July 1, 2015

Meredith Allen, Senior Director
Pacific Gas and Electric Company (U39 M)
77 Beale Street
P.O. Box 770000
San Francisco, CA  94177

Subject: Energy Division staff disposition of Pacific Gas and Electric Company's Advice Letter 3574-G/4603-E

Dear Ms. Allen:

The Energy Division has determined that Pacific Gas and Electric Company (PG&E) Advice Letter (AL) 3574-G/4603-E, requesting approval of the terms of the water supply agreement between PG&E and Placer County Water Agency (PCWA), is effective subject to the conditions set forth below. After review of the agreement, Energy Division has determined that the contract sales and pricing schedule terms are within the scope of estimates adopted in Decision (D.)14-08-032, authorizing PG&E’s general rate case revenue requirement for 2014-2016, but are subject to examination in the 2017-2019 PG&E general rate case. The requested effective date for Advice Letter 3574-G/4603-E is April 18, 2015.

PG&E filed AL 3574-G/4603-E on March 19, 2015 as a Tier 2 Advice Letter. No protests were filed in response to this advice letter. A now expired version of this contract (1968-2013) had previously been approved by the Commission in D. 76417, along with an authorization for the transfer of utility facilities to PCWA.

Advice Letter 3574-G/4603-E was properly served on all persons included on the General Order (G.O.) 96-B service list that PG&E maintains pursuant to General Rule 4.3 of G.O. 96-B, as of the March 19, 2015 filing date of the advice letter.

In D.14-08-032, the Commission adopted an adjustment to PG&E’s Other Operating Revenues (OOR) in the amount of $2.672 million (up from the $328,000 proposed by PG&E) for the estimated effects of additional revenues from a water supply contract between PG&E and PCWA. PG&E’s OOR were expected to increase from about $200,000 per year to $3 million in 2014 and $4 million in 2015. (see D.14-08-032 pp.608-609). The terms of the agreement include a contracted supply of water of up to 100,400 acre feet of water per year at forty dollars ($40.00) per acre-foot delivered in the year 2015. The price for water delivered on or after January 1, 2016 will include an adjustment based on the price for the previous year, multiplied by the Consumer Price Index All Urban Consumers, West Urban, All Items, published for June of the previous year divided by such index published for June of the year before that. These contract terms are within the scope of the estimates adopted in D. 14-08-032.
The water supply agreement terms and conditions agreed to by PCWA and PG&E will hold a term of approximately 35 years, in alignment with the Federal Energy Regulatory Commission (FERC) relicensing application of the Drum Spaulding project. The cost and revenues to PG&E from PCWA under this new agreement will be examined in the PG&E general rate case for 2017-2019 where PG&E must demonstrate that the agreement is not subsidized by ratepayers.

The water supply agreement between Pacific Gas and Electric Company and Placer County Water Agency submitted for approval in PG&E AL 3574-G/4603-E is within the scope of the adopted OOR water sales estimates adopted in D. 14-08-032. This water sale agreement is subject to examination in the 2017-2019 PG&E general rate case. PG&E AL 3574-G/4603-E is approved and effective April 18, 2015.

Sincerely,

Edward Randolph
Director, Energy Division
California Public Utilities Commission
March 19, 2015

Advice 3574-G/4603-E
(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

Subject: Water Supply Agreement Between Placer County Water Agency and Pacific Gas and Electric Company

Purpose

The predecessor agreement to the attached Water Supply Agreement Between Placer County Water Agency and Pacific Gas and Electric Company was approved by the Commission\(^1\); PG&E is therefore filing this Agreement with the Commission and requesting that the Commission approve the Agreement to the extent such an approval is required.

Background

In 1968, PG&E sold to Placer County Water Agency (PCWA) its Lower Drum Division Water System, which included treated and irrigation water distribution system facilities. PCWA assumed the retail functions of water delivery to western Placer water customers using water purchased from PG&E under the terms of the 1968 Sale Agreement. The 1968 Sale Agreement has expired and PG&E and PCWA wish to continue the sale and delivery of water from PG&E to PCWA’s Western Water System. The subject Water Supply Agreement Between Placer County Water Agency and Pacific Gas and Electric Company sets forth the terms and conditions agreed to by PCWA and PG&E for continued sale and delivery of such water.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than April 8, 2015, which is 20 days after the date of this filing. Protests must be submitted to:

---

\(^{1}\) June 18, 1968 Agreement approved in CPUC D.74617
Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Meredith Allen  
Senior Director, 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

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

Effective Date

PG&E requests that this Tier 2 advice filing become effective on April 18, 2015, which is 30 calendar days after the date of filing.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes to the General Order 96-B service list should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov.
Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: http://www.pge.com/tariffs/.

/S/
Meredith Allen
Senior Director – Regulatory Relations

Attachments

cc: Service List
Einar Maisch, General Manager, Placer County Water Agency
**Company name/CPUC Utility No.** Pacific Gas and Electric Company (ID U39 M)

<table>
<thead>
<tr>
<th>Utility type:</th>
<th>Contact Person: Kingsley Cheng</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ ELC</td>
<td>Phone #: (415) 973-5265</td>
</tr>
<tr>
<td>☑ GAS</td>
<td>E-mail: <a href="mailto:k2e0@pge.com">k2e0@pge.com</a> and <a href="mailto:PGETariffs@pge.com">PGETariffs@pge.com</a></td>
</tr>
<tr>
<td>☐ PLC</td>
<td></td>
</tr>
<tr>
<td>☐ HEAT</td>
<td></td>
</tr>
<tr>
<td>☐ WATER</td>
<td></td>
</tr>
</tbody>
</table>

**EXPLANATION OF UTILITY TYPE**

<table>
<thead>
<tr>
<th>ELC = Electric</th>
<th>GAS = Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLC = Pipeline</td>
<td>HEAT = Heat</td>
</tr>
<tr>
<td>WATER = Water</td>
<td></td>
</tr>
</tbody>
</table>

**Advice Letter (AL) #:** 3574-G/4603-E  
**Tier:** 2

**Subject of AL:** Water Supply Agreement Between Placer County Water Agency and Pacific Gas and Electric Company

**Keywords (choose from CPUC listing):** Agreements

**AL filing type:** ☑ Monthly ☐ Quarterly ☐ Annual ☑ One-Time ☐ Other _____________________________

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

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

Summarize differences between the AL and the prior withdrawn or rejected AL: ____________________

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

Confidential information will be made available to those who have executed a nondisclosure agreement: N/A

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

Resolution Required? ☑ Yes ☐ No

**Requested effective date:** April 18, 2015  
**No. of tariff sheets:** N/A

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

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

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

Tariff schedules affected: N/A

Service affected and changes proposed: N/A

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

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

**California Public Utilities Commission**

**Energy Division**

**EDTariffUnit**

505 Van Ness Ave., 4th Flr.
San Francisco, CA 94102
E-mail: EDTariffUnit@cpuc.ca.gov

**Pacific Gas and Electric Company**

**Attn:** Meredith Allen

Senior Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177
E-mail: PGETariffs@pge.com
WATER SUPPLY AGREEMENT

Between

PLACER COUNTY WATER AGENCY

and

PACIFIC GAS AND ELECTRIC COMPANY
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEFINITIONS</td>
<td>7</td>
</tr>
<tr>
<td><strong>ARTICLE I – EFFECTIVENESS OF AGREEMENT</strong></td>
<td>12</td>
</tr>
<tr>
<td>1.1 Effective Date</td>
<td>12</td>
</tr>
<tr>
<td>1.2 Term</td>
<td>12</td>
</tr>
<tr>
<td>1.3 Conditions Precedent</td>
<td>12</td>
</tr>
<tr>
<td><strong>ARTICLE II – WATER SALES</strong></td>
<td>12</td>
</tr>
<tr>
<td>2.1 Sales of Contract Water by PG&amp;E</td>
<td>12</td>
</tr>
<tr>
<td>2.2 Sales of Surplus Water by PG&amp;E</td>
<td>12</td>
</tr>
<tr>
<td>2.3 Pricing for PG&amp;E Water Sales</td>
<td>13</td>
</tr>
<tr>
<td>2.4 Quality of Water Sold by PG&amp;E</td>
<td>13</td>
</tr>
<tr>
<td>2.5 Use of Water by PCWA</td>
<td>14</td>
</tr>
<tr>
<td>2.6 Credit for Water Returned from PCWA to PG&amp;E</td>
<td>14</td>
</tr>
<tr>
<td><strong>ARTICLE III – OPERATIONS</strong></td>
<td>14</td>
</tr>
<tr>
<td>3.1 Parties’ Facilities</td>
<td>14</td>
</tr>
<tr>
<td>3.2 Water Deliveries</td>
<td>15</td>
</tr>
<tr>
<td>3.3 Safety, Regulatory, Environmental and Legal Requirements</td>
<td>17</td>
</tr>
<tr>
<td>3.4 Interruption of Service</td>
<td>17</td>
</tr>
<tr>
<td>3.5 Dispatch of Water</td>
<td>18</td>
</tr>
<tr>
<td>3.6 Outages</td>
<td>18</td>
</tr>
<tr>
<td>3.7 Points of Delivery</td>
<td>19</td>
</tr>
<tr>
<td>3.8 Increases in Maximum Delivery Rates at Points of Delivery</td>
<td>21</td>
</tr>
</tbody>
</table>
3.9 Use of South Canal ................................................................. 22
3.10 Article 14 Customers .......................................................... 23
3.11 Defense of Water Rights ....................................................... 24
3.12 System Improvements ......................................................... 24
3.13 Operational Control/Standard of Care ...................................... 24
3.14 Measuring Devices ............................................................. 25
3.15 Compliance with Laws and Safety Practices .......................... 25
3.16 FERC License ................................................................. 25
3.17 Extraordinary Events .......................................................... 26

ARTICLE IV – EXTRAORDINARY EVENTS ........................................ 26
4.1 Reimbursements for Extraordinary Events ............................. 26
4.2 Open Book ........................................................................ 28

ARTICLE V – BILLING AND PAYMENT .......................................... 29
5.1 Invoices and Payments .......................................................... 29
5.2 Disputes ............................................................................. 30

ARTICLE VI – DISPUTE RESOLUTION ......................................... 30
6.1 Intent of the Parties ............................................................. 30
6.2 Management Negotiations .................................................... 30
6.3 Mediation ........................................................................... 31
6.4 Arbitration ......................................................................... 32

ARTICLE VII – INDEMNITY ......................................................... 34
7.1 Indemnification Obligation ................................................... 34
7.2 Defense of Third Party Claim ............................................... 35
7.3 Subrogation ....................................................................... 35
## ARTICLE VIII – CERTAIN FUTURE ACTIONS OF THE PARTIES

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1</td>
<td>Continued Ownership and Operation</td>
<td>36</td>
</tr>
<tr>
<td>8.2</td>
<td>Surrender or Transfer of FERC License</td>
<td>36</td>
</tr>
<tr>
<td>8.3</td>
<td>Discussions Concerning Transfer of Drum-Spaulding Facilities</td>
<td>36</td>
</tr>
<tr>
<td>8.4</td>
<td>PG&amp;E Right to Terminate</td>
<td>38</td>
</tr>
<tr>
<td>8.5</td>
<td>Assignment and Transfer</td>
<td>38</td>
</tr>
<tr>
<td>8.6</td>
<td>Advocacy</td>
<td>39</td>
</tr>
<tr>
<td>8.7</td>
<td>Renewal</td>
<td>39</td>
</tr>
</tbody>
</table>

## ARTICLE IX – MISCELLANEOUS

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.1</td>
<td>Force Majeure</td>
<td>40</td>
</tr>
<tr>
<td>9.2</td>
<td>Expenses</td>
<td>41</td>
</tr>
<tr>
<td>9.3</td>
<td>Entire Document</td>
<td>41</td>
</tr>
<tr>
<td>9.4</td>
<td>Appendices</td>
<td>42</td>
</tr>
<tr>
<td>9.5</td>
<td>Counterparts</td>
<td>42</td>
</tr>
<tr>
<td>9.6</td>
<td>Severability and Unenforceability</td>
<td>42</td>
</tr>
<tr>
<td>9.7</td>
<td>Captions</td>
<td>42</td>
</tr>
<tr>
<td>9.8</td>
<td>Governing Law</td>
<td>42</td>
</tr>
<tr>
<td>9.9</td>
<td>Limitations on Liability</td>
<td>43</td>
</tr>
<tr>
<td>9.10</td>
<td>Notices</td>
<td>43</td>
</tr>
<tr>
<td>9.11</td>
<td>Termination</td>
<td>44</td>
</tr>
<tr>
<td>9.12</td>
<td>No Third Party Beneficiaries</td>
<td>45</td>
</tr>
<tr>
<td>9.13</td>
<td>No Joint Venture</td>
<td>45</td>
</tr>
<tr>
<td>9.14</td>
<td>Construction of Agreement</td>
<td>45</td>
</tr>
<tr>
<td>9.15</td>
<td>Consent to Jurisdiction</td>
<td>45</td>
</tr>
<tr>
<td>9.16</td>
<td>Confidentiality</td>
<td>46</td>
</tr>
</tbody>
</table>
9.17 Public Statements ................................................................. 47
9.18 Further Assurances ............................................................. 47
9.19 Preservation of Rights .......................................................... 48
9.20 Time Periods ...................................................................... 48
9.21 Interpretation ...................................................................... 48
WATER SUPPLY AGREEMENT

This Water Supply Agreement (this “Agreement”) is dated as of 2/27/2015, and effective as of the Effective Date by and between PACIFIC GAS AND ELECTRIC COMPANY, a California corporation (“PG&E”), and PLACER COUNTY WATER AGENCY, a California local governmental entity organized under the Placer County Water Agency Act of 1957 (“PCWA”) (PCWA and PG&E are referred to in this Agreement individually as a “Party”, and collectively as the “Parties”).

WITNESSETH:

A. WHEREAS, PG&E or its predecessor developed the Drum-Spaulding Project, which primarily captures water from tributaries of the South Yuba River and diverts that water into storage reservoirs and then conveys that water into the Bear River watershed and then across western Placer County into the American River watershed;

B. WHEREAS, PG&E or its predecessor developed water rights including pre-1914 water rights and water rights created during or after 1914 which were perfected by putting that water to beneficial use through the hydroelectric generation of energy at the Drum-Spaulding Project and through the development of treated and irrigation water distribution systems for the retail and wholesale delivery of water for consumptive use to the agriculturalists, residents and businesses of Placer County;

C. WHEREAS, PG&E eventually entered into a contractual relationship with PCWA under which PCWA took over ownership and operation of certain PG&E water distribution systems and assumed the retail functions of water delivery to western Placer water customers using water purchased from PG&E;

[021715]
D. WHEREAS, PCWA formed a benefit assessment zone, referred to as “Zone 1”, to finance and pay for the water distribution systems acquired from PG&E and to deliver the water provided under the 1968 Sale Agreement;

E. WHEREAS, PCWA believes and contends that the water rights held by PG&E for consumptive use have been irrevocably dedicated to serve the public within Placer County and that as long as PG&E continues to operate the Drum-Spaulding Project it has an obligation to continue to deliver water for municipal and irrigation water supply to the residents of Placer County;

F. WHEREAS, PG&E believes and contends that its obligation to supply water to the residents of Placer County arises exclusively through contractual arrangements with PCWA and exists only as long as and to the extent those contractual arrangements require;

G. WHEREAS, PG&E and PCWA recognize that their agreement to the terms of this Agreement makes it unnecessary to resolve which of the Parties’ beliefs is valid and correct at this time;

H. WHEREAS, PCWA wishes to continue to purchase up to 100,400 acre-feet of water from PG&E’s Drum-Spaulding Project for PCWA’s Western Water System, PG&E recognizes the public benefit of continued water delivery to PCWA, and PG&E and PCWA intend this Agreement to be the exclusive agreement governing PG&E’s provision of water to PCWA for use in its Western Water System;

I. WHEREAS, PCWA has constructed the infrastructure necessary to lift water from the American River to its proposed Ophir Water Treatment Plant site, and into PG&E’s South Canal;

J. WHEREAS, PG&E and PCWA agree that it is in their mutual interests to coordinate their separate operations and facilitate use of Drum-Spaulding Project facilities for

[021715]
transport of PCWA’s American River and other water sources under certain specified
circumstances to provide as reliable water delivery to western Placer County as is practical; and

K. WHEREAS, PG&E and PCWA agree that it is in their mutual interests for PCWA to continue to purchase water from PG&E as provided in this Agreement.

NOW THEREFORE, PCWA and PG&E agree as follows:

DEFINITIONS

The following terms when used in this Agreement with initial letters capitalized have the meanings set forth below.

“1968 Sale Agreement” means that certain Water System Sale Contract by and between the Parties dated June 18, 1968, by which PG&E sold to PCWA its Lower Drum Division Water System, which included treated and irrigation water distribution system facilities;

“Agreement” means this Agreement entered into by PG&E and PCWA as of the effective date hereof.

“Amortization Period” has the meaning set forth in Section 4.1(b).

“Arbitral Tribunal” has the meaning set forth in Section 6.4 of this Agreement.

“Arbitration” has the meaning set forth in Section 6.4 of this Agreement.

“Article 14 Customers” has the meaning set forth in Section 3.10.

“cfs” means cubic feet per second.

“Contract Water” shall mean the water that PG&E is required to deliver to PCWA under this Agreement other than Surplus Water.

“Conveyance Facility” means a facility which is used by PG&E to convey water to, or deliver water at, one or more Points of Delivery as required by this Agreement, including such natural channels, canals, ditches, conduits, tunnels, pipes, penstocks, flumes, diversion dams, reservoirs, powerhouse facilities and other improvements used for the transmission of water, and their necessary appurtenances, as set forth in Appendix A.

“CPUC” means the California Public Utilities Commission and any successor agency.

“Demand” has the meaning set forth in Section 6.4(a) of this Agreement.

“Drum-Spaulding Project” means the hydroelectric project designated as FERC Project No. 2310 as of the Effective Date.

“Effective Date” has the meaning set forth in Section 1.1 of this Agreement.

“Executive” has the meaning set forth in Section 6.2(a) of this Agreement.

“Existing FERC License” means the FERC license for the Drum-Spaulding Project which is in effect as of the date this Agreement is executed, and any annual license issued by FERC for the Drum-Spaulding Project effective during a period after the expiration of the Existing FERC License and before issuance of a New FERC License.

“Extraordinary Costs” has the meaning set forth in Section 4.1(a).
“Extraordinary Event” has the meaning set forth in Section 4.1(d)(1).

“Extraordinary Event Cost Share” has the meaning set forth in Section 4.1(a).

“Extraordinary Event Escalator” has the meaning set forth in Section 4.1(d)(3) of this Agreement.

“Extraordinary Event Payment” has the meaning set forth in Section 4.1(a) of this Agreement.

“FERC” means the Federal Energy Regulatory Commission or its successor agency.

“Force Majeure” has the meaning set forth in Section 9.1.

“Full Recapture Period” has the meaning set forth in Section 4.1(c).

“Initial Negotiation End Date” has the meaning set forth in Section 6.2(a) of this Agreement.

“Interest Rate” means the rate per annum equal to the “Monthly” Federal Funds Rate (as reset on a monthly basis based on the latest month for which such rate is available) as reported in Federal Reserve Bank Publication H.15 (519) or its successor publication.

“JAMS” has the meaning set forth in Section 6.4 of this Agreement.

“Manager” has the meaning set forth in Section 6.2(a) of this Agreement.

“Maximum Delivery Rate” has the meaning set forth in Section 3.2(a).
“Nevada Irrigation District” or “NID” means the Nevada Irrigation District and any successor agency.

“New FERC License” means the FERC license other than an annual license which PG&E has requested FERC issue for the Drum-Spaulding Project and which immediately succeeds the Existing FERC License.

“Non-Reimbursable Amount” has the meaning set forth in Section 4.1(d)(2).

“Party” and “Parties” have the meanings set forth in the opening paragraph of this Agreement.

“PCWA” means the Placer County Water Agency and any successor agency.

“PG&E” means the Pacific Gas and Electric Company and any successor in interest.

“Points of Delivery” shall have the meaning set forth in Section 3.7.

“Public Records Act” means California Government Code sections 6250 et seq. as may be amended from time to time.

“Reasonable Efforts” means the efforts that are reasonable to undertake on a reasonable time frame, with due consideration of the totality of the business relationship of the Parties, the public importance of reliable water supply to consumptive users, the financial and technical resources available, the business expertise and historical practices of the Parties, and industry practice in comparable situations.

"Redundant Facilities" means the facilities PCWA is required to construct and place in operation under Section 3.1(e) of this Agreement and which are of sufficient capacity to
eliminate any need for South Canal in order for PCWA water to be conveyed between the Wise Powerhouse (or PCWA’s proposed Ophir Water Treatment Plant site) and PCWA’s Foothill-Sunset water system for delivery to PCWA’s treated water customers during PG&E’s annual fall maintenance outage.

“Referral Date” has the meaning set forth in Section 6.2(a) of this Agreement.

“Remaining Recapture Period” has the meaning set forth in Section 4.1(c).

“Surplus Water” shall mean water that PG&E may, from time to time, offer to sell to PCWA in addition to Contract Water in accordance with Section 2.2.

“Term” has the meaning set forth in Section 1.2.

“Water” shall mean Contract Water and Surplus Water.

“Western Water System” has the meaning set forth in Section 2.5.

“YB-xxx”, where “xxx” is an integer, means the gage designated as such by PG&E, such that each Point of Delivery has a corresponding designated gage.

“Year” means a calendar year: 12:00:00 a.m. January 1 through 11:59:59 p.m. December 31.
ARTICLE I
EFFECTIVENESS OF AGREEMENT

1.1 Effective Date. This Agreement shall be effective at the beginning of the first calendar month after the satisfaction of the conditions precedent to its effectiveness set forth in Section 1.3 (the “Effective Date”).

1.2 Term. This Agreement shall continue in effect until the expiration date of the New FERC License or until terminated in accordance with Section 9.11 (“Term”), whichever comes first.

1.3 Conditions Precedent. PG&E will file this Agreement with the CPUC for such review and approval as the CPUC determines is appropriate. PCWA shall coordinate with PG&E and support the filing at the CPUC. The Agreement shall be effective upon final and non-appealable completion of review and any approval by the CPUC without modification that is unacceptable to either Party (“Effective Date”).

ARTICLE II
WATER SALES

2.1 Sales of Contract Water by PG&E. PG&E shall sell PCWA and PCWA shall purchase from PG&E such water as is requested by PCWA, up to 100,400 acre feet of water, as determined under this Agreement (the “Contract Water”) during each period beginning October 1 of any Year and ending September 30 of the subsequent Year.

2.2 Sales of Surplus Water by PG&E. In addition to Contract Water, PCWA may purchase additional water (“Surplus Water”) from PG&E, if and when PG&E determines it is available in its sole discretion, at prices, terms and conditions determined at the time of such purchase by PG&E in its sole discretion. PCWA has no obligation to purchase Surplus Water.

[021715]
PG&E shall not sell water from the Drum-Spaulding Project to any third party other than NID without first identifying its availability and offering its sale to PCWA.

2.3 Pricing for PG&E Water Sales. PCWA shall pay PG&E for Contract Water delivered to it by PG&E at the following rates:

(a) for water delivered during Year 2015, forty dollars ($40.00) per acre-foot; and

(b) for water delivered on and after January 1, 2016, the price for the previous Year adjusted as of January 1 of the applicable Year by multiplying the price for the previous Year by the ratio of the Consumer Price Index All Urban Consumers, West Urban, All Items (Series ID: CUUR0400SA0) (or its successor index) published for June of the previous Year divided by such index published for June of the Year before that;

provided, that no earlier than 12 months prior to each of January 1, 2026 and each tenth-year anniversary of that date, either Party may give the other Party written notice that it desires to renegotiate the pricing of Contract Water sold by PG&E to PCWA under this Agreement. Within sixty (60) days after any such notice is given, the Parties will meet to negotiate with respect to the pricing that will apply thereafter. If the Parties fail to reach agreement upon such prices and their effective date, then the existing pricing shall remain unchanged.

2.4 Quality of Water Sold by PG&E. PG&E makes no representation or warranty as to the quality of Water. PCWA shall be solely responsible for any and all actions necessary or appropriate to render the Water suitable for use by its customers.
2.5 Use of Water by PCWA. PCWA may deliver or use Water only within the described limits of its Western Water System located in Placer County California as shown in Appendix B ("Western Water System").

2.6 Credit for Water Returned from PCWA to PG&E. Water measured at YB-75, located at the downstream end of the Middle Fiddler Green Canal near Wise Forebay, shall be considered returned from PCWA to PG&E. PG&E shall credit PCWA for any such Water returned by PCWA and, in PG&E’s sole judgment, beneficially used by PG&E for power production, against deliveries made to PCWA at the corresponding upstream Point of Delivery.

ARTICLE III
OPERATIONS

3.1 Parties' Facilities.

(a) Subject to the provisions of this Agreement, PG&E shall provide all necessary facilities, including reservoirs, diversion dams, powerhouses, canals, gages, weirs, valves, and other structures, required to deliver Water to PCWA as required by this Agreement.

(b) Subject to the provisions of this Agreement, PCWA shall provide all necessary facilities required to receive delivery of Water from PG&E and make delivery to PCWA’s retail and wholesale customers.

(c) Notwithstanding the foregoing, neither Party shall acquire as a result of this Agreement any right with respect to the other Party’s facilities except as provided by this Agreement.

(d) PCWA shall own, operate and maintain, and to the extent necessary develop and construct, such backup and other facilities, and such sources of water other than

[021715]
PG&E’s deliveries, as may be required for it to provide water to its customers during outages of any facilities used by PG&E to deliver Water to PCWA under this Agreement. To the extent PG&E’s operations are consistent with Sections 3.3, 3.4, 3.5 and 3.6, PG&E shall not be responsible for any damages, claims, losses, liabilities, obligations, costs and/or expenses suffered and/or incurred by PCWA because of PCWA’s lack of adequate backup facilities to enable it to maintain a reasonable level of service to its water customers during temporary interruptions and/or reductions of deliveries of Water under this Agreement which are not a breach of this Agreement.

(c) Within two years after the Effective Date, PCWA shall complete and provide to PG&E a plan to design and build Redundant Facilities of sufficient capacity to eliminate any need for South Canal in order for PCWA water to be conveyed between the Wise Powerhouse (or PCWA’s proposed Ophir Water Treatment Plant site) and PCWA’s Foothill-Sunset water system for delivery to PCWA’s treated water customers during PG&E’s annual fall maintenance outage. Within seven years after the Effective Date, PCWA shall complete construction of such Redundant Facilities and place them in operation, except however to the extent that water connection charge revenue is anticipated to fund the Redundant Facilities and is received slower than expected, the Parties may mutually agree to extend the period for completing construction and placing the Redundant Facilities in operation, but in no case shall the period be longer than ten years.

3.2 Water Deliveries.

(a) Subject to the limitations described in Section 3.7 with respect to rates of delivery of water at each Point of Delivery, PCWA shall have the right to determine the allocation of the deliveries of Water among the Points of Delivery by telephone notification to PG&E’s Wise Switching Center or another PG&E facility identified by it to PCWA by at least 30 days written notice. PCWA shall provide PG&E at least forty-eight (48) hours advance notice of any desired change in the rates of flow at any Point of Delivery. PG&E shall not be
required to make any such change on less than such notice, on any legal holiday or during non-work periods of PG&E operating personnel unless PCWA compensates PG&E for any increased costs associated with complying with PCWA’s request as determined by PG&E in its sole discretion. In all events, the total combined delivery rate of Contract Water to the Points of Delivery shall not exceed 244.8 cubic feet per second (“cfs”) (as may be reduced by Section 3.2(b), the “Maximum Delivery Rate”). No modification to PG&E’s facilities described in Section 3.7(d), Section 3.7(e) or Section 3.8 shall alter the Maximum Delivery Rate. In the event PG&E determines the total combined delivery rate of Contract Water to the Points of Delivery exceeds 244.8 cfs, PG&E shall have the right in its sole discretion to reduce deliveries to PCWA downstream of Wise Powerhouse to the Maximum Delivery Rate, provided that PG&E shall notify PCWA of any such reduction as early thereafter as practicable and PCWA shall have the opportunity to advise PG&E how to distribute the reduced flow among the Points of Delivery.

(b) In no event shall PG&E be required to deliver Contract Water to PCWA under this Agreement at a rate of (i) more than 25,000 acre feet per Year at Points of Delivery upstream of PG&E’s Halsey Powerhouse, or (ii) more than 55,000 acre feet per Year (including Contract Water delivered to PCWA upstream of Halsey Powerhouse) upstream of PG&E’s Wise Powerhouse. During periods when PG&E determines in its sole discretion that the maximum flow rate for safe operation of its Bear River Canal is less than 470 cfs, including storm periods, periods of maintenance work and during emergencies, PG&E shall as early thereafter as practicable notify PCWA of any reduction in the Maximum Delivery Rate, and shall have the right to reduce deliveries to PCWA proportionately to 244.8/470 of the available canal capacity. PCWA shall have the opportunity to advise PG&E how to distribute the reduced flow among the Points of Delivery.

(c) To the extent requested by PG&E, PCWA shall transport through its Western Water System to NID at YB-108 near Edgewood Road up to two cfs of water provided by PG&E at YB-69 immediately below NID’s Ophir Pipe in PCWA’s Middle Fiddler Green Canal. PCWA acknowledges that such water belongs to either PG&E or NID and is transported

[021715]
for delivery to NID pursuant to NID’s and PG&E’s obligations under other agreements. PCWA agrees to maintain the Middle Fiddler Green Canal between YB-69 and YB-108 and to transport water as provided by this Section 3.2(c) at no cost to PG&E or NID.

3.3 Safety, Regulatory, Environmental and Legal Requirements. PG&E will operate the Drum-Spaulding Project in conformance with (i) all applicable safety, regulatory, environmental, and legal requirements including any conditions ordered by FERC with respect to the Existing FERC License or the New FERC License, and (ii) PG&E water rights existing as of the Effective Date. Subject to the provisions of Section 3.6, for the purposes of complying with safety, regulatory, environmental and legal requirements, PG&E shall have the right in its sole discretion to interrupt the flow of Water otherwise required to be delivered to PCWA under this Agreement and shall not be liable to PCWA to the extent it cannot deliver the full amount of Water due to any such requirements.

3.4 Interruption of Service. PG&E shall use Reasonable Efforts to make Water available to PCWA under the terms of this Agreement. For the avoidance of doubt in interpreting this Agreement, the Parties agree that PG&E shall have no responsibility or liability to PCWA for any insufficiency or interruption of Water delivered to PCWA caused by:

(a) An insufficient water supply due to dry hydrologic conditions;

(b) Cleaning, repairing, maintaining or improving any facilities comprising part of the Drum-Spaulding Project and used to provide Water to PCWA, subject to the conditions in Section 3.6;

(c) Defect in or inability of PG&E to establish or defend its water rights;

(d) A short term electrical or water emergency that affects delivery of water to PCWA; or
(e) Force Majeure as provided in Section 9.1.

3.5 Dispatch of Water. PG&E shall operate the Drum-Spaulding Project, including regulation of storage, to balance its use for power generation and water supply, taking into consideration: (1) meeting all legal and regulatory requirements; (2) meeting PG&E’s contractual obligations to provide water for consumptive uses; (3) generating electric power including during short term electrical emergencies as identified by the California Independent System Operator. In managing water for the uses specified in this Section 3.5, PG&E will take into consideration the relative importance at all times of a variety of factors, including the relative importance of consumptive water use. PCWA shall be notified of, and given the opportunity to participate in, the weekly meetings of the “Water Management Committee” historically maintained by PG&E and NID to discuss operations of the Drum-Spaulding Project, provided that NID concurs with the provision of any such notice and opportunity to participate.

3.6 Outages.

(a) The Parties shall reasonably collaborate and cooperate in the timing of planned outages, the operation of the Drum-Spaulding Project and PCWA’s facilities and the integration of other PCWA water supplies during periods of planned or unplanned outages of the Drum-Spaulding Project’s water conveyance systems in a manner which is consistent with their historical practice and in an effort to minimize flow disruptions and adverse impacts to PCWA’s water customers and power generation.

(b) For annual planned outages, PG&E shall, to the extent practicable, provide PCWA with at least six weeks advance notice of planned interruptions. For unplanned maintenance outages, PG&E shall, to the extent practicable, provide PCWA with three days advance notice of such interruptions. PG&E shall provide PCWA notification of emergency outages as soon as practicable.

[021715]
3.7 Points of Delivery. PG&E shall deliver Water up to the maximum rates of flow stated below at each of the following points of delivery specified below ("Points of Delivery"). No modifications to these Points of Delivery or provision of additional Points of Delivery shall alter the Maximum Delivery Rate.

(a) Upstream of PG&E’s Halsey Powerhouse:

(1) YB-56, Ragsdale Diversion at the Bear River Canal  33 cfs

(2) YB-57, Lower Boardman Canal below Lake Theodore  30 cfs

(3) YB-87, Bowman Canal above Halsey Forebay  25 cfs

(4) YB-87A, Bowman Canal above Halsey Forebay  5 cfs

(b) Upstream of PG&E’s Wise Powerhouse

(1) YB-69, Middle Fiddler Green Canal below Ophir  35 cfs

(2) YB-73, Lower Fiddler Green Canal below Wise Forebay  20 cfs

(c) Downstream from PG&E’s Wise Powerhouse

(1) YB-76, Dutch Ravine Diversion from South Canal  78 cfs

(2) YB-136, Auburn Ravine above Tunnel 11 on South Canal  50 cfs

[021715]
(3) YB-78/YB-278, South Canal Delivery to Foothill Treatment Plant
   (including Boardman Canal) 125 cfs, plus 2 cfs for NID

(4) YB-91, Lower Greeley Canal Diversion from South Canal 11 cfs

(d) PCWA shall have the right to construct and utilize a new Point of Delivery from PG&E’s South Canal near PCWA’s Ophir Tunnel Pumping Plant. PG&E will have no obligation to deliver Water at this Point of Delivery until a new water treatment plant which will treat water delivered at such new Point of Delivery is constructed by PCWA and ready for operation, and facilities are in place to convey water from this Point of Delivery to such new water treatment plant. Design and construction for such new Point of Delivery shall be performed by PCWA, and at no expense to PG&E. Any modifications performed by PCWA to PG&E’s facilities shall be made in conformance with (i) all applicable safety, regulatory, environmental, and legal requirements including any applicable FERC license conditions, and (ii) all PG&E standards, including those with respect to technical and regulatory matters. PG&E shall have review and approval rights exercisable in its sole discretion over the design and construction of any such modifications performed by PCWA to PG&E facilities and/or to PCWA facilities that affect PG&E’s system as determined by PG&E in its sole discretion. The maximum rate of flow at any new Point of Delivery shall be determined by PG&E in its sole discretion.

(e) PCWA shall have the right to construct a Point of Delivery on PG&E’s Bear River Canal near the community of Meadow Vista. It is intended by the Parties that this Point of Delivery be used as an alternate water supply at times when PCWA’s Bowman Feeder Canal is temporarily out of service for maintenance work or in the case of emergencies, and only to the extent that PG&E determines, in its sole discretion, that there is sufficient capacity in the Bear River Canal to meet all of its contractual commitments to NID under any contracts. PG&E shall have no obligation to deliver water at this Point of Delivery unless PCWA’s Upper Bowman Feeder Canal is out of service. Design and construction of the physical facilities for the
Point of Delivery shall be made by PCWA at no expense to PG&E. Any modifications performed by PCWA to PG&E's facilities shall be made in conformance with (i) all applicable safety, regulatory, environmental, and legal requirements including any applicable FERC license conditions, and (ii) all PG&E standards, including those with respect to technical and regulatory matters. PG&E shall have review and approval rights exercisable in its sole discretion over the design and construction of any such modifications performed by PCWA to PG&E facilities and/or to PCWA facilities that affect PG&E's system as determined by PG&E in its sole discretion. The maximum rate of flow at any new Point of Delivery shall be determined by PG&E in its sole discretion.

(f) PCWA shall have the right to construct a new pump station at no expense to PG&E of up to 30 cfs capacity at Rock Creek Reservoir to enable PCWA to access water stored in Rock Creek Reservoir and convey that water into the Upper Fiddler Green Canal for rediversion downstream at a Point of Delivery during periods when the PG&E water conveyance system upstream of Rock Creek Reservoir is out of service. The specific location of the pump station and connecting pipelines shall be as directed by PG&E. Any modifications performed by PCWA to PG&E's facilities shall be made in conformance with (i) all applicable safety, regulatory, environmental, and legal requirements including any applicable FERC license conditions, and (ii) all PG&E standards, including those with respect to technical and regulatory matters. PG&E shall have review and approval rights exercisable in its sole discretion over the design and construction of any such modifications performed by PCWA to PG&E facilities and/or to PCWA facilities that affect PG&E's system as determined by PG&E in its sole discretion.

3.8 Increases in Maximum Delivery Rates at Points of Delivery. If PCWA desires delivery rates in excess of the maximum flow rate at any Point of Delivery described in Section 3.7, it shall provide PG&E with a written request for each such increased maximum rate of flow. PG&E shall use Reasonable Efforts to make any modification to the Drum-Spaulding Project which may be necessary to increase the physical capability of the relevant PG&E delivery
facilities to an amount sufficient to satisfy PCWA’s requests. PCWA shall pay any and all PG&E costs of such modifications as determined by PG&E under such terms and conditions as may be agreed to by the Parties prior to the modifications being made. To the extent PG&E agrees that any modification may be made by PCWA to PG&E’s facilities, any modifications performed by PCWA to PG&E’s facilities shall be made in conformance with (i) all applicable safety, regulatory, environmental, and legal requirements including any applicable FERC license conditions, and (ii) all PG&E standards, including those with respect to technical and regulatory matters. PG&E shall have review and approval rights exercisable in its sole discretion over the design and construction of any such modifications performed by PCWA to PG&E facilities and/or to PCWA facilities that affect PG&E’s system as determined by PG&E in its sole discretion. The maximum rate of flow at any new Point of Delivery shall be determined by PG&E in its sole discretion.

3.9 Use of South Canal.

(a) During either (i) any interruption of service by PG&E which takes place prior to the date PCWA is required to place Redundant Facilities in operation, or the date PCWA actually places those facilities in operation if earlier, or (ii) any interruption of service by PG&E thereafter, but only to the extent PCWA’s customer demand for water exceeds the capacity of such Redundant Facilities, and with at least two weeks advanced written notice, PCWA may request that PG&E convey PCWA American River water via PG&E’s South Canal between Wise Powerhouse (or PCWA’s proposed Ophir Water Treatment Plant site) and PCWA’s Foothill-Sunset water system. In reviewing PCWA’s request, PG&E shall recognize the historic practices of the Parties and the importance of consumptive water uses, but may decide whether to grant the request in its sole discretion. Such conveyance shall be subject to the availability of South Canal and all restrictions PG&E may impose including those required for safe operation of South Canal, maintaining compliance with applicable regulations and minimizing disruption of PG&E’s normal operations. PCWA shall comply with any and all such restrictions. Each approval for such conveyance and the applicable conditions shall be documented in writing.

[021715]
(b) Should PCWA request PG&E to convey American River Water from its Auburn Ravine Tunnel Pump Stations via PG&E's South Canal to downstream delivery points listed in Section 3.7 during periods of time not covered by the events described in Section 3.4, it shall make such request in writing to PG&E thirty (30) days in advance of the anticipated use. Such requests shall detail the timing, duration, capacity, volume and point(s) of re-diversion and delivery requested. If PG&E determines in its sole discretion to do so, PG&E may convey such PCWA water as so requested by PCWA. The Parties do not intend that PG&E convey such PCWA water under this Section 3.9(b) on a long-term or routine basis. PG&E may condition the operations of the PCWA facilities used to deliver such PCWA water into the South Canal in any manner PG&E determines in its sole discretion to be appropriate to ensure safe operation of the South Canal, maintain compliance with applicable regulations and minimize disruption of PG&E’s normal operations. PCWA shall reimburse PG&E for any additional costs it bears as a result of the conveyance of such PCWA water, and in addition PCWA shall pay PG&E a mutually agreeable facility use fee for each acre-foot of such PCWA water which PG&E conveys through any reach of the South Canal.

3.10 Article 14 Customers. The Parties have identified several PCWA irrigation water customers that are still directly served off of PG&E’s facilities, in spite of commitments by both Parties in previous agreements to relocate these services to PCWA facilities if and when economically feasible. Collectively these customers are referred to as "Article 14 Customers" in reference to Article 14 of the 1968 Sale Agreement, and are shown in Appendix C. All water delivered to such Article 14 Customers shall be considered Contract Water. PCWA shall address and administer all claims made by Article 14 Customers with respect to water service and indemnify PG&E under the terms of Article VII with respect to any and all such claims except to the extent any such claim results from the failure of PG&E to meet its obligations under this Agreement with respect to the operation and maintenance of its facilities. PCWA shall pay PG&E the amount of any costs PG&E incurs as a result of PCWA’s connection of Article 14 Customers to PCWA’s facilities. Such costs shall be paid within thirty (30) days after PCWA is
invoked therefor by PG&E. PCWA shall not agree to provide service to any new customers that would require a direct service connection to a PG&E owned facility, nor will it allow an increase in the delivery rate of any existing Article 14 Customer, without PG&E’s prior written consent. PCWA agrees to relocate Article 14 Customers to PCWA facilities if and when such relocation becomes economically feasible.

3.11 Defense of Water Rights. PG&E shall use Reasonable Efforts to protect and defend its water rights necessary to providing Water under this Agreement. PCWA shall take any action reasonably requested by PG&E to assist PG&E in any efforts it makes to establish, defend or modify its water rights used to satisfy its obligations under this Agreement. PCWA shall have the independent right to act to initiate or participate in any legal or regulatory proceeding to defend and protect any and all water rights of PG&E.

3.12 System Improvements. Either Party may identify and propose to the other Party that one or more improvements be made to the water systems of either Party. The Parties shall meet and discuss any such proposals with a goal of determining whether either or both Parties should pursue completion of any of the proposed improvements. PG&E shall not propose any long-term change to its Drum-Spaulding water conveyance system unless (i) it is required by law or regulation, including any requirement imposed by FERC, or (ii) it does not believe such change would cause a reduction in the following capacities of the following portions of such system: Bear River Canal, 470 cfs; Wise Canal, 488 cfs, and South Canal, 395 cfs.

3.13 Operational Control/Standard of Care. Except as otherwise provided in this Agreement, each Party shall have at all times the right to complete control over the operation, maintenance and repair of its facilities, and its decisions with respect to the operation, maintenance and repair thereof shall be final and conclusive, provided that each Party shall operate, maintain and repair its facilities to a standard of care and reliability consistent with the customs and practices of the industry applicable to comparable facilities for providing water and power.
3.14 **Measuring Devices.** All Water to be delivered by PG&E to PCWA shall be measured by means of measuring devices furnished, installed, maintained and operated by PG&E unless otherwise agreed by the Parties, located at or near the respective Points of Delivery and/or diversion as herein specified. PCWA shall have the right at all times to read and check such measuring devices operated by PG&E. PG&E shall have the right at all times to read and check such measuring devices operated by PCWA. All recording data and gage readings shall be made available by the owner of such gage to the other Party. PG&E and PCWA agree to share equally the cost of telemetering flow data from all Points of Delivery, including the costs of any modifications, upgrades or new installations thereof. The design of the telemetering system shall allow PCWA real-time access to the data. Design, upgrade, installation and maintenance of the telemetry system shall be performed by PG&E. PCWA shall be provided with cost estimates for review prior to PG&E initiating any work with respect to telemetering. PCWA shall pay one-half of PG&E’s costs of telemetering, including indirect and overhead expenses. PCWA shall reimburse PG&E for those costs within 30 days of receiving an invoice therefor from PG&E.

3.15 **Compliance with Laws and Safety Practices.** As long as a Party owns and has the right to operate its facilities, it shall operate and maintain such facilities (i) in accordance with all applicable laws, rules and regulations, including any applicable rules and regulations of the FERC, CPUC and such other agencies to the extent they have jurisdiction over such facilities, (ii) consistently with this Agreement, and (iii) consistently with its policies and procedures with respect to employee and public safety.

3.16 **FERC License.** PCWA shall take any action reasonably requested by PG&E to assist PG&E in any efforts it makes to relicense its Drum-Spaulding Project or to seek any amendment to any FERC license it holds with respect to any part of the Drum-Spaulding Project, provided such action does not, in the sole determination of PCWA, have the potential to adversely affect PG&E’s ability to deliver Water as provided in this Agreement. Subject to Section 8.6, PCWA shall have the independent right to act to initiate or participate in any legal or regulatory proceeding that PCWA determines may affect the delivery of Water under this

[021715]
Agreement, provided that PCWA shall not seek any result in any such proceeding which would be inconsistent with this Agreement.

3.17 Extraordinary Events. Following any Extraordinary Event, PG&E shall use Reasonable Efforts to restore any of its Conveyance Facilities affected by the Extraordinary Event and necessary for PG&E to comply with its obligations under this Agreement to deliver Water to PCWA. PG&E shall complete all repairs required by this Section 3.17 regardless of whether PCWA has yet satisfied its obligations under Section 4.1.

ARTICLE IV
EXTRAORDINARY EVENTS

4.1 Reimbursements for Extraordinary Events.

(a) For each Extraordinary Event, PG&E shall identify its necessary and reasonable costs, as well as any other costs agreed to by the Parties, to comply with Section 3.17 ("Extraordinary Costs"). After all of PG&E’s Extraordinary Costs have been identified, PG&E shall calculate an “Extraordinary Event Cost Share” for that Extraordinary Event as described in this Section 4.1 and illustrated in Appendix D. PCWA shall reimburse PG&E for PCWA’s share of PG&E’s Extraordinary Costs. Each Extraordinary Event Cost Share (i) shall equal the applicable Extraordinary Costs in excess of the Non-Reimbursable Amount, multiplied by the percentage of the applicable Extraordinary Costs allocable to PCWA for the affected Conveyance Facilities as shown in Appendix A, and (ii) shall be paid in equal quarterly installments (“Extraordinary Event Payments”) by PCWA to PG&E beginning on the first day of the quarter which begins at least sixty days following the date the amount of the Extraordinary Event Cost Share and Extraordinary Event Payments are determined, and continuing on the first day of each quarter thereafter until fully paid.
(b) The Extraordinary Event Payments for a particular Extraordinary Event shall equal PCWA’s Extraordinary Event Cost Share for that Extraordinary Event amortized beginning on the date the first such Extraordinary Event Payment is due with simple interest from such date at the Interest Rate as of the date the Extraordinary Event Payments are calculated, which amortization shall take place over the applicable of the following periods (“Amortization Period”): (i) one year if such Extraordinary Event Cost Share is less than or equal to one million dollars ($1,000,000), (ii) three years if such Extraordinary Event Cost Share is more than one million dollars ($1,000,000) and less than or equal to three million dollars ($3,000,000), or, (iii) five years if the Extraordinary Event Cost Share is more than three million dollars ($3,000,000), provided that PCWA may on the date any Extraordinary Event Payment is due pay the full remaining unamortized amount of its Extraordinary Cost Share without penalty. If there has been more than one Extraordinary Event, an Extraordinary Event Cost Share shall be calculated, and Extraordinary Event Payments shall be calculated and paid, separately for each Extraordinary Event, as provided in this Section 4.1. The amounts “$1,000,000” and “$3,000,000” in this Section 4.1(b) shall be escalated from the Effective Date of this Agreement by multiplying them by the Extraordinary Event Escalator calculated as of the date the Extraordinary Event Cost Share is calculated.

(c) If (i) the date this Agreement terminates is less than twice the applicable Amortization Period (the “Full Recapture Period”) after an Extraordinary Event occurs, and (ii) PCWA and the person or entity which owns and operates the Conveyance Facilities affected by such Extraordinary Event do not enter into an agreement providing for sales of water to PCWA substantially similar to those provided for in this Agreement for at least the portion of the applicable Full Recapture Period which remains after the termination of this Agreement (the “Remaining Recapture Period”), then PG&E shall reimburse PCWA a portion of the combined amount of any Extraordinary Cost Payments it has received from PCWA with respect to such Extraordinary Event equal to the Remaining Recapture Period divided by the Full Recapture Period.
(d) The following definitions are also used in this Section 4.1:

(1) "Extraordinary Event" means an event which damages one or more of PG&E's Conveyance Facilities in a manner which prevents PG&E from performing obligations under this Agreement to deliver water to PCWA, provided that an event shall only be an Extraordinary Event to the extent such event does not result from a breach of Section 3.4 by PG&E, and provided further that the cost necessary to repair the affected Conveyance Facilities so that PG&E is capable of complying with its obligations under this Agreement exceeds the Non-Reimbursable Amount.

(2) "Non-Reimbursable Amount" means three million dollars ($3,000,000) escalated from the Effective Date of this Agreement by multiplying it by the Extraordinary Event Escalator calculated as of the date the Non-Reimbursable Amount must be calculated for purposes of determining whether an Extraordinary Event has taken place or of calculating an Extraordinary Event Payment.

(3) "Extraordinary Event Escalator" means the ratio of the value of Construction Cost Index published by the Engineering News-Record as its "Construction Cost Index, San Francisco" (or another comparable index agreed to by the Parties if this index is no longer published) most recently published as of the date the relevant calculation must be determined, to the value of such index as of the Effective Date

4.2 Open Book. PG&E shall make its records relating to each Extraordinary Event Payment available to PCWA in its offices at reasonable times.
ARTICLE V
BILLING AND PAYMENT

5.1 Invoices and Payments.

(a) PG&E shall invoice PCWA for Water delivery on a monthly basis through the term of this Agreement. Invoices shall include an accounting of water deliveries at each delivery point and the price per unit of delivery. Invoices for Water delivery shall be due and payable by PCWA within thirty (30) days of receipt.

(b) PG&E shall separately invoice PCWA for Extraordinary Events. The invoice for the first Extraordinary Event Payment with respect to a particular Extraordinary Event shall be due and payable by PCWA within sixty (60) days of receipt. Invoices for each subsequent Extraordinary Event Payment with respect to that Extraordinary Event shall be due and payable by PCWA within thirty (30) days of receipt.

(c) Invoices shall be subject to audit by PCWA. Invoices shall be deemed correct and conclusive unless within the applicable period for payment PCWA makes and transmits to PG&E specific exceptions disputing all or a portion of the invoice. If PCWA disputes a portion of an invoice, it shall nevertheless pay the undisputed portion of that invoice within the time provided. If the payment date is a Saturday, Sunday, or a Federal Reserve Bank holiday, then such payment shall be provided on the next following day that is not a Saturday, Sunday, or a Federal Reserve Bank holiday. PCWA shall make payments by a mutually agreeable method, to the account designated by PG&E. Any undisputed amounts not paid by the due date shall be deemed delinquent and shall accrue interest at the Interest Rate, such interest to be calculated from and including the due date and to, but excluding, the date the delinquent amount is paid in full. Invoices may be sent by e-mail to an address therefore provided by PCWA to PG&E.
5.2 **Disputes.** If the Parties are unable to resolve any disputes with respect to such invoice within sixty (60) days after PG&E receives PCWA’s notice of dispute, PCWA shall pay any remaining unpaid portion of such invoice which is no longer in dispute, and the matters in dispute shall be submitted to dispute resolution as provided Article VI. Upon resolution of the dispute, any required payment by PCWA shall be made within fifteen (15) days of such resolution along with any interest accrued from the original due date.

**ARTICLE VI**

**DISPUTE RESOLUTION**

6.1 **Intent of the Parties.** Except as provided in the next sentence, the sole procedure to resolve any dispute arising out of or relating to this Agreement is the dispute resolution procedure set forth in this Article VI. The only exceptions to the foregoing are that either Party may seek an injunction in Superior Court in Sacramento County, California, if such action is necessary to prevent irreparable harm, in which case both Parties nonetheless will continue to pursue resolution of all other aspects of the dispute by means of this procedure.

6.2 **Management Negotiations.**

(a) The Parties will attempt in good faith to resolve any dispute arising out of or relating to this Agreement by prompt negotiations among representatives of the Parties appointed in writing for the purpose (each a “Manager”). Each Party shall appoint its Manager by written notice to the other Party within 15 days of the Effective Date, and may change its Manager thereafter by written notice to the other Party. Either Manager may request a meeting, to be held in person or telephonically, to initiate negotiations to be held within ten (10) Business Days of the other Party’s receipt of such request, at a mutually agreed time and place. If the matter is not resolved within fifteen (15) Business Days of their first meeting (“Initial Negotiation End Date”), the Managers shall refer the matter to the designated senior officials of their respective organizations (“Executive(s)”), who shall have authority to settle the dispute.
Within five (5) Business Days of the Initial Negotiation End Date ("Referral Date"), each Party shall provide the other Party written notice confirming the referral and identifying the name and title of the Executive who will represent the Party.

(b) Within five (5) Business Days of the Referral Date, the Executives shall establish a mutually acceptable location and date to meet, which date shall not be greater than thirty (30) days from the Referral Date. After the initial meeting date, the Executives shall meet, as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the dispute.

(c) All communication and writing exchanged between the Parties in connection with these negotiations shall be deemed confidential and subject to the confidentiality provisions of this Agreement. All such communication and writing shall be inadmissible as evidence such that it cannot be used or referred to in any subsequent binding adjudicatory process between the Parties, whether with respect to this dispute or any other, except as may be necessary to enforce an agreement reached as a result of this informal resolution process.

(d) If the matter is not resolved within forty-five (45) days of the Referral Date, or if the Party receiving the written request to meet, pursuant to Section 6.2(a), refuses or does not meet within the ten (10) Business Day period specified in Section 6.2(a), either Party may request mediation of the dispute according to the terms of the following Section 6.3.

6.3 Mediation. If the dispute cannot be resolved by negotiation as set forth in Section 6.2 above, then either Party may request mediation. If mediation is agreed to by both Parties, unless the Parties agree on other procedures to govern the mediation, the mediation shall be conducted by an individual selected by the Parties who has experience in mediation and expertise in the field of the dispute, and the location of the mediation sessions shall alternate between the business offices of the two Parties unless otherwise agreed among
the Parties. The mediator shall not have the authority to require, and neither Party may be compelled to engage in, any form of discovery prior to or in connection with the mediation. If within sixty (60) days after the Parties agreed to mediate, or such longer period to which the Parties mutually agree, the mediation does not result in resolution of the dispute, then the Parties shall resolve such dispute through Arbitration pursuant to Section 6.4.

6.4 Arbitration. Any dispute that has not been resolved pursuant to the foregoing negotiating and/or mediation procedures shall be finally resolved by binding arbitration before a panel of three arbitrators ("Arbitral Tribunal") in accordance with the Commercial Arbitration Rules of JAMS, Inc. or its successor entity, a judicial arbitration and mediation service ("JAMs") then in effect, except as modified herein ("Arbitration"). Each Party understands that it will not be able to bring a lawsuit concerning the dispute, except as necessary to enforce this Section 6.4 or an arbitration award.

(a) The Party initiating the arbitration shall prepare and submit a written request for arbitration (the "Demand"), which will include statements of the facts and circumstances surrounding the dispute, the legal obligation breached by the other Party, the amount in dispute and the requested relief. The Demand shall be accompanied by all relevant supporting documents.

(b) The Parties shall each select one arbitrator within ten (10) days of the receipt of the Demand, or if a Party fails to make such selection within ten (10) days from the receipt of the Demand, JAMs shall make such appointment upon the written request of the other Party. The two arbitrators thus appointed shall select the third arbitrator, who shall act as the chairman of the panel. If the two arbitrators fail to agree on a third arbitrator within thirty (30) days of the selection of the second arbitrator, JAMs shall make such appointment. Each arbitrator shall have no affiliation with, financial or other interest in, or prior employment with, either Party and shall be knowledgeable in the field of the dispute.
(c) At the request of a Party, the Arbitral Tribunal shall have the discretion to order depositions of witnesses to the extent the Arbitral Tribunal deems such discovery relevant and appropriate. Depositions shall be limited to a maximum of three (3) per Party unless otherwise permitted by the Arbitral Tribunal for good cause shown and shall be held within thirty (30) days of the making of a request. Additional depositions may be scheduled only with the permission of the Arbitral Tribunal, and for good cause shown. Each deposition shall be limited to a maximum of six (6) hours duration unless otherwise permitted by the Arbitral Tribunal for good cause shown. All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary and confidential information. The Arbitral Tribunal shall also have discretion to order the Parties to exchange relevant documents. The Arbitral Tribunal shall also have discretion to order the Parties to answer interrogatories, upon good cause shown.

(d) The Arbitral Tribunal’s award shall be in writing (stating the award and the reasons therefor) and shall be final and binding upon the Parties, and shall be the sole and exclusive remedy regarding any claims, counterclaims, issues, or accountings presented to the Arbitral Tribunal. The award of the Arbitral Tribunal shall be subject to the limitations set forth in Article VII. The Arbitral Tribunal shall have no authority to modify this Agreement.

(e) The Arbitral Tribunal’s award shall be made within nine (9) months of the filing of the Demand and the members of the Arbitral Tribunal shall agree to comply with this schedule before accepting appointment. However, this time limit may be extended by agreement of the Parties or by the Arbitral Tribunal, if necessary. The California Superior Court of the County of Sacramento may enter judgment upon any award rendered by the Arbitral Tribunal. The Parties are aware of the decision in Advanced Micro Devices, Inc. v. Intel Corp., 9 Cal. 4th 362 (1994) and, except as modified by this Agreement, intend to limit the power of the Arbitral Tribunal to that of a Superior Court judge enforcing California law.
(f) Each Party shall share equally in the costs of the Arbitral Tribunal and the administrative fees of arbitration, and shall bear its own costs and expenses of the arbitration, unless otherwise decided by the Arbitral Tribunal. The Arbitral Tribunal shall be authorized in its discretion to (i) grant pre-award and post-award interest and/or (ii) award the prevailing Party its costs and reasonable attorneys’ fees.

(g) The Arbitral Tribunal shall have the authority to grant dispositive motions prior to the commencement of or following the completion of discovery if the Arbitral Tribunal concludes that there is no material issue of fact.

(h) Except as may be required by law, neither a Party nor an arbitrator may disclose the existence, content, or results of any Arbitration hereunder without the prior written consent of both Parties.

ARTICLE VII
INDEMNITY

7.1 Indemnification Obligation. Each Party shall indemnify the other Party, its officers, directors, agents, employees, attorneys and successors and assigns against all damages, claims, losses, liabilities, obligations, costs and expenses to and of third persons for injury to and/or death of person and/or injury to property, proximately caused by the indemnifying Party’s actions or omissions in construction, reconstruction, ownership, operation, and/or maintenance of, and/or by failure of, any of its works and/or facilities used in connection with the performance of this Agreement, including PCWA’s use of South Canal as described in Section 3.9, including reasonable legal, accounting and other expenses, and the costs and expenses of any and all actions, suits, proceedings, demands, assessments, judgments, settlements and compromises, which arise out of and/or relate thereto. Section 9.9 notwithstanding, and to the extent indemnifiable under the preceding sentence, a Party’s obligation to indemnify the other Party under this Section 7.1 shall include the other Party’s payment of fines and penalties levied

[021715]
upon the other Party by any regulatory agency under its jurisdiction. Upon obtaining knowledge of any matter for which it is entitled to indemnity under this Article VII, the Party seeking indemnification shall, as soon as reasonably practicable, notify the other Party thereof in writing with reasonable detail the facts known to it. The failure to provide such notice shall not affect the Party’s rights to indemnification, provided that the indemnifying Party is not obligated to indemnify the other Party for any increased amount to the extent that the increase resulted from the failure to deliver such notice, and provided further that in order to receive indemnification therefor a Party must in all events provide written notice under this Section 7.1 to the other Party of any written claim submitted to it by a third party.

7.2 Defense of Third Party Claim. The Party whose indemnification is sought shall, on the other Party’s written request, defend any suit asserting a claim covered by this indemnity. The Party whose indemnification is sought shall pay any costs that may be incurred by the other Party in successfully enforcing this indemnity. Without the prior written consent of the other Party, the Party whose indemnification is sought shall not enter into any settlement which would lead to liability and/or create any financial and/or other obligation on the part of the other Party for which the other Party is not entitled to indemnification under Section 7.1, provided that the Party whose indemnification is sought may accept any settlement without the consent of the other Party if such settlement provides a full release to the other Party and no requirement that the other Party acknowledge fault and/or culpability.

7.3 Subrogation. Upon making any indemnity payment, the Party making the payment shall, to the extent of such indemnity payment, be subrogated to all rights of the other Party against any third party in respect of the matter to which the indemnity payment relates, provided that (i) the Party making the payment is in compliance with its obligations under this Agreement in respect of such matter, and (ii) until the Party receiving the payment recovers full payment for its indemnified loss, any and all such subrogated claims are hereby made expressly subordinated and subjected in right of payment to the rights of the Party receiving the payment against such third party.
ARTICLE VIII
CERTAIN FUTURE ACTIONS OF THE PARTIES

8.1  **Continued Ownership and Operation.** Nothing in this Agreement shall require either Party to continue to own and/or operate its facilities used in the performance of this Agreement or any portion thereof, provided that the Party seeking to discontinue such ownership and/or operation first applies for and receives all necessary governmental authorizations, no longer subject to judicial review, to cease such ownership and/or operation of such facilities.

8.2  **Surrender or Transfer of FERC License.** Except as provided in Section 8.3 of this Agreement, nothing in this Agreement shall limit PG&E’s right to seek an order or orders authorizing the surrender or transfer of any portion of its Existing FERC License or New FERC License.

8.3  **Discussions Concerning Transfers of Drum-Spaulding Facilities.**

(a)  If PG&E determines that it intends to transfer some or all of its Drum-Spaulding Project facilities necessary for performance of this Agreement, it shall notify PCWA and NID in writing of that determination prior to announcing it publicly or engaging with any person or entity other than PCWA and/or NID in discussions of such a transfer. PG&E shall then make itself reasonably available to PCWA for a period of at least six (6) months for discussions (1) exploring approaches the Parties could potentially take to satisfy their relevant then-current interests and (2) developing a document between them which describes the process they will employ to develop all agreements among them that are necessary for the consummation of the transfer, including any agreements for the transfer of any Drum-Spaulding Project facilities to PCWA. Such discussions may include NID, provided both PCWA and NID agree to NID’s inclusion. The document so developed shall include a summary of terms for approaches the Parties will take to satisfy their relevant then-current interests. To the extent a transfer of any Drum-Spaulding Facilities to PCWA is contemplated, such terms (some of which
may be binding for purposes of negotiating a final agreement) shall include, at a minimum, a
description of the following: the participating parties, the assets to be sold and excluded, the
process for conduct of due diligence, an identification of conditions precedent to closing the
transfer including necessary regulatory approvals, an approach to developing the transfer price,
changes in the risks, roles and responsibilities of the parties between execution of a mutually
agreed binding definitive agreement and closing, and the allocation of liabilities between the
parties to the transfer.

(b) If such a document includes transfer of any Drum-Spaulding facilities to
PCWA and is agreed to within such six (6) month period, then PG&E shall make itself
reasonably available to PCWA for a period of an additional six (6) months for discussions
exploring the development of a mutually agreed binding definitive agreement with respect to the
matters discussed in such summary of terms. Such discussions may include NID, provided that
both PCWA and NID agree to NID’s inclusion. Whether or not the Parties engage in discussions
with respect to a transfer of any Drum-Spaulding Facilities to PCWA, they will make themselves
reasonably available to each other to discuss any modifications to the contractual arrangements
between them which might be necessary as a result of the transfer intended by PG&E.
Discussions under this Section 8.3 shall include exchanges by the Parties of relevant information
about the current and expected future statuses and operations of their relevant facilities.

(c) The time periods for discussions under this Section 8.3 may be changed by
the agreement of the Parties. PG&E shall not before or during either such six (6) month period
or any extension thereof (i) seek an order or orders authorizing the transfer of any portion of its
Existing FERC License or New FERC License without the agreement of PCWA, or (ii) engage
in discussions with respect to a transfer of Drum-Spaulding facilities subject to this Section 8.3
with any person or entity other than PCWA and/or NID. Neither Party shall make any public
announcement with respect to any potential transfer subject to this Section 8.3, including with
respect to any discussions under this Section 8.3, without the prior consent of the other Party. If
PG&E is approached by a person or entity other than PCWA or NID seeking discussions with
respect to a transfer of Drum-Spaulding facilities subject to this Section 8.3, PG&E may engage in discussions with that person or entity solely for the purpose of developing a reasonable understanding of the transaction the person or entity is contemplating.

(d) The period specified in Section 3.1(e) for PCWA to place Redundant Facilities in operation will be suspended for the duration of the discussions described in this Section 8.3.

8.4 PG&E Right to Terminate. Subject to Section 8.5, PG&E may terminate its obligations under this Agreement at any time upon at least 1 year written notice to PCWA if it no longer owns or operates facilities necessary to the performance of its obligations to deliver Water to PCWA under this Agreement.

8.5 Assignment and Transfer. This Agreement shall bind and benefit any successors and assigns of the Parties. PG&E shall not transfer some or all of its facilities necessary for performance of this Agreement to any person or entity other than PCWA without assigning the relevant provisions of this Agreement to such transferee. Any assignment required by this Section 8.5 shall provide for the unconditional agreement of the transferee to assume all of PG&E’s relevant obligations under this Agreement. PCWA shall release PG&E from its obligations under this Agreement assumed by the transferee, to the extent they arise on or after the effective date of such assignment, if the transfer is to NID or a joint powers authority of which PCWA is a member and the assignment otherwise satisfies all of the requirements of this Section 8.5. PCWA shall also release PG&E from its obligations under this Agreement assumed by the transferee, to the extent they arise on or after the effective date of such assignment, if (i) the transfer provides PCWA rights reasonably acceptable to PCWA, in light of PCWA’s benefits and burdens under this Agreement, to repair, restore, replace, operate and maintain portions of the Drum-Spaulding Project to the extent necessary to restore or prevent interrupted deliveries of Water contemplated by this Agreement, (ii) the transfer provides a letter of credit or performance bond for the benefit of PCWA reasonably acceptable to PCWA securing the transferee’s

[021715]
performance of such assumed obligations and reimbursing PCWA for costs it reasonably incurs exercising its rights under clause (i) of this Section 8.5, and (iii) the assignment otherwise satisfies all of the requirements of this Section 8.5.

8.6 Advocacy. Neither Party shall seek and/or obtain a court, or CPUC or other regulatory resolution of their differing contentions described in Recitals E and F to this Agreement except to the extent such contentions are not in conflict with the terms of this Agreement, provided that there shall be no limitation on either Party’s ability to seek and/or obtain such a resolution in the event of (a) the other Party’s bankruptcy to the extent contentions are made in the bankruptcy proceedings adverse to the interests of such Party, (b) a proposed PG&E divestiture of its Drum-Spaulding Project assets used to convey Water to PCWA, or (c) negotiations are initiated under Section 8.7(b) and the Parties have failed to enter into a successor agreement at least eighteen months prior to the expiration of this Agreement.

8.7 Renewal.

(a) The Parties recognize the public benefit served by continued water delivery from the Drum-Spaulding Project to the residents of Placer County for domestic and other purposes, and it is the intention of the Parties to negotiate toward one or more successor agreements that would continue to provide these water supplies to PCWA on terms and conditions that are mutually agreeable. However, the Parties also recognize that among other considerations it is not possible, as of the date of this Agreement, to know what physical and environmental factors, legal requirements, future FERC license terms or other conditions may affect the viability of the continued operation of the Drum-Spaulding Project and its associated water delivery capability after the end of the term of this Agreement, and they recognize that there can be no assurance by PG&E that a successor agreement can be reached.

(b) Either Party may request initiation of negotiations with respect to a successor agreement at any time that is no more than three (3) years prior to the expiration of this Agreement. Upon such request, the Parties shall commence, and thereafter diligently pursue
negotiations with respect to a successor to this Agreement on terms and conditions that are mutually agreeable. Notwithstanding any inability to reach agreement on a successor to this Agreement, PG&E agrees that, unless prevented by physical constraint, legal constraint or the terms of this Agreement that would have applied if this Agreement were still effective, it will not terminate water deliveries to PCWA without one-year’s advance written notice following impasse in the negotiation of any such successor to this Agreement.

**ARTICLE IX**

**MISCELLANEOUS**

9.1 **Force Majeure.** Neither Party hereto shall be liable in damages for failure to perform any of its obligations hereunder to the extent such Party has exercised Reasonable Efforts to prevent and cure such failure and to the extent such failure results from any cause and/or condition which is beyond its reasonable control and not caused by its negligence and/or willful misconduct, including any such cause and/or condition which is an unavoidable accident, terrorist act, act of God, fire, riot or war, and/or by any stoppage of and/or impairment in the flow of water except to the extent such stoppage and/or impairment results from a breach by such Party of its obligations under this Agreement (each, a “Force Majeure”). The Party seeking to be excused from performance of this Agreement as a result of a Force Majeure shall give the other Party written notice of the Force Majeure event as soon as reasonably practicable but in all cases within fourteen (14) days of obtaining knowledge of such event. Such notice shall include detail sufficient to provide the other Party a reasonable understanding of the nature and extent of the Force Majeure to the extent such detail is available. Failure to provide notice within fourteen (14) days constitutes a waiver of a claim of Force Majeure with respect to losses and obligations which accrue before the time notice is actually given. This Section 9.1 shall not excuse a failure to perform caused by (i) breakage and/or malfunction of equipment and/or facilities (except to the extent that such failure was caused by an event that would otherwise be excused under the first sentence of this Section 9.1), (ii) a strike, work stoppage and/or labor dispute limited only to
the Party seeking the excuse and/or any third party employed by it, (iii) lack of funds and/or change in economic circumstance, and/or (iv) shortage and/or unavailability of labor.

9.2 Expenses. Except as otherwise provided herein, each Party is responsible for its own costs and expenses (including attorneys’ and consultants’ fees, costs and expenses) incurred in connection with this Agreement and the consummation of the transactions contemplated by this Agreement.

9.3 Entire Document. Except to the extent provided herein, this Agreement contains the entire agreement between the Parties with respect to the transactions contemplated hereby, and supersedes all negotiations, representations, warranties, commitments, offers, agreements, contracts and writings with respect to the subject matter of such transactions prior to the execution date of this Agreement, written and/or oral. No waiver and no modification and/or amendment of any provision of this Agreement is effective unless made in writing and duly signed by the Parties referring specifically to this Agreement, and then only to the specific purpose, extent and interest so provided. The following agreements are terminated as of the Effective Date: the Water Supply Contract between Pacific Gas and Electric Company and Placer County Water Agency dated June 18, 1968; the 1995 Transfer Agreement Between Pacific Gas and Electric Company and Placer County Water Agency dated March 26, 1996 ("1995 Transfer Agreement"); the PG&E-PCWA Letter Agreement clarifying Article 14 of 1995 Purchase Agreement dated 1998; the Agreement between Placer County Water Agency and Pacific Gas and Electric Company for Extension of Term and Re-Pricing of the 1968 Zone 1 Water Contract executed on April 29, 2013, and any amendment or extension thereof; and the letter from Kevin Goishi of PG&E to David Breninger of PCWA and executed by PCWA, dated January 26, 1998, concerning the requirements of Article 14 of the 1995 Transfer Agreement. The following agreements remain in full force and effect in accordance with their terms: letter from T.A. Morford of PG&E to David Breninger of PCWA and executed by PCWA, dated October 22, 1998, with respect to the provision of water to the Winchester Planned Community, a copy of which is attached as Appendix E; and letter from Yvonne Cardinale of PG&E to
9.4 Appendices. Appendices A, B, C, D, E and F to this Agreement are integral parts of this Agreement to the same extent as if set forth in the main body hereof.

9.5 Counterparts. This Agreement may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument.

9.6 Severability and Unenforceability. If any provision of this Agreement is held invalid and/or unenforceable by any arbitrator, court and/or as a result of future legislative action, this holding and/or action shall be strictly construed and shall not affect the validity and/or effect of any provision of this Agreement except to the extent necessary to give force to such holding and/or legislative action. To the extent permitted by law, the Parties waive any provision of law that renders any provision of this Agreement prohibited and/or unenforceable in any respect, provided that such waiver extends only to the extent necessary to cure the unenforceability of the prohibited or unenforceable provision.

9.7 Captions. The captions of the various Articles, Sections and Appendices of this Agreement have been inserted only for convenience of reference and do not modify, explain, enlarge and/or restrict any of the provisions of this Agreement.

9.8 Governing Law. The validity, interpretation and effect of this Agreement are governed by and shall be construed in accordance with the laws of the State of California applicable to contracts made and performed in this State and without regard to conflicts of law doctrines except to the extent that certain matters are preempted by Federal law.
9.9 **Limitations on Liability.** Unless expressly herein provided, neither Party shall be liable for consequential, incidental, punitive, exemplary and/or indirect damages, lost profits and/or other business interruption damages, by statute, in tort and/or contract, under any indemnity provision and/or otherwise, except under Article VII in respect of third party claims for damage to and/or destruction of property of, and/or death of and/or bodily injury to, any person other than a Party. Unless expressly herein provided, and subject to the provisions of Article VII, it is the intent of the Parties that the limitations herein imposed on remedies and the measure of damages, including the limitations of liability and the exclusion of consequential damages, be without regard to the cause or causes related thereto, including the negligence of any Party, whether such negligence be sole, joint and/or concurrent, or active and/or passive, and shall apply irrespective of whether a Party and/or any affiliate thereof, and/or any partner, member, shareholder, officer, director and/or employee of a Party, asserts a theory of liability in contract, tort, negligence, misrepresentation (including negligent misrepresentation), strict liability, statutory liability, and/or any other theory of liability.

9.10 **Notices.** Unless otherwise agreed by the Parties, all notices, requests, demands and other communications under this Agreement must be in writing, delivered in person or sent by overnight delivery using a nationally recognized delivery service, and properly addressed as follows:

If to PCWA:

Placer County Water Agency
P.O. Box 6570
Auburn, CA 95604

[for overnight or hand delivery: 144 Ferguson Road, Auburn, CA 95603]

Attention: General Manager and Director of Strategic Affairs

[021715]
With a copy to
Kronick, Moskovitz, Tiedemann & Girard, P.C.
400 Capitol Mall, 27th Floor
Sacramento, CA 95814
Attention: Scott A. Morris

If to PG&E:
Pacific Gas and Electric Company
245 Market Street, Mail Code N11E
San Francisco, California 94105
Attention: Vice President – Power Generation

With a copy to:
Pacific Gas and Electric Company
77 Beale Street, Mail Code B30A
San Francisco, California 94105
Attention: Vice President and Managing Director, Law Department

Any Party may from time to time change its address for the purpose of notices under this Agreement by sending the other Party a written notice specifying a new address. All notices and other communications required and/or permitted under this Agreement which are addressed as provided in this Section 9.10 shall be effective upon delivery.

9.11 Termination. This Agreement may be terminated by a Party (a) as provided by Section 8.4, or (b) based on a material breach hereof by the other Party, provided that a Party may only terminate for material breach by the other Party if (i) the Party seeking to terminate has obtained an arbitrator’s decision under Section 6.4 and/or a judgment of a court of competent jurisdiction no longer subject to appeal, in either case finding that the other Party is in material breach hereof, and (ii) the breaching Party has failed to comply with such arbitration decision

[021715]
and/or court judgment within ninety (90) days after it becomes effective, provided that no right of termination shall arise under this Section 9.11 if (A) such breach is not able to be cured in such period, (B) the breaching Party has exercised Reasonable Efforts to cure the breach during such period, and (C) the breaching Party shall have completed the cure of the breach within one hundred eighty (180) days after of the date of the arbitrator’s decision and/or judgment of a court described in this Section 9.11, or in compliance with any date or timetable imposed by the arbitrator or court.

9.12 No Third Party Beneficiaries. Except as may be specifically set forth in this Agreement, nothing in this Agreement, whether express or implied, is intended to confer any rights and/or remedies under and/or by reason of this Agreement on any person and/or entity other than the Parties and their respective permitted successors and assigns, nor is anything in this Agreement intended to relieve and/or discharge the obligation and/or liability of any third party to any Party, nor give any third party any right of subrogation and/or action against any Party.

9.13 No Joint Venture. Nothing contained in this Agreement creates and/or is intended to create an association, trust, partnership, or joint venture and/or impose a trust and/or partnership duty, obligation, or liability as between the Parties.

9.14 Construction of Agreement. Ambiguities and/or uncertainties in the wording of this Agreement shall not be construed for or against any Party, but shall be construed in the manner that most accurately reflects the Parties’ intent as of the date they executed this Agreement.

9.15 Consent to Jurisdiction. Each Party consents to the exclusive jurisdiction and venue of any state court located within the county of Sacramento, state of California or federal court located within the Eastern District of California for adjudication of a preliminary injunction and/or other provisional judicial remedy as provided in Section 6.1. Each Party accepts for itself
and in connection with its properties, generally and unconditionally, the exclusive jurisdiction of these courts and waives any defense of forum non conveniens.

9.16 Confidentiality.

(a) Neither Party shall disclose to other persons or entities information provided to it by the other Party with respect to the subject matter of this Agreement and either (i) identified by the other Party in writing as confidential at the time of disclosure, or (ii) whose subject matter is included in any of the following categories: PG&E operating plans, critical energy infrastructure, divestiture of assets, and the subjects of discussion by the Water Management Committee. This Agreement is not confidential under this Section 9.16. Neither Party shall be required to maintain the confidentiality of any information which is available to it independently of its disclosure by the other Party.

(b) If a Party is required to disclose confidential information in order to satisfy an obligation pursuant to applicable statute, regulation, rule or valid order of any competent governmental authority ("Disclosure Order") each Party shall, to the extent practicable, use Reasonable Efforts: (i) to notify the other Party prior to disclosing the confidential information and (ii) prevent or limit such disclosure and insure that confidential information is only disclosed publicly to the extent required by law. After using such Reasonable Efforts, the disclosing Party shall not be prohibited from complying with a Disclosure Order or liable to the other Party for monetary or other damages incurred in connection with the disclosure of the confidential information. Except as provided in the preceding sentence, the Parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation. PG&E acknowledges that PCWA, as a public entity, is subject to the California Public Records Act ("CPRA"). In addition to the foregoing, PCWA shall provide timely written notice to PG&E of any request for disclosure under the CPRA of any documents related to the performance of this Agreement. If PG&E requests that PCWA deny any such
CPRA request, PG&E shall indemnify, defend and pay all defense costs and hold PCWA harmless for any and all loss incurred by PCWA because of its denial of the CPRA request.

(c) Notwithstanding the provisions in subsection (b) above, the Parties are permitted to disclose information related to the negotiation of this Agreement as follows: (i) to PG&E’s Procurement Review Group, as defined in California Public Utilities Commission ("CPUC") Decision (D) 02-08-071, subject to a confidentiality agreement, (ii) to the CPUC (including CPUC staff) under seal for purposes of review (if such seal is applicable to the nature of the confidential information), (iii) to any Independent Evaluator, as defined and specified in the PG&E RPS Solicitation Protocol dated May 11, 2011 ("Protocol"), and (iv) to FERC (including FERC staff) in a redacted form agreed to by the Parties.

(d) This Section 9.16 shall apply to disclosures of information by one Party to the other prior to the Effective Date as if it had been effective on the date of the disclosure and as if the disclosing Party had identified the information as confidential at the time of disclosure.

9.17 Public Statements. Each Party shall, in an effort to reflect the interests of the Parties, consult and coordinate with the other prior to the release of any press release and/or other public statement with respect to Extraordinary Events, outages of facilities affecting services to the public and significant issues of public safety, except to the extent such coordination is not practicable due to an urgent need to notify the public of emergency conditions or precluded by any requirement of law.

9.18 Further Assurances. The Parties shall execute, acknowledge and deliver such additional documents, instruments and/or assurances and take such other actions as will be necessary and/or reasonable to implement their obligations under this Agreement.
9.19 Preservation of Rights. Nothing in this Agreement shall be interpreted to
diminish either Party’s rights to pursue regulatory and/or other remedies except to the extent it
expressly provides otherwise.

9.20 Time Periods. Whenever this Agreement provides that an action must be taken
within a specified period of time, the required period of time may be changed by the agreement
of the Parties with respect to any or all such actions.

9.21 Interpretation. In this Agreement, unless a clear contrary intention appears:

(a) the singular number includes the plural number and vice versa;

(b) reference to any person or entity includes such person or entity’s
successors and assigns but, if applicable, only if such successors and assigns are permitted by
this Agreement, and reference to a person in a particular capacity excludes such person in any
other capacity;

(c) reference to any gender includes each other gender;

(d) reference to any agreement (including this Agreement), document and/or
instrument means such agreement, document and/or instrument as amended and/or modified and
in effect from time to time in accordance with the terms thereof and, if applicable, the terms
hereof;

(e) reference to any Article, Section and/or Appendix means such Article,
Section, and/or Appendix to this Agreement, and references in any Article, Section, Appendix
and/or definition to any clause means such clause of such Article, Section, Appendix and/or
definition;
(f) "hereunder," "hereof," "hereto", "herewith" and words of similar import are references to this Agreement as a whole and not to any particular Section and/or other provision hereof or thereof;

(g) "including" (and correlative terms) means "including without limitation" and "including, but not limited to;"

(h) relative to the determination of any period of time, "from" means "from and including," "to" means "to but excluding" and "through" means "through and including;"

(i) examples shall not be construed to limit, expressly or by implication, the matter they illustrate;

(j) reference to any law (including statutes and ordinances) means such law as amended, modified codified and/or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder;

(k) except where the context otherwise requires, "or" shall have the inclusive meaning frequently designated by "and/or"; and

(l) references to weeks, months and years refer to calendar weeks, months and years, respectively.
IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

PLACER COUNTY WATER AGENCY

By: [Signature]
Name: Primo Santini, III
Title: Chairman of the Board

ATTEST

Cheri Sprunck
Clerk to the Board
Placer County Water Agency

PACIFIC GAS AND ELECTRIC COMPANY

By: [Signature]
Name: Geisha Williams
Title: EVP OF ELECTRIC OPERATIONS

[021715]
## APPENDIX A

Project Conveyance Facilities Covered Under an Extraordinary Event

<table>
<thead>
<tr>
<th>Location</th>
<th>Stationing</th>
<th>FERC Exhibit Drawing References¹</th>
<th>Allocation (PCWA/PG&amp;E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spaulding Main Tunnel</td>
<td>0+00 - 9+98</td>
<td>F-17, F23</td>
<td>29%/71%</td>
</tr>
<tr>
<td>Drum Canal</td>
<td>0+00 - 493+00</td>
<td>G-19</td>
<td>29%/71%</td>
</tr>
<tr>
<td>Drum Forebay</td>
<td>N/A</td>
<td>F-39</td>
<td>29%/71%</td>
</tr>
<tr>
<td>Drum 2 Penstock</td>
<td>0+75 - 54+70</td>
<td>F-40</td>
<td>29%/71%</td>
</tr>
<tr>
<td>Drum Afterbay</td>
<td>N/A</td>
<td>F-34</td>
<td>29%/71%</td>
</tr>
<tr>
<td>Bear River Head Dam</td>
<td>N/A</td>
<td>G-23</td>
<td>52%/48%</td>
</tr>
<tr>
<td>Bear River Canal</td>
<td>0+00 - 1198+08</td>
<td>F-45, G-21, G-22, G-23, G-24, G-25, G-26</td>
<td>52%/48%</td>
</tr>
<tr>
<td>Halsey Forebay</td>
<td>N/A</td>
<td>F-50, G-27</td>
<td>52%/48%</td>
</tr>
<tr>
<td>Halsey Afterbay</td>
<td>N/A</td>
<td>F-53, G-27</td>
<td>42%/58% 196.8/470</td>
</tr>
<tr>
<td>Upper Wise Canal</td>
<td>0+00 - 156+56</td>
<td>F-56, F-57, G-29</td>
<td>40%/60%</td>
</tr>
<tr>
<td>Rock Creek Reservoir</td>
<td>N/A</td>
<td>F-54, G-28</td>
<td>40%/60%</td>
</tr>
<tr>
<td>Lower Wise Canal</td>
<td>0+00 - 145+20</td>
<td>F-56, F-57, G-29</td>
<td>40%/60% 196.8/488*</td>
</tr>
<tr>
<td>Wise Forebay</td>
<td>N/A</td>
<td>F-57, G-29</td>
<td>40%/60%</td>
</tr>
<tr>
<td>Wise #1 Penstock</td>
<td>0+00 - 84+84</td>
<td>F-58</td>
<td>40%/60%</td>
</tr>
<tr>
<td>South Canal</td>
<td>0+00 - 194+04</td>
<td>F-60, G-30</td>
<td>36%/64% 141.8/395†</td>
</tr>
<tr>
<td>Middle Fiddler Green Canal</td>
<td>0+00 - 33+70</td>
<td>G-28, G-29</td>
<td>58%/42% 35/60.3</td>
</tr>
</tbody>
</table>

* 244.8-(YB-56)-(YB-87) = 244.89-(33)-(15) = 196.8  
  196.8/488 (Wise Canal Capacity) = 40%

† 196.8-(YB-69) – (YB-73) = 196.8-(35)-36 = 141.8  
  141.8/395 (South Canal Capacity) = 36%

¹ FERC Exhibit drawings are designated Critical Energy Infrastructure Information (CEII) and not available for public release.
### APPENDIX C
PCWA Article 14 Customers

<table>
<thead>
<tr>
<th>Service Address</th>
<th>APN</th>
<th>Canal</th>
<th>Station</th>
<th>Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>825 DRAKE DR</td>
<td>040-050-078-000</td>
<td>South Canal</td>
<td>73+52</td>
<td>2&quot;</td>
</tr>
<tr>
<td>9525 HAPPY HOLLOW LN</td>
<td>042-032-017-000</td>
<td>South Canal</td>
<td>211+50</td>
<td>0.5&quot;</td>
</tr>
<tr>
<td>284 LOZANOS RD</td>
<td>040-320-032-000</td>
<td>South Canal</td>
<td>73+52</td>
<td>1&quot;</td>
</tr>
<tr>
<td>9650 POWERHOUSE RD</td>
<td>042-031-014-000</td>
<td>South Canal</td>
<td>223+00</td>
<td>1&quot;</td>
</tr>
<tr>
<td>430 LOZANOS RD</td>
<td>040-050-091-000</td>
<td>South Canal</td>
<td>73+52</td>
<td>2&quot;</td>
</tr>
<tr>
<td>330 LOZANOS RD</td>
<td>040-320-049-000</td>
<td>South Canal</td>
<td>73+52</td>
<td>1&quot;</td>
</tr>
<tr>
<td>447 GERALDSON RD</td>
<td>040-050-089-000</td>
<td>South Canal</td>
<td>73+52</td>
<td>1&quot;</td>
</tr>
<tr>
<td>9640 POWERHOUSE RD</td>
<td>042-031-015-000</td>
<td>South Canal</td>
<td>223+00</td>
<td>1&quot;</td>
</tr>
<tr>
<td>1240 GROVE CT</td>
<td>038-250-086-000</td>
<td>Wise Canal</td>
<td>1+87</td>
<td>1.5&quot;</td>
</tr>
<tr>
<td>11470 MT VERNON RD</td>
<td>038-230-021-000</td>
<td>Wise Canal</td>
<td>6+29</td>
<td>0.5&quot;</td>
</tr>
<tr>
<td>1840 MILLERTOWN RD</td>
<td>038-230-036-000</td>
<td>Wise Canal</td>
<td>6+29</td>
<td>0.5&quot;</td>
</tr>
<tr>
<td>1860 MILLERTOWN RD</td>
<td>038-230-009-000</td>
<td>Wise Canal</td>
<td>6+29</td>
<td>0.5&quot;</td>
</tr>
<tr>
<td>11493 MT VERNON RD</td>
<td>038-230-011-000</td>
<td>Wise Canal</td>
<td>6+29</td>
<td>1&quot;</td>
</tr>
<tr>
<td>1045 MERRY KNOLL RD</td>
<td>038-250-031-000</td>
<td>Wise Canal</td>
<td>6+29</td>
<td>1&quot;</td>
</tr>
<tr>
<td>1025 MERRY KNOLL RD</td>
<td>038-250-030-000</td>
<td>Wise Canal</td>
<td>6+29</td>
<td>1&quot;</td>
</tr>
<tr>
<td>11433 MT VERNON RD</td>
<td>038-230-037-000</td>
<td>Wise Canal</td>
<td>6+29</td>
<td>1&quot;</td>
</tr>
<tr>
<td>Service Address</td>
<td>APN</td>
<td>Canal</td>
<td>Station</td>
<td>Delivery</td>
</tr>
<tr>
<td>---------------------</td>
<td>-----------------</td>
<td>-------------</td>
<td>---------</td>
<td>----------</td>
</tr>
<tr>
<td>11403 MT VERNON RD</td>
<td>038-230-017-000</td>
<td>Wise Canal</td>
<td>6+29</td>
<td>1&quot;</td>
</tr>
<tr>
<td>11693 MT VERNON RD</td>
<td>038-250-049-000</td>
<td>Wise Canal</td>
<td>6+29</td>
<td>0.5&quot;</td>
</tr>
<tr>
<td>1055 MERRY KNOLL RD</td>
<td>038-250-001-000</td>
<td>Wise Canal</td>
<td>6+29</td>
<td>0.5&quot;</td>
</tr>
<tr>
<td>11503 MT VERNON RD</td>
<td>038-230-006-000</td>
<td>Wise Canal</td>
<td>6+29</td>
<td>1&quot;</td>
</tr>
<tr>
<td>1115 MERRY KNOLL RD</td>
<td>038-250-028-000</td>
<td>Wise Canal</td>
<td>3+88</td>
<td>0.5&quot;</td>
</tr>
<tr>
<td>1040 COLLINS DR</td>
<td>038-290-048-000</td>
<td>Wise Canal</td>
<td>6+29</td>
<td>11&quot;</td>
</tr>
<tr>
<td>11853 MT VERNON RD</td>
<td>038-250-047-000</td>
<td>Wise Canal</td>
<td>1+87</td>
<td>0.5&quot;</td>
</tr>
<tr>
<td>11421 MT VERNON RD</td>
<td>038-230-019-000</td>
<td>Wise Canal</td>
<td>6+29</td>
<td>1.5&quot;</td>
</tr>
</tbody>
</table>
Appendix D

Sample Calculation of PCWA Extraordinary Event Cost Share and Extraordinary Event Payments

**Extraordinary Cost** = $7,000,000 (assumed amount)

**Non-Reimbursable Amount** = $3,000,000 (assumed amount; actual Non-Reimbursable Amount is subject to escalation by the Extraordinary Event Escalator)

**Extraordinary Cost in Excess of Non-Reimbursable Amount** = $7,000,000 - $3,000,000
                      = $4,000,000

**PCWA Allocation Percentage** = 29% (percentage for an assumed Drum Canal event, per Appendix A)

**PCWA Extraordinary Event Cost Share** = 0.29 x $4,000,000
                                           = $1,160,000

**Amortization Period** = 3 years (PCWA Extraordinary Event Cost Share of $1,160,000 is between assumed cost range of $1,000,000 to $3,000,000; actual cost range for determining Amortization Period is subject to escalation by the Extraordinary Event Escalator)

**Interest Rate** = 3% per annum (assumed percentage)

**Extraordinary Event Payments** =

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
</tr>
<tr>
<td>Principal</td>
<td>$92,743.71</td>
</tr>
<tr>
<td>Interest</td>
<td>$8,700.00</td>
</tr>
<tr>
<td>Total Pmt</td>
<td>$101,443.71</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
</tr>
<tr>
<td>Principal</td>
<td>$98,456.62</td>
</tr>
<tr>
<td>Interest</td>
<td>$2,987.09</td>
</tr>
<tr>
<td>Total Pmt</td>
<td>$101,443.71</td>
</tr>
</tbody>
</table>
APPENDIX E

Letter from T.A. Morford of PG&E to David Breninger of PCWA,
dated October 22, 1998, with respect to the provision of water to the Winchester Planned Community
October 22, 1986

Mr. David Breninger, General Manager
Placer County Water Agency
P. O. Box 6970
Auburn, California 95604

Dear Mr. Breninger:

It is our understanding that Placer County Water Agency (PCWA) has entered into a May 19, 1986, contract with MJK Properties General Partnership to provide water service to the golf course in its proposed Winchester Planned Community (Winchester) located within PCWA's Zone 3. The water PG&E supplies to PCWA for its customers at the location where the service to Winchester is proposed is provided under the terms and conditions of the June 18, 1968 Water System Sale Contract (1968 Zone 1 Contract) for PCWA's Zone 1. However, due to the large quantity of water Winchester has requested, PCWA has requested PG&E provide water for Winchester pursuant to the November 17, 1982 Purchase Agreement (1982 Contract) for the Upper Placer Water System instead of serving Winchester with Zone 1 water. PG&E is willing to consider PCWA's request for this proposed service if PCWA agrees to the following conditions:

1. PCWA and PG&E agree that this arrangement is due to special circumstances unique to Winchester and shall not establish a precedent or give PG&E any right to similar accommodations for any other new PCWA customers.

2. PCWA warrants that water provided to Winchester will be used only within PCWA's existing Zone 3 boundaries.

3. YB289 shall be established as Winchester's service location replacing its current use as a credit gage under the 1962 Contract. All water delivered to YB289 will be billed as 1962 Contract usage eliminating the 1962 Contract credit for water delivered to YB289 except in special circumstances consistent with current practice, i.e., annual canal outage. This water shall be diverted into Ragsdale Canal for use by Winchester.

4. Gaging improvements PG&E determines necessary, if any, shall be done at PCWA's expense, i.e., telemetry for YB289. PCWA shall also be responsible for operation and maintenance and for any future improvements of the Winchester gaging facilities that PG&E determines necessary (i.e., supervisory control and data acquisition system upgrades and telecommunications changes). The parties agree that PCWA's financial responsibility for replacement of telemetry shall be limited to the estimated current cost, $3,500 per gage site, compounded by the annual consumer price index up to the year that the replacement is done. Any cost in excess of this limit would be paid by PG&E.
5. PCWA agrees that this arrangement is only intended to resolve the issue of water service to Winchester. PCWA agrees to: (1) operate its Upper Placer Water System (Zone 3) to limit the amount of water passing YB288 to that necessary to meet only Winchester's demand; and (2) not to utilize YB288 water to serve any other PCWA water customers currently utilizing water delivered by PG&E under the 1968 Zone 1 water supply contract.

6. PG&E and PCWA agree that the following miscellaneous structures and easements become the property of PCWA as appurtenances to the previous transfers of facilities from PG&E to PCWA (1982 Contract and the 1995 Transfer Agreement). PCWA agrees to be responsible for these structures and easements:
   - 1982 Contract - a portion of the Bowman Feeder downstream of YB288 (including a four inch service pipe), a portion of Boardman Canal between YB57 and YB179 (including a 72" dia. storm drain), and Bachelor Spill carryover flume from the Lower Boardman;
   - 1995 Transfer Agreement - Gas line Alley Spill carryover flume; Railroad Spill carryover flume; Lower Fiddler Green-South Cane bypass (Wise sp.) pipe; a six inch service line at Wise Forebay.

7. PCWA agrees to execute a January 28, 1998 letter agreement regarding understanding for the contractual billing of customers affected by the 1998 Transfer Agreement within 90 days of execution of this agreement.

8. PCWA agrees to reserve water delivered to it by PG&E under the 1982 Contract for use within PCWA's existing Zone 3 boundaries unless otherwise agreed to by the parties.

9. PCWA shall indemnify PG&E for any claims related to Winchester service including waiver of PG&E liability for any Zone 4 delivery impacts resulting from overtakes by Winchester.

If service under these conditions is acceptable to PCWA please indicate this by executing both copies of this letter and returning one copy to me.

Sincerely,

[Signature]

C.R. [Signature] for T.A. Manson
PCWA agrees to provide service to the Winchester Golf Course in accordance with the conditions set forth above.

Placer County Water Agency

By

Chairman, Board of Directors

cc: Mr. Edward Tiedemann
    Kincheloe, Moskovitz, Tiedemann and Girard
    400 Capitol Mall, 27th Floor
    Sacramento, California 95814-4417

Mr. Mike Nichol
    Placer County Water Agency
    P. O. Box 6570
    Auburn, California 95603
APPENDIX F

Letter from Yvonne Cardinale of PG&E to Barbara Jarne of PCWA,
dated June 4, 1997, with respect to the provision of water to the Oak Creek Golf Course
June 4, 1997

Ms. Barbara Jone
Placer County Water Agency
P.O. Box 8570
Auburn, CA 95604

Dear Barbara:

Per our meeting on June 3, 1997, regarding water deliveries to Oak Creek Golf Course, you have my permission to connect Allpro, Inc. as a PCWA customer served from PG&E's facilities on the Middle Fiddler Green Canal under Article 14 of the June 13, 1986 Water System Sale Contract between PCWA and PG&E.

PG&E has agreed to provide on a non-firm basis, 60 relates inches of raw water, for delivery to the Oak Creek Golf Course project. This delivery will not apply to the annual 110,000 acre feet limitation on deliveries to Zone I under Article 4 of the 1986 contract.

PG&E wishes to emphasize that service at this location is subject to interruptions during any mains or force main from PG&E facilities. PG&E will not be responsible for providing any alternate water supplies during these periods. In addition, PG&E does not assume any liability resulting from a lack of supply during outage periods.

If you have any questions, please call me at 889-3195.

Sincerely,

Yvonne O. Castlen
Deputy Water Superintendent

cc: Judith Bruno (Western Cap Construction Co.)
<table>
<thead>
<tr>
<th>Company/Entity</th>
<th>Law Firm/Consultant</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT&amp;T</td>
<td>Douglass &amp; Liddell</td>
</tr>
<tr>
<td>Albion Power Company</td>
<td>Downey &amp; Brand</td>
</tr>
<tr>
<td>Alcantar &amp; Kahl LLP</td>
<td>Ellison Schneider &amp; Harris LLP</td>
</tr>
<tr>
<td>Anderson &amp; Poole</td>
<td>G. A. Krause &amp; Assoc.</td>
</tr>
<tr>
<td>BART</td>
<td>GenOn Energy Inc.</td>
</tr>
<tr>
<td>Bartle Wells Associates</td>
<td>Goodin, MacBride, Squer, Schlotz &amp; Ritchie</td>
</tr>
<tr>
<td>Braun Blaising McLaughlin, P.C.</td>
<td>Green Power Institute</td>
</tr>
<tr>
<td>California Cotton Ginners &amp; Growers Assn</td>
<td>Hanna &amp; Morton</td>
</tr>
<tr>
<td>California Energy Commission</td>
<td>In House Energy</td>
</tr>
<tr>
<td>California Public Utilities Commission</td>
<td>International Power Technology</td>
</tr>
<tr>
<td>California State Association of Counties</td>
<td>Intestate Gas Services, Inc.</td>
</tr>
<tr>
<td>Calpine</td>
<td>K&amp;L Gates LLP</td>
</tr>
<tr>
<td>Casner, Steve</td>
<td>Kelly Group</td>
</tr>
<tr>
<td>Cenergy Power</td>
<td>Linde</td>
</tr>
<tr>
<td>Center for Biological Diversity</td>
<td>Los Angeles County Integrated Waste Management Task Force</td>
</tr>
<tr>
<td>City of Palo Alto</td>
<td>Los Angeles Dept of Water &amp; Power</td>
</tr>
<tr>
<td>City of San Jose</td>
<td>MRW &amp; Associates</td>
</tr>
<tr>
<td>Clean Power</td>
<td>Manatt Phelps Phillips</td>
</tr>
<tr>
<td>Coast Economic Consulting</td>
<td>Marin Energy Authority</td>
</tr>
<tr>
<td>Commercial Energy</td>
<td>McKenna Long &amp; Aldridge LLP</td>
</tr>
<tr>
<td>Cool Earth Solar, Inc.</td>
<td>McKenzie &amp; Associates</td>
</tr>
<tr>
<td>County of Tehama - Department of Public Works</td>
<td>Modesto Irrigation District</td>
</tr>
<tr>
<td>Crossborder Energy</td>
<td>Morgan Stanley</td>
</tr>
<tr>
<td>Davis Wright Tremaine LLP</td>
<td>NLine Energy, Inc.</td>
</tr>
<tr>
<td>Day Carter Murphy</td>
<td>NRG Solar</td>
</tr>
<tr>
<td>Defense Energy Support Center</td>
<td>Nexant, Inc.</td>
</tr>
<tr>
<td>Dept of General Services</td>
<td>Occidental Energy Marketing, Inc.</td>
</tr>
<tr>
<td>Division of Ratepayer Advocates</td>
<td>Office of Ratepayer Advocates</td>
</tr>
<tr>
<td>Braun Blaising McLaughlin, P.C.</td>
<td>SPURR</td>
</tr>
<tr>
<td>California Cotton Ginners &amp; Growers Assn</td>
<td>Seattle City Light</td>
</tr>
<tr>
<td>California Energy Commission</td>
<td>Sempra Energy (Socal Gas)</td>
</tr>
<tr>
<td>California Public Utilities Commission</td>
<td>Sempra Utilities</td>
</tr>
<tr>
<td>California State Association of Counties</td>
<td>SoCalGas</td>
</tr>
<tr>
<td>Calpine</td>
<td>Southern California Edison Company</td>
</tr>
<tr>
<td>Casner, Steve</td>
<td>Spark Energy</td>
</tr>
<tr>
<td>Cenergy Power</td>
<td>Sun Light &amp; Power</td>
</tr>
<tr>
<td>Center for Biological Diversity</td>
<td>Sunshine Design</td>
</tr>
<tr>
<td>City of Palo Alto</td>
<td>Tecogen, Inc.</td>
</tr>
<tr>
<td>City of San Jose</td>
<td>Tiger Natural Gas, Inc.</td>
</tr>
<tr>
<td>Clean Power</td>
<td>TransCanada</td>
</tr>
<tr>
<td>Coast Economic Consulting</td>
<td>Utility Cost Management</td>
</tr>
<tr>
<td>Commercial Energy</td>
<td>Utility Power Solutions</td>
</tr>
<tr>
<td>Cool Earth Solar, Inc.</td>
<td>Utility Specialists</td>
</tr>
<tr>
<td>County of Tehama - Department of Public Works</td>
<td>Verizon</td>
</tr>
<tr>
<td>Crossborder Energy</td>
<td>Water and Energy Consulting</td>
</tr>
<tr>
<td>Davis Wright Tremaine LLP</td>
<td>Wellhead Electric Company</td>
</tr>
<tr>
<td>Day Carter Murphy</td>
<td>Western Manufactured Housing</td>
</tr>
<tr>
<td>Defense Energy Support Center</td>
<td>Communities Association (WMA)</td>
</tr>
<tr>
<td>Dept of General Services</td>
<td>YEP Energy</td>
</tr>
</tbody>
</table>