June 12, 2015

Meredith Allen
Senior Director, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

Subject: Request for Approval of Amended and Restated Nuclear Decommissioning Trust Fund Investment Manager Agreement Pursuant to O.P. 11 of D.13-01-039

Dear Ms. Allen:

Advice Letter 4619-E is effective May 20, 2015.

Sincerely,

Edward Randolph
Director, Energy Division
April 20, 2015

Advice 4619-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Request for Approval of Amended and Restated Nuclear Decommissioning Trust Fund Investment Manager Agreement Pursuant to Ordering Paragraph 11 of D.13-01-039

Purpose

Pacific Gas and Electric Company (PG&E) submits this tier 2 advice letter (AL) requesting approval of an Amended and Restated Qualified Investment Management Agreement (Amended IMA) with Rhumbline Advisors Limited Partnership (Rhumbline), in compliance with Ordering Paragraph (OP) 11 of Decision (D.)13-01-039.

Background

In D.87-05-062, the California Public Utilities Commission (CPUC or Commission) adopted externally managed nuclear decommissioning trusts as the investment vehicles for accruing funds for the ultimate decommissioning of the nuclear power plants owned by the California utilities, and the Commission approved PG&E’s nuclear decommissioning trust master agreements (Trust Agreements) by Resolution E-3048. Pursuant to the terms of the Trust Agreements, the nuclear decommissioning trusts (Trusts) are authorized to appoint one more investment managers to direct the investments of all or part of the Trusts’ assets, subject to Commission approval of the Investment Management Agreement (IMA). The Commission approved PG&E’s existing IMA with Rhumbline through AL 3619-E, effective March 22, 2010.

On January 24, 2013, the Commission issued D.13-01-039 in Phase 2 of the 2009 Nuclear Decommissioning Cost Triennial Proceeding. OP 11 of that decision directed the utilities to submit a tier 2 AL to seek approval of an IMA along with certain specified information.

On February 12, 2015, through information-only AL 4583-E, PG&E notified the Commission of its intention to initiate investment manager searches in the fixed income and equity investment management areas of its Trusts. As a result of that search,
PG&E selected Rhumbline to manage its large cap US Equity portfolio going forward. PG&E retained its existing fixed income portfolio managers under their existing IMAs.

**Request for Confidentiality**

In support of this Advice Letter, PG&E submits Confidential Attachment 1, Amended and Restated Rhumbline Qualified Investment Management Agreement (Amended IMA). The Amended IMA contains terms substantially the same as agreements with other investment managers that have been previously approved by the Commission.

The Amended IMA contains market sensitive information on Rhumbline’s investment management fees that, if disclosed, could negatively impact PG&E’s future contract negotiations. Release of Rhumbline’s fee structure for the investment portfolio it currently manages for PG&E in advance of the next Request for Proposal (RFP) could provide an unfair competitive advantage to other investment firms seeking to win the investment management agreement for that investment portfolio; Therefore, consistent with the Commission’s treatment of prior IMAs¹ and in accordance with General Order 96-B, Section 9.3, PG&E requests confidential treatment of this attachment pursuant to Public Utilities Code Section 583 and General Order 66-C. PG&E will provide the complete Amended IMA to the Energy Division, and will provide a redacted version to the public.

**Investment Management Agreement Information**

In accordance with OP 11 of D.13-01-039, PG&E provides the following information regarding PG&E’s proposed Amended IMA with Rhumbline:

**Description of the Selection Process**

In February 2015, PG&E issued a RFP to its existing Trusts fund managers and other qualified investment firms that currently do not manage any of PG&E’s Trusts funds. The criteria for identifying potential replacement managers for PG&E’s large cap US Equity investments portfolio were: 1) experience managing nuclear decommissioning trust funds or other taxable equity assets and 2) a reputation as a leading provider of passively managed equity assets. The request for proposal required bidders to discuss their organization’s experience with nuclear decommissioning trust funds, investment philosophy and strategies, track record, and proposed fees.

**Rhumbline’s Experience with Taxable Trust Funds and the Total Assets Rhumbline Manages**

Rhumbline, a diversity owned investment group, was founded in 1990 and currently manages $35 billion for over 170 clients. Rhumbline specializes in equity index

¹ See, *e.g.* AL 3619-E,
strategies and has managed tax-aware portfolios for 16 years. Rhumbline currently manages approximately $433 million in taxable assets.

**Rhumblone’s Five Year Track Record Against Benchmarks**

Rhumblone currently manages small cap equities for PG&E. For the new area of trust fund management PG&E is proposing to transfer to Rhumbline, PG&E’s large cap US Equity portfolio, the appropriate benchmark is the Russell 1000 Index as the Russell 1000 Index tracks the performance of large cap US equities. Rhumbline’s performance against this benchmark must be measured with respect to funds it manages for parties other than PG&E, and therefore this information is confidential and proprietary and exempt from disclosure pursuant to California Evidence Code Section 1060 and California Government Code Section 6254(k). PG&E provides this information in Confidential Attachment 2 pursuant to California Public Utilities Code Section 583 and General Order 66-C.

**The Type of Investments to be Managed and the Investment Strategy to be Followed Rhumbline (Including the Selected Benchmark)**

Rhumblone will consolidate the small cap US Equity investment portfolio it currently manages for PG&E with the large cap US Equity investments PG&E proposes to transfer to Rhumbline. The consolidated account will be benchmarked to the Russell 3000 index as the Russell 3000 measures the combined performance of both small and large cap US Equity performance.

**The Amount of Funds to be Allocated to Rhumbline and the Source of Funds to be Transferred**

Through this IMA Amendment, PG&E proposes to transfer its large cap US Equity portfolio, currently valued at $1.079 billion, from the portfolio’s current investment manager to Rhumbline.

**Investment Management Fees to be Charged by Rhumbline**

The fees to be charged by Rhumbline are identified in the Amended IMA, attached as Confidential Attachment 1.

**Explanation of Why the Decommissioning Trust Fund is Making the Change**

Through the investment manager RFP process undertaken by PG&E in February, Rhumbline offered a more cost competitive management proposal than the current fund manager of PG&E’s large cap US Equity portfolio. Additionally, the Nuclear Decommissioning Trust Fund Committee is confident in Rhumbline’s ability to efficiently manage taxes similar to the current large cap US Equity portfolio manager.
The filing would not increase any current rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

**Protests**

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than May 11, 2015, which is 21 days\(^2\) after the date of this filing. Protests must be submitted to:

CPUC Energy Division  
ED Tariff Unit  
505 Van Ness Avenue, 4\(^{th}\) Floor  
San Francisco, California  94102

Facsimile: (415) 703-2200  
E-mail: EDTariffUnit@cpuc.ca.gov

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

The protest 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).

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\(^2\) The 20-day protest period concludes on a weekend. PG&E is hereby moving this date to the following business day.
Effective Date

PG&E requests this Tier 2 advice filing become effective on May 20, 2015 which is 30 calendar days after the date of filing. In accordance with D.13-01-039, PG&E requests that the advice letter be deemed approved if, after the 30-day initial review has ended, there is no timely protest or concerns by the Energy Division.³

Notice

In accordance with OP 11 of D.13-01-039, a copy of this AL is being provided to each Commissioner and any member of the public who has made a written request to the utility for such 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
Confidential Attachment 1 – Amendment to Rhumbline Investment Manager Agreement
Confidential Attachment 2 – Rhumbline’s Five-Year Track Record Against Benchmark

cc: CPUC President Michael Picker
    CPUC Commissioner Carla Peterman
    CPUC Commissioner Catherine Sandoval
    CPUC Commissioner Michel Florio
    CPUC Commissioner Liane Randolph

³ D.13-01-029 Page 41
Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 E)**

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<thead>
<tr>
<th>Utility type:</th>
<th>Contact Person: Kingsley Cheng</th>
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<td>☑ ELC</td>
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**EXPLANATION OF UTILITY TYPE**

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

Advice Letter (AL) #: **4619-E**  Tier: **2**

Subject of AL: **Request for Approval of Nuclear Decommissioning Trust Fund Manager Investment Management Agreement Amendment Pursuant to Ordering Paragraph 11 of D.13-01-039**

Keywords (choose from CPUC listing): **Compliance, Nuclear**

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: **D.13-01-039**

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: **Yes. PG&E is seeking confidential treatment of Rhumbline’s fee structure contained on Page 7 of Confidential Attachment 1 and all of Confidential Attachment 2.**

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

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: **Conor Doyle, (415) 973-7817**

Resolution Required? ☑ Yes  ☐ No

Requested effective date: **May 20, 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 21 days¹ 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

¹ The 20-day protest period concludes on a weekend. PG&E is hereby moving this date to the following business day.
Confidential Attachment 1

Amendment to Rhumbline Investment Manager Agreement (Redacted)
QUALIFIED INVESTMENT MANAGEMENT AGREEMENT
Amended and Restated

Agreement effective the 1st day of June, 2015, between THE NUCLEAR FACILITIES DECOMMISSIONING MASTER TRUST COMMITTEE (the "Committee") established pursuant to Article III of the Pacific Gas and Electric Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust for Diablo Canyon Nuclear Generating Station and Humboldt Bay Nuclear Unit No. 3 (the "Qualified Trust"), and RHUMBLINE ADVISERS LIMITED PARTNERSHIP, a Massachusetts limited partnership (hereinafter called the "Investment Manager").

1. GENERAL

1.1 Purpose: The purpose of this Agreement is to provide for the investment management of certain assets held by the Qualified Trust. The Qualified Trust provides for separate funds (the "Fund(s)") for each nuclear unit as set forth in Appendix A. A single account (the "Qualified Investment Account") shall be maintained for the investment of all assets allocated thereto from the Fund(s).

1.2 The Qualified Investment Account: Pursuant to the provisions of the Qualified Trust, the Committee has directed Mellon Bank, N.A., (the “Trustee”) to place certain assets of the Fund(s) in the Qualified Investment Account. The Committee shall provide, or shall cause the Trustee to provide, to the Investment Manager a complete list of the assets in the Qualified Investment Account as of the date of this Agreement and at such times thereafter as the Investment Manager may reasonably request. Payments from the Fund(s) which are chargeable against the Qualified Investment Account, and allocations of assets to or from the Qualified Investment Account, may be made from time to time as provided in the Qualified CPUC Decommissioning Master Trust Agreement ("Qualified Trust Agreement"). The Committee shall promptly notify, or shall cause the Trustee promptly to notify, the Investment Manager of any such payment or allocation.

1.3 Exercise of Powers by the Committee: In this Agreement, certain powers (including, without limitation, the right to give certain directions, notices, instructions and consents) are reserved to the Committee. Subject to the terms of the Qualified Trust, the Committee shall have authority to delegate the right to exercise such powers, or any one or more of them, and any responsibilities in connection therewith, to such person or persons, as the Committee may from time to time determine. The Committee shall give the Investment Manager written notice of any such delegation, including specimen signatures of all persons authorized to exercise such powers or to sign any documents on behalf of the Committee, and the Investment Manager shall be entitled to rely on such
written notice of delegation until given written notice of any revocation of any such delegation.

2. **APPOINTMENT OF INVESTMENT MANAGER**

In accordance with the provisions of the Qualified Trust and subject to the terms and conditions of this Agreement, the Committee hereby appoints and retains the Investment Manager to manage the investment of all assets that are held from time to time in the Qualified Investment Account. In consideration of this appointment, the Investment Manager agrees to manage the investment of such assets. Said appointment shall be effective as of the date of this Agreement and shall remain in effect until this Agreement is terminated in accordance with the provisions of Section 7.2 hereof. Said appointment may be so withdrawn by the Committee at any time and for any reason upon 30 days written notice to the Investment Manager.

3. **STATUS, REPRESENTATION AND ACKNOWLEDGMENTS OF INVESTMENT MANAGER**

3.1 **Representation of Investment Manager:** The Investment Manager represents and warrants that it is (a) duly registered as an investment adviser under the Investment Advisers Act of 1940 or (b) a bank, as defined in that Act, or (c) an insurance company qualified to perform investment advisory services under the laws of more than one state. The Investment Manager agrees to maintain such registration or status in full force and effect. The Investment Manager agrees that as soon as it knows or has reason to know that such registration or status may terminate it shall forthwith notify the Committee thereof.

3.2 **Acknowledgments of Investment Manager:** The Investment Manager acknowledges that it shall be a "fiduciary" with respect to the Qualified Trust to the extent of its duties and responsibilities under this Agreement. The Investment Manager agrees to exercise its powers and to discharge its duties hereunder in accordance with the provisions of this Agreement. The Investment Manager acknowledges that it has received copies of the Qualified CPUC Decommissioning Master Trust Agreement.

4. **MANAGEMENT OF QUALIFIED INVESTMENT ACCOUNT**

4.1 **General Powers and Duties:** So long as the Investment Manager's appointment under Section 2 hereof remains in effect, the Investment Manager shall, subject to the provisions of Section 4.2 hereof, have complete discretion in the investment and reinvestment of the assets held in the Qualified Investment Account and shall determine what securities or other property shall be acquired,
held or disposed of for the Qualified Investment Account and, subject to the provisions of Section 4.4 hereof, what portion of the assets held in the Qualified Investment Account shall be held uninvested. The Investment Manager shall have authority as provided in Section 5.02 of the Qualified Trust Agreement to direct the Trustee with respect to the investment and management of the assets held in the Qualified Investment Account. The Investment Manager shall exercise its power and carry out its duties hereunder at all times in a manner which conforms to the terms of this Agreement and applicable law except that, to the extent required by law, such power and duties shall not be limited by any state laws restricting investments by fiduciaries.

4.2 Investment Policy: Investment manager guidelines and investment policy, for the Qualified Trust, including requirements as to diversification and permitted investments, are set forth in Appendix B to this Agreement. The Investment Manager shall discharge its duties hereunder in accordance with said guidelines and policy as the same may be revised or supplemented from time to time by mutual agreement between the Committee and the Investment Manager; provided, however, subject to Section 4.10, the Qualified Investment Account shall be invested in the manner specified in the Qualified Investment Account procedures set forth in Appendix C.

4.3 Prudence and Diversification: The Investment Manager shall discharge its duties hereunder at all times with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Investment Manager shall diversify the assets of the Qualified Investment Account managed by it, subject to 4.2 above, so as to minimize the risk of large investment losses, unless under the circumstances it is clearly prudent not to do so. However, it is understood that not all of the assets of the Qualified Trust are in the Qualified Investment Account and that the Investment Manager shall not be responsible for the overall diversification of the assets of the Qualified Trust.

4.4 Minimum Liquidity Requirements: Payments from the Fund(s) which are chargeable against, and allocations of assets from, the Qualified Investment Account may be made from time to time, as provided in Section 1.2 above. Also as provided in Section 1.2 above, the Committee or the Trustee shall give the Investment Manager reasonable advance notice of such cash requirements, and the Investment Manager shall thereafter maintain in cash or cash equivalents sufficient assets to meet such cash requirements.

4.5 Directions in Writing: Any direction from the Investment Manager to the Trustee shall be given in writing, provided, however, that if agreed to in writing by
the Investment Manager, the Committee and the Trustee, such directions or
certain of such directions may be given orally, and promptly confirmed in writing.

4.6 **Instructions to Securities Brokers and Dealers:** The Investment Manager
is hereby empowered to issue orders for the purchase or sale of securities for
the Qualified Investment Account directly to a broker or dealer. The Investment
Manager shall give the Trustee prompt written notification of each such order
unless the Trustee settles such orders through a securities depository using an
institutional delivery system, in which case the Trustee may deliver or receive
securities in accordance with appropriate trade reports or statements given the
Trustee by such depository without having received communications or
instructions from the Investment Manager. In any event, the Investment
Manager shall instruct the broker or dealer concerned to forward a copy of the
confirmation of the execution of such order to the Trustee and, if the Committee
so requests, to the Committee and other interested parties.

4.7 **Selection of Securities Brokers and Dealers:** The Investment Manager
may select and employ securities brokers and dealers to effect any securities
transactions concerning the investment management of the Qualified Investment
Account, provided, however, that the Investment Manager shall not employ the
services of any broker or dealer with which it is affiliated without obtaining the
prior written consent of the Committee. In the selection of such brokers and
dealers by the Investment Manager and the placing of orders with them, the
Investment Manager shall use its best efforts to obtain for the Qualified
Investment Account the most favorable net price and execution available,
provided that the Investment Manager is not required to direct transactions only
to brokers that offer the lowest commission rate if the Investment Manager acts
in accordance with the limitations of Section 28(e) of the Securities Exchange
Act of 1934. In using its best efforts to obtain for the Qualified Investment
Account the most favorable net price and execution available, the Investment
Manager, bearing in mind at all times the best interest of the Qualified
Investment Account, shall consider all factors it deems relevant, including by way
of illustration, price, the size of the transaction, the nature of the market for the
security, the amount of the commission, the timing of the transaction taking into
account market prices and trends, the reputation, experience, capital
commitment, and financial stability of the broker or dealer involved and the
quality of service rendered by the broker or dealer in other transactions.

4.8 **Other Accounts of the Investment Manager:** It is understood that the
Investment Manager may perform investment advisory services for various
clients and accounts other than the Qualified Investment Account. The
Investment Manager may give advice and take action in the performance of its
duties with respect to any of such other clients or accounts which may be the
same as or differ from the timing or nature of action taken with respect to the
Qualified Investment Account, provided that the Investment Manager allocates to the Qualified Investment Account, to the extent practicable, opportunities to acquire or dispose of investments over a period of time on a basis no less favorable than its allocation of such opportunities to such other clients and accounts. It is also understood that the Investment Manager and its principals, affiliates and employees may acquire, hold or dispose of investments for its or their own account or accounts and that the Investment Manager shall have no obligation to acquire or dispose of for the Qualified Investment Account any investment which the Investment Manager, its principals, affiliates or employees may acquire or dispose of for its or their own accounts, if, in the opinion of the Investment Manager, such transaction or investment is unsuitable, impractical or undesirable for the Qualified Investment Account.

4.9 Investment Manager Not To Have Custody of Assets: The Investment Manager shall not under any circumstances have custody or physical control of any assets of the Qualified Trust, it being intended that the Trustee shall be responsible for the safekeeping thereof and for the physical consummation of all transactions made pursuant to the directions of the Investment Manager or otherwise.

4.10 Restrictions: Notwithstanding anything contained in this Agreement to the contrary, the Investment Manager may not authorize or carry out (and the Qualified Investment Account for the Fund(s) may not be involved in) (a) any purchase, sale, exchange or other transaction which would constitute an act of "self-dealing" within the meaning of Section 4951 of the Internal Revenue Code of 1986, as such section is made applicable to the Fund(s) of the Qualified Trust by Section 468A(e)(5) of the Internal Revenue Code of 1986, any regulations thereunder, and any applicable successor provision, provided, however, that in determining the applicability of Section 4951 of the Internal Revenue Code of 1986, the Investment Manager may rely on a list provided and maintained by the Committee of “disqualified persons”, as defined in Section 4951(e)(4) of the Internal Revenue Code of 1986, or (b) any investment which is not permitted to be made by CPUC Order, as provided to the Investment Manager, or (c) any investment which is not permitted to be made by Section 468A of the Internal Revenue Code of 1986, as amended, and any applicable successor provision.

5. INFORMATION AND REPORTS

5.1 Reports to Committee: Within 30 days after the close of each calendar quarter, the Investment Manager shall submit a written report to the Committee detailing the actions taken by the Investment Manager under this Agreement during such calendar quarter.
5.2 Reports to Trustee: The Trustee in performing its duties under the Qualified Trust may from time to time request the Investment Manager to furnish the Trustee with reports on the valuation of particular assets held in the Qualified Investment Account and copies or summaries of any reports of the Investment Manager containing reasonably current information as to the valuation or factors affecting the valuation of such assets. The Investment Manager shall provide such reports as the Trustee reasonably requests.

5.3 Records and Accounts: The Investment Manager shall keep accurate and detailed records and accounts of all investments of the Qualified Investment Account and of all receipts, disbursements and other transactions hereunder affecting the Qualified Investment Account. All such records and accounts, and all documents relating thereto shall be open at all reasonable times and under reasonable conditions to inspection and audit by any person or persons designated by the Committee in writing (or orally with prompt written confirmation), at the expense of the Committee.

5.4 Exchange of Information: The Committee and the Investment Manager agree to provide to each other such information as the Investment Manager or the Committee, as the case may be, may reasonably request to enable it to carry out its duties, obligations and responsibilities under this Agreement, the Qualified Trust Agreement and applicable law. The Investment Manager agrees to notify the Committee promptly in writing of the commencement of any proceeding, suit or action, whether civil or criminal, against the Investment Manager or any of its principals, affiliates or employees which would materially affect the Investment Manager’s ability to perform its obligations under this Agreement.

5.5 Information to be Confidential: All information and advice furnished to or obtained by the Committee, the Investment Manager or the Trustee under or in connection with this Agreement shall be treated as confidential and shall not be disclosed to third parties, except for any such information which is or hereafter becomes ascertainable from public or published information or trade sources, or except as required by law or pursuant to a request from any regulatory body having jurisdiction over the Investment Manager.

5.6 Proxies: Proxy voting for the securities held in the Account shall be the responsibility of the Investment Manager and should be voted in the best economic interest of the Qualified Investment Account.

6. FEES PAYABLE TO INVESTMENT MANAGER

Fees shall be computed based on the investment strategy selected pursuant to the Qualified Investment Account guidelines. Fees shall be prorated where investment strategy has been changed during a billing period.
The annualized fees for the "Tax Advantaged" Russell 3000 Index strategy shall be as follows:

Fees shall be paid quarterly based on the average of the month-ending asset values during the quarter. Multiple nuclear decommissioning and employee benefit account assets managed under similar investment strategies will be aggregated for fee calculation purposes. Resulting fees will be prorated by assets.

If there is no market value for an asset, evaluation shall be on the basis of cost, except as determined otherwise by generally accepted accounting methods. Fees shall be prorated when the Qualified Investment Account is under supervision of the Investment Manager for a portion of any quarter.

The Investment Manager agrees that fee rates specified in this Agreement shall be no higher than the lowest rates charged by the Investment Manager for the same or substantially similar investment strategies using a substantially similar process to clients with a substantially similar relationship with the Investment Manager (including non-investment management services) with comparable amounts of assets under management.

7. **AMENDMENT AND TERMINATION**

7.1 **Amendment:** This Agreement may be amended by written agreement of the Committee and the Investment Manager, but only after the approval of such amendment(s) by the California Public Utilities Commission ("CPUC"). The Investment Manager Investment Guidelines and the Qualified Investment Account Investment Procedures may be amended by written agreement of the Committee and Investment Manager without CPUC approval.

7.2 **Termination:** Except as noted below, this Agreement shall continue in force until termination by the Committee or the Investment Manager upon 30 days prior written notice to the other party. If at any time the representation contained in the first sentence of Section 3.1 hereof ceases to be true, this Agreement shall terminate forthwith.

8. **LIABILITY**

8.1 The Investment Manager shall be liable for any acts, omissions or defaults of its own officers, employees and agents that constitute a breach of the Investment Manager’s duty of prudence, as set forth in the first sentence of
Section 4.3 hereof; provided, however, the Investment Manager shall not be liable for the acts, omissions or defaults of any agent acting in its capacity as a broker and/or dealer, provided any such agent (i) is a widely recognized bank, registered investment manager, or broker and/or dealer that commonly engages in similar transactions with institutional investors, and (ii) was selected with reasonable care and the performance and status of the agent is monitored with reasonable care throughout the duration of the agency relationship.

8.2 Without limiting Sections 8.1 or 8.3, the Investment Manager, acting in good faith and exercising the degree of prudence, competence and expertise customarily exercised by managers of institutional index portfolios but in no event less than a reasonable degree of prudence, shall not be liable for any action, omission, information or recommendation in connection with this Agreement or investment of the Assets, except in the case of the Investment Manager's or its officers, or employees' or agents' negligence, reckless disregard of its or their obligations, actual misconduct or violation of any applicable statute; provided, however, that this limitation shall not act to relieve the Investment Manager from any responsibility, obligation or duty which the Investment Manager or its officers, employees or agents may have under any applicable state or federal laws.

8.3 Notwithstanding Sections 8.1 or 8.2, the Investment Manager shall be liable with respect to its actions hereunder as Investment Manager, for (a) any tax imposed pursuant to Section 4951 of the Internal Revenue Code of 1986 (or any applicable successor provision) as such section is made applicable to the Fund(s) of the Qualified Trust and/or (b) the direct consequences (including consequences to Pacific Gas and Electric Company) of a breach of its obligations under this Agreement.

9. MISCELLANEOUS

9.1 Assignments by Investment Manager Prohibited: No assignment of this Agreement or any rights or duties hereunder shall be made by the Investment Manager without the written consent of the Committee. The Investment Manager shall notify the Committee in writing of any change in the ownership of the Investment Manager promptly after such change. As used herein, the term "assignment" shall have the meaning given in the Investment Advisers Act of 1940 and the rules and regulations adopted thereunder.

9.2 Notices: Any notice, direction, report or other communication to the Committee, the Investment Manager or the Trustee shall be addressed as follows:

(a) To the Committee:
9.3 **Amendment of Trusts:** In the event that the Qualified Trust is amended after the execution of this Agreement, the Committee shall furnish the Investment Manager with a copy of such amendment promptly after such amendment is adopted.

9.4 **Governing Law, Severability:** This Agreement and its performance shall be governed by and construed in accordance with the applicable law of the United States and, to the extent permitted by such laws, with the laws of the State of California. In case any provision of this Agreement shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Agreement but shall be fully severable, and the Agreement shall be construed and enforced as if such illegal or invalid provisions had not been included herein.

9.5 **Section Titles:** The titles to sections of this Agreement are intended solely as a convenience and shall not be used as an aid in construction of any provisions hereof.
9.6 **Counterparts:** This Agreement may be executed in any number of counterparts, and any such counterpart or group of counterparts shall be deemed an original if it has been signed and delivered by the parties hereto.
In recognition of their acceptance of the terms and conditions of this Agreement, the Committee and the Investment Manager hereby execute this Agreement by their duly authorized representatives, as of the day and year first above written.

NUCLEAR FACILITIES DECOMMISSIONING
MASTER TRUST COMMITTEE

By: ________________________________
    Ted Huntley,
    Authorized Representative

RHUMBLINE ADVISERS

By: ________________________________
    Name & Title:
Appendix A
Pacific Gas and Electric Company
CPUC Qualified
Nuclear Facilities Decommissioning Master Trust

The Agreement pertains to certain assets of the following funds held under the CPUC Qualified Trust:

- Diablo Canyon Unit No. 1 Qualified fund
- Diablo Canyon Unit No. 2 Qualified fund
- Humboldt Bay Nuclear Unit No. 3 Qualified fund
Appendix B
Pacific Gas and Electric Company
CPUC Qualified
Nuclear Facilities Decommissioning Master Trust

US EQUITY INVESTMENT GUIDELINES
June 2015

Rhumpline Advisers

Based upon direction by the Committee, Rhumpline Advisers (the “Investment Manager”) will invest the California Public Utilities Commission (CPUC) Qualified Investment Account (the “Account”) in accordance with the strategies described below.

The procedures described below are intended to be a set of operating guidelines. The Investment Manager will use reasonable efforts to see that all transactions for the Account fit within these procedures. These procedures will be monitored on an ongoing basis.

Russell 3000 Tax Advantaged Index Strategy

The Account shall be invested in a portfolio of equity securities selected by the Investment Manager with the objective of broadly approximating the overall performance of the common stocks included in the Russell 3000 index, recognizing that capital loss realization is certain to engender differences in performance. The after-tax benchmark will be the Russell 3000 price return plus the dividends received after tax. The Investment Manager will select the securities based on a statistical sampling technique that seeks to match the fundamental characteristics of the index. These securities need not be in the Russell 3000. The Investment Manager will not purchase for the Account the common stock of BNY Mellon, or PG&E Corporation.

The Investment Manager will seek to realize capital losses that occur in the Account. In determining when to take such losses, the Investment Manager shall take into consideration the cost of the transaction versus the benefits of the sale. The Investment Manager will try to minimize the realization of capital gains, although from time to time it may be necessary to take such gains, examples being mergers and tender situations and trades done to improve tracking the index. It is estimated that the prospective one standard deviation event of tracking error will be no greater than 1 percent.

Dividend income shall be reinvested in the Account. The Investment Manager shall, whenever practicable, make use of the Trust's pooled short-term investment funds for the investment of cash, pending the purchase of securities or other authorized
disbursements. Cash should be minimized, generally 1 to 2 percent. The use of
derivative securities are prohibited in the Account.

The Investment Manager will coordinate with other investment managers managing
assets within the Trust to avoid wash sales of securities.
INVESTMENT PROCEDURES

The following procedures will be followed by the Investment Manager:

1. The Investment Manager will review the list of “disqualified persons” as defined in Section 4951(e)(4) of the IRC, which has been provided and will be maintained by the Committee, to ensure that any proposed transaction does not involve the acquisition of securities of a “disqualified person”. Provided the Investment Manager is placing orders with brokers and dealers selected in accordance with Section 4.7 of the Agreement, it will take no additional steps to ensure compliance with Section 4951 of the IRC.

2. Subsequent to execution of the transaction, the Investment Manager will verify that the confirmation from the broker or dealer matches its internal trade documentation in all material respects. The Investment Manager will provide the Trustee with detailed instructions, including the exact description of the issue to be received for the account of the Qualified Trust. In the event the broker’s or dealer’s confirmation does not match the Investment Manager’s trade documentation in all material respects, the Investment Manager will advise the Trustee not to accept delivery of the issue.
Confidential Attachment 2

Confidential Protected Materials
Public Disclosure Prohibited Pursuant to
Public Utilities Code Section 583 and
General Order 66-C
Confidential Attachment 2

(Redacted in Its Entirety)
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<tr>
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