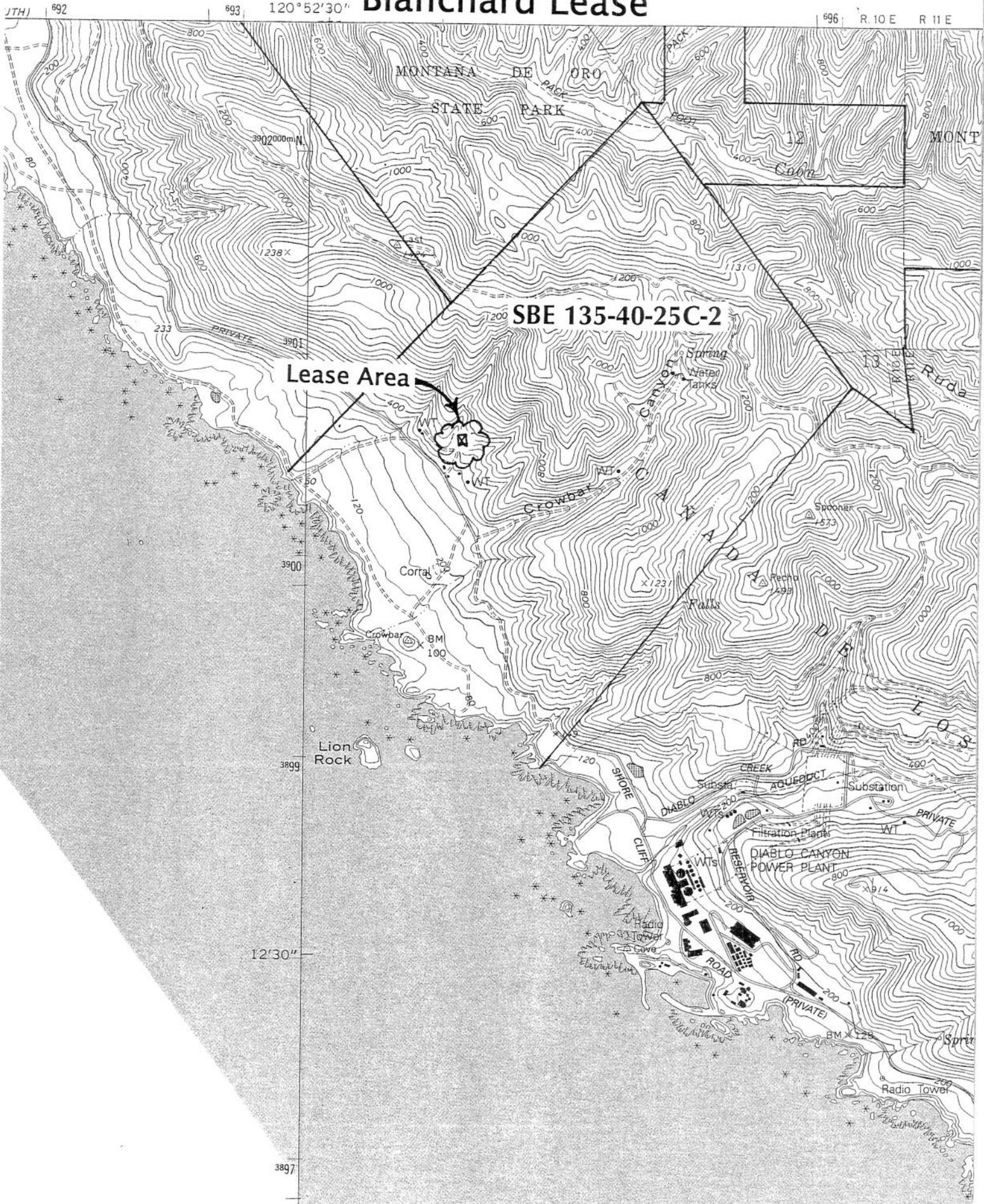
## **EXHIBIT A**

### **DESCRIPTION OF PREMISES**

That certain property situated in the County of San Luis Obispo, California, consisting of approximately 6099 square feet of land, APN 076-011-028 (ptn), SBE No. 135-40-25C-2 (ptn) ("Premises") and further described T31S, R10E, MDB&M, Sec. 14, SW 1/4 of NE 1/4 (projected).

# EXHIBIT "A-1"

## Blanchard Lease



## EXHIBIT B

### INSURANCE REQUIREMENTS

Tenant shall procure, carry and maintain the following insurance coverage:

A. Workers' Compensation and Employers' Liability

1. Workers' Compensation insurance or self-insurance indicating compliance with any applicable labor codes, acts, laws or statutes, state or federal.
2. Employers' Liability insurance shall not be less than One Million Dollars (\$1,000,000) for injury or death each accident.

B. Commercial General Liability

1. Coverage shall be at least as broad as the Insurance Services Office (ISO) Commercial General Liability Coverage "occurrence" form, with no coverage deletions.
2. The limit shall not be less than One Million Dollars (\$1,000,000) each occurrence/ Two Million Dollars (\$2,000,000) aggregate for bodily injury, property damage and personal injury.
3. Coverage shall: a) By "Additional Insured" endorsement add as insureds PG&E, its directors, officers, agents and employees with respect to liability arising out of work performed by or for the Tenant; b) Be endorsed to specify that the Tenant's insurance is primary and that any insurance or self-insurance maintained by PG&E shall not contribute with it.

C. Business Auto

1. Coverage shall be at least as broad as the Insurance Services Office (ISO) Business Auto Coverage form covering Automobile Liability, code 1 "any auto."
2. The limit shall not be less than One Million Dollars (\$1,000,000) each accident for bodily injury and property damage.

D. Additional Insurance Provisions

1. Before commencing performance of work under this Lease Agreement, Tenant shall furnish PG&E with certificates of insurance and endorsements of all required insurance for Tenant.
2. The documentation shall state that coverage shall not be canceled except after thirty (30) days prior written notice has been given to PG&E.

3. The documentation must be signed by a person authorized by that insurer to bind coverage on its behalf and shall be submitted to:

Pacific Gas and Electric Company  
Insurance Department  
One Market, Spear Tower, Suite 2400  
San Francisco, CA 94105

A copy of all such insurance documents shall be sent to PG&E's Land Agent as specified under Notices in the body of the Lease Agreement.

4. PG&E may inspect the original policies or require complete certified copies, at any time.
5. Upon request, Tenant shall furnish PG&E the same evidence of insurance for Tenant's agents or contractors as PG&E requires of Tenant.

DO NOT RECORD THIS PAGE

Los Padres Division  
San Luis Obispo Land Services Office  
Operating Dept.: Corporate Real Estate  
MDB&M, T31S,R10E  
Section 14; SW ¼ of NE ¼  
Ferc: n/a  
PG&E Dwg.: Exhibit A-1  
Interest: 111, 22  
SBE: 135-40-25c, Parcel 2  
%QC: n/a  
O# 2023085  
Plat: NN-28  
JCN: n/a  
County: San Luis Obispo  
Prepared: Law/CRE  
Checked: Law/CRE  
Revision: 0  
File: 96205.222  
x-ref: 2231-10-0082  
Lease ID #  
7/03/06

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

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	Dynegy 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	Stanford University
California ISO	International Power Technology	Sutherland, Asbill & Brennan
Calpine	Interstate Gas Services, Inc.	Tabors Caramanis & Associates
Calpine Corp	IUCG/Sunshine Design LLC	Tecogen, Inc
Calpine Gilroy Cogen	J. R. Wood, Inc	TFS Energy
Cambridge Energy Research Assoc	JTM, Inc	Transcanada
Cameron McKenna	Luce, Forward, Hamilton & Scripps	Turlock Irrigation District
Cardinal Cogen	Manatt, Phelps & Phillips	U S Borax, Inc
Cellnet Data Systems	Marcus, David	United Cogen Inc.
Chevron Texaco	Matthew V. Brady & Associates	URM Groups
Chevron USA Production Co.	Maynor, Donald H.	Utility Cost Management LLC
City of Glendale	MBMC, Inc.	Utility Resource Network
City of Healdsburg	McKenzie & Assoc	Wellhead Electric Company
City of Palo Alto	McKenzie & Associates	Western Hub Properties, LLC
City of Redding	Meek, Daniel W.	White & Case
CLECA Law Office	Mirant California, LLC	WMA
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	