

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



June 20, 2017

Advice Letter 5072-E

Erik Jacobson
Director, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

**SUBJECT: Blue Lakes Land Donation - Request for Approval Under D.08-11-043,
D.10-08-004 and PUC Section 851**

Dear Mr. Jacobson:

Advice Letter 5072-E is effective as of June 20, 2017.

Sincerely,

A handwritten signature in dark ink, appearing to read "Edward Randolph".

Edward Randolph
Director, Energy Division

May 19, 2017

Advice 5072-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Blue Lakes Land Donation - Request for Approval under Decision (D.) 08-11-043, D.10-08-004 and Public Utilities Code Section 851

Purpose

Pursuant to the streamlined procedures adopted by the California Public Utilities Commission (Commission or CPUC) in Decision (D.) 08-11-043 (as modified by D.10-08-004), Pacific Gas and Electric Company (PG&E) requests disposition letter approving PG&E's donation of fee simple title of approximately 410 acres of land in Alpine County, commonly known as Blue Lakes (Property) to the United States Forest Service (USFS). This donation is being made in the public interest and will protect and preserve the Beneficial Public Values (BPVs) on the Property, including the preservation of open space, sustainable forestry, outdoor recreation by the general public, protection of the natural habitat of fish, wildlife and plants, agricultural uses and historic values by restricting any use of the Property that would significantly impair or interfere with the protection of these values. This donation is in accordance with the terms and conditions specified in the Settlement Agreement and Stipulation that were approved by the Commission in D.03-12-035 (Stipulation).

Background

Pursuant to the Stipulation, the Pacific Forest and Watershed Lands Stewardship Council (Stewardship Council) was established in 2004 to develop a plan to permanently protect, for the benefit of the citizens of California, more than 140,000 acres of watershed lands (Watershed Lands) owned by PG&E. This effort is known as PG&E's Land Conservation Commitment. PG&E is fulfilling its commitment through fee donation of certain Watershed Lands and/or the conveyance of conservation easements, (or satisfactory assurance in another form) that each parcel will be managed consistent with the purpose of the Land Conservation Commitment. PG&E will not make fee simple donations of lands that contain hydroelectric project features, hydroelectric projects licensed by the Federal Energy Regulatory Commission (FERC), or properties whose ownership is

otherwise required for utility operations. The Stipulation also includes provisions to ensure the rights necessary to operate and maintain current and future hydroelectric and associated water delivery facilities are reserved, and the existing agreements for economic uses will be honored.

A detailed description of this proposed donation, which addresses the requirements set forth in Section 12(a) of the Stipulation, is provided in the attached Land Conservation and Conveyance Plan (Attachment A) prepared by the Stewardship Council and approved by their Board of Directors. Land Conservation and Conveyance Plans will be issued serially for all Watershed Lands and together will comprise the Land Conservation Plan Volume III.

Property Specific Considerations

The USFS informed the Stewardship Council that applicable law or policy precludes it from accepting donations of Watershed Lands encumbered with conservation easements and provided the Stewardship Council with an explanation of the basis for its determination. The Stewardship Council Board determined a conservation covenant provides satisfactory assurance that the Property will be managed consistent with the purpose of the Land Conservation Commitment. Therefore, a conservation covenant will encumber the Property rather than a conservation easement. For the complete text of the conservation covenant, see Attachment B.

In accordance with the streamlined procedure adopted by the Commission in D.08-11-043, PG&E provides the following information as required by Ordering Paragraph 2:

(1) Identity of the Conservation Property

The Property, identified as Parcels 937-939, 941 and a portion of 942 (totaling approximately 410 acres of land) on the map included in Attachment A, page 4, is located in Alpine County. The Property is approximately 20 miles south of South Lake Tahoe and is predominantly surrounded by the Eldorado National Forest to the west and the Toiyabe National Forest to the east. The Property is located in the vicinity of four glacial step lakes including Upper Blue Lake, Lower Blue Lake, Twin Lake and Meadow Lake.

(2) Type of Property Interest Disposition

Per the Stewardship Council recommendation, PG&E will convey fee simple title to the USFS. The USFS will then immediately convey a conservation covenant to the Sierra Nevada Conservancy ("SNC"), which will permanently protect the BPVs on the Property. The Property will be

transferred subject to a Grant Deed restriction regarding water use. For the complete text of the Grant Deed, see Attachment C.

The State Board of Equalization estimates the value of the Property is \$294,494 (Attachment D).

A. Property Encumbrances and Uses

There is one recorded easement for the Pacific Crest Trail to the USFS within the Property. There are no unrecorded encumbrances or existing agreements for economic uses.

B. Public Access

The public may access the Property via Blue Lakes Road (a county public road) from Highway 89. Those portions of the Property included in parcels 937, 938, 941, and 942 are accessed via the portion of Blue Lakes Road adjacent to Upper Blue Lake. Parcel 939 is accessed from Blue Lakes via Sunset Lake Road (a Forest Service Road).

There is no restriction on public access to the Property, which is currently used by the public for informal recreational opportunities such as hiking and OHV use. Upper Blue Lake parcel 938 includes a trailhead to the Pacific Crest Trail.

Public access to the parcels described herein will not be changed as a result of the fee donation and conservation covenant donation.

C. PG&E's Assumption of Liability

Section 12(f) of the Stipulation requires that PG&E hold the donee harmless for hazardous waste or substance liability. Fulfillment of that obligation is reflected in the Environmental Agreement, attached hereto as Attachment E.

PG&E conducted an environmental review as part of its diligence in preparation for donation of the Property. The environmental review included an Environmental Site Assessment (ESA). The ESA assessed the past and present uses, ownership, and environmental conditions in order to identify potential issues that present known or possible environmental areas of concern. The ESA included, but was not limited to, a site reconnaissance, interviews and a historical and regulatory document review. No potential environmental issues were identified on the Property.

(3) Legal Name and Location of Receiving Parties

USDA Forest Service
Regional Land Adjustment Team
Attention: Laurence Crabtree
Eldorado National Forest
100 Forni Road
Placerville, CA 95667
Telephone: (530) 622-1225

Sierra Nevada Conservancy
Attention: Executive Director
11521 Blocker Drive, Suite 205
Auburn, CA 95603
Telephone: (530) 823-4670
Email: jbranham@sierranevada.ca.gov

(4) Proposed Uses and Conservation Management Objectives:

As set forth in the Stipulation, the cornerstone of the Land Conservation Commitment is its requirement that the Watershed Lands be preserved and enhanced for the following broad range of BPVs, which are as follows:

- Preservation of Open Space
- Sustainable Forestry
- Outdoor Recreation by the General Public
- Protection of the Natural Habitat of Fish, Wildlife, and Plants
- Agricultural Uses
- Historic Values

The conservation covenant for the Property ensures permanent protection of the BPVs. (Attachment B, page 3) These are:

A. Preservation of Open Space

Shall be managed by the USFS for public uses and protection of natural resources as a component of the National Forest System, subject to applicable laws and regulations applicable thereto.

B. Sustainable Forestry

Shall be managed by the USFS in conformity with a land and resource management plan ("LRMP") prepared with public involvement pursuant to the National Forest Management Act (90 Stat. 2949) and other applicable laws, including full compliance with the National Environmental Policy Act (83 Stat. 852) and the Multiple Use Sustained Yield Act (74 Stat. 215).

C. Outdoor Recreation by the General Public

Shall be open to the public for outdoor recreation such as hiking, camping, hunting and fishing, subject to reasonable regulations and state fish and game laws and consistent with the long-term protection of the natural resources on the Property.

D. Protection of the Natural Habitat of Fish, Wildlife, and Plants

Shall be managed for wildlife and fish habitat purposes consistent with other multiple uses as identified in the LRMP, including full compliance with the Endangered Species Act (87 Stat. 884).

E. Agricultural Uses

Shall be managed for agricultural values such as forage on suitable lands in accordance with the LRMP, LRMP standards and other applicable laws and regulations.

F. Historic Values

Shall be managed to protect historic, cultural and archaeological resources in conformity with the National Historic Preservation Act (80 Stat. 915), and the Archaeological Resources Protection Act (93 Stat. 721).

(5) Environmental Information

The proposed transaction constitutes a change in ownership with no proposed changes to land uses; thus, no direct or indirect environmental impacts will occur as a result. Therefore, the transaction does not constitute a “project” under the California Environmental Quality Act (CEQA). Accordingly, as stated in D.99-12-030 (pages 7 and 9), this advice letter process is not subject to review under CEQA.

PG&E’s Review & Finding

PG&E has reviewed the transaction and documents herein, and has determined that the proposed transaction is compliant with requirements of the Stipulation. Additionally, this transaction will not have an adverse effect on the public interest or on the ability of the utility to provide safe and reliable service to customers at reasonable rates.

Lastly, the Stewardship Council intends to provide funding to satisfy property tax payments in perpetuity for the Property.¹ Upon CPUC approval of fee title donation of the Property, Alpine County may select the option of receiving a lump sum payment, installment payments totaling the lump sum amount for a period not exceeding five years, or an annual payment from a trustee selected by the Stewardship Council.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail by facsimile or electronically, any of which must be received no later than June 8, 2017, which is 30 days after the date of this filing. Protests should be mailed to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th 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 also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission.

Erik Jacobson
Director, Regulatory Relations
c/o Megan Lawson
Pacific Gas and Electric Company
77 Beale Street, Mail Code B12A
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-1448
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to this advice letter; the requirements for responding to advice letters are

¹ As stated in Resolution E-4644 the Commission endorses the Stewardship Council 1) Guidelines Regarding Satisfaction of Tax Neutrality, and 2) the Property Tax Neutrality Methodology adopted by the Stewardship Council.

set forth in General Order 96-B, Rules 3.11; see also Decision 08-11-043 (as modified by Decision 10-08-004).

Effective Date

Pursuant to the review process outlined in D.08-11-043 (as modified by D.10-08-004), PG&E requests that this Category 1 advice filing become effective as soon as possible.

Notice

In accordance with General Order 96-B, Section IV, and D.08-11-043, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list, Service List A.08-04-020, Appendix A and additional parties identified by the Stewardship Council. Address changes to the General Order 96-B service list should be directed to e-mail 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/

Erik Jacobson
Director, Regulatory Relations

Attachments:

- A Land Conservation and Conveyance Plan
- B Conservation Covenant
- C Grant Deed
- D State Board of Equalization Land Appraisal Record
- E Environmental Agreement

Note: The Donation Letter Agreement between PG&E and USFS is available upon request.

cc: Service List Appendix A - Advice Letter 5072-E
Heidi Krolick, Stewardship Council
Jessica Daugherty, Stewardship Council
Service List A.08-04-020
Additional Parties Identified by the Stewardship Council

***** **SERVICE LIST Advice 5072-E** *****
APPENDIX A

Jonathan Reiger
Legal Division
505 Van Ness Avenue
San Francisco, CA 94102
(415) 355-5596
jzr@cpuc.ca.gov

Mary Jo Borak
Energy Division
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703-1333
bor@cpuc.ca.gov

Robert (Mark) Pocta
Office of Ratepayer Advocates
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703- 2871
rmp@cpuc.ca.gov

Andrew Barnsdale
Energy Division
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703-3221
bca@cpuc.ca.gov

***** **AGENCIES** *****

USDA Forest Service
Attention: Laurence Crabtree
Eldorado National Forest
100 Forni Road
Placerville, CA 95667
Telephone: (530) 622-1225

Sierra Nevada Conservancy
Attention: Executive Director
11521 Blocker Drive, Suite 205
Auburn, CA 95603
Telephone: (530) 823-4670
Email: jbranham@sierranevada.ca.gov

Stewardship Council
Attention: Executive Director
3300 Douglas Blvd. Ste. 250
Roseville, CA 95661
Telephone: (916) 297-6660

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

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

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

Utility type:

☒ ELC

☐ GAS

☐ PLC

☐ HEAT

☐ WATER

Contact Person: Kingsley Cheng

Phone #: (415) 973-5265

E-mail: k2c0@pge.com and PGETariffs@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **5072-E**

Category: **1**

Subject of AL: **Blue Lakes Land Donation - Request for Approval under Decision (D.) 08-11-043, D.10-08-004 and Public Utilities Code Section 851**

Keywords (choose from CPUC listing): Compliance, 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: **Upon Commission Approval**

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: Erik Jacobson

Director, Regulatory Relations

c/o Megan Lawson

77 Beale Street, Mail Code B23A

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

Attachment A

Land Conservation and Conveyance Plan

Final LCCP

April 29, 2015



Stewardship
Council

Land Conservation and Conveyance Plan

Lands for Donation to the USFS at
Blue Lakes Planning Unit

Executive Summary

Subject

LCCP Blue Lakes Planning Unit (Lands for Donation to USFS)
Land Conservation Plan Identification Numbers (Parcels): 937-939, 941, and a portion of 942 as shown on the map attached as Exhibit 1.

Type of Property Interest Disposition

- United States Forest Service (USFS) to hold fee simple title to 410 acres within five parcels (Parcels 937-939, 941 and a portion of 942) of the Blue Lakes planning unit.
- Sierra Nevada Conservancy (SNC) to hold the conservation covenant (“covenant”) on the entire 410 acres of Parcels 937-939, 941 and the portion of 942 donated to the USFS.

Summary

The 1,857-acre Blue Lakes planning unit includes 10 legal parcels. The Stewardship Council has recommended that 410 acres within five parcels (Parcels 937-939 and 941-942) be donated to the USFS. Pending California Public Utilities Commission (CPUC) approval, immediately following PG&E's conveyance of the 410 acres within Parcels 937-939, 941 and a portion of 942 to the USFS, a conservation covenant between the USFS and the SNC will be recorded.

The 410 acres within Parcels 937-939, 941 and a portion of 942 to be donated to the USFS are outside the Mokelumne River FERC Project boundary (FERC #137) and PG&E has determined this acreage does not need to be retained for existing or future utility operations. Therefore, this acreage is available for donation, subject to PG&E's reserved rights. The remaining 1,447 acres within the planning unit will be retained by PG&E and will be addressed in a separate Land Conservation and Conveyance Plan (LCCP).

This transaction will not have an adverse effect on the public interest or on the ability of the utility to provide safe and reliable service to customers at reasonable rates.

Property Location

The property subject to this LCCP consists of 410 acres in Alpine County along Deer Creek and surrounding Upper Blue Lake.

Economic Uses and Agreements

There is one recorded encumbrance for the Pacific Crest Trail on the acreage for donation at the Blue Lakes planning unit. There are no unrecorded encumbrances or existing agreements for economic uses on the lands to be donated to the USFS.

Conservation Management Objectives to Preserve and/or Enhance the Beneficial Public Values

The conservation covenant states:

- That the USFS shall manage the Property for public uses and protection of natural resources as a component of the National Forest System;
- That the Property shall be open to the public for outdoor recreation;
- That the USFS shall manage the Property for wildlife and fish purposes;
- That the Property shall be managed for agricultural values such as forage and for sustainable forestry on suitable lands in accordance with the land and resource management plan ("LRMP"), LRMP standards and other applicable laws and regulations;
- That the Property shall be managed to protect historic, cultural, and archaeological resources;
- That the Property shall not be open to location and entry under the mining laws of the United States;
- That the USFS shall manage the Property in conformity with a LRMP prepared with public involvement pursuant to the National Forest Management Act and other applicable laws; and
- That the USFS shall amend the LRMP and incorporate language into the management area descriptions that states that the Property was donated to ensure the permanent protection of the Property's natural resources. The amendment will include the objectives for the protection of the Beneficial Public Values identified in the Stewardship Council's Land Conservation Plan, and will reference the Conservation Covenant.
- [Applicable only to that portion of Parcel 937 located within the boundary of the Mokelumne Wilderness Area] -- Shall be managed in accordance with the Wilderness Act of 1964 (78 Stat. 890), including the requirements that there shall be no commercial enterprise and no permanent roads except as necessary to meet minimum requirements for the administration of the area for wilderness including measures required in emergencies involving the health and safety of persons within the area; and no temporary roads; no use of motor vehicles, motorized equipment or motorboats; no landing of aircraft; no other form of mechanical transport, and no structure or installation;

Tax Neutrality

The Stewardship Council intends to provide funding to satisfy property tax payments in perpetuity for the Property.

Pending CPUC approval of the fee title donation of the Property, Alpine County may select the option of either receiving a lump sum payment of \$73,525 or an annual payment from a trustee selected by the Stewardship Council. Annual payments would be equal to 4% of a rolling 20 quarter average of the principal balance invested for the

parcels, consistent with the methodology described in the Property Tax Neutrality Methodology adopted on June 27, 2012 by the Stewardship Council.

Hazardous Waste Disclosure

PG&E has confirmed the Blue Lakes Summary of Potential Environmental Issues on Land to be Retained, dated September 8, 2010 and Environmental Site Assessment dated June 24, 2010 have been provided to the USFS, fulfilling the disclosure requirements of the Land Conservation Commitment.

Consideration of Parcel Split

Within Parcels 937-939, 941 and a portion of 942, approximately 410 acres are proposed for transfer to the USFS. At closing, the 410 acre property as well as the remainder of the parcels must comply with the California Subdivision Map Act (Government Code Section 66410, et seq.) as separate legal parcels. Certain exemptions to the Map Act apply to public utilities and/or to governmental entities and may apply to this conveyance.

Applicable CEQA Exemption(s) or Reason Why Transaction is not a "Project Under CEQA"

The Blue Lakes transaction will not result in a direct physical change or a reasonably foreseeable indirect physical change in the environment; therefore, the Stewardship Council does not believe that the transaction is a project under CEQA.

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Introduction

The Pacific Forest and Watershed Lands Stewardship Council (Stewardship Council) is a private, nonprofit foundation established in 2004 pursuant to a Settlement Agreement and a Stipulation Resolving Issues Regarding the Land Conservation Commitment approved by the California Public Utilities Commission (CPUC) in Decision 03-12-035 (Dec. 18, 2003). The Stewardship Council Board of Directors includes appointees from state and federal agencies, water districts, Native American and rural interests, forest and farm industry groups, conservation organizations, the CPUC, and Pacific Gas and Electric Company (PG&E).

The Stewardship Council has developed a plan to protect more than 140,000 acres of watershed lands (Watershed Lands) currently owned by PG&E for the benefit of the citizens of California. Protecting the Watershed Lands will be accomplished through (1) PG&E's grant of conservation easements to one or more public agencies or qualified conservation organizations so as to protect the natural habitat of fish, wildlife, and plants, the preservation of open space, outdoor recreation by the general public, sustainable forestry, agricultural uses, and historic values (collectively the Beneficial Public Values), and in some cases, (2) PG&E's donation of the Watershed Lands in fee to one or more public entities or qualified conservation organizations, whose ownership would be consistent with these conservation objectives.

Located primarily in the Sierra Nevada and Cascade Mountain range watersheds, the Watershed Lands contain some of the most pristine and resource-rich landscapes found in the state. The properties are diverse and geographically remote, located in 21 counties from the northern reaches of the state to the southern end of the Central Valley.

As required by the Settlement and Stipulation, the Stewardship Council prepared a Land Conservation Plan (LCP) to establish a framework for the conservation and/or enhancement of the Watershed Lands, and to ensure the permanent protection of these lands for the benefit of current and future generations of Californians. To address the challenge of a conservation effort of this large scope and unique nature, and to facilitate engagement of a wide range of stakeholders and interested members of the public, the Stewardship Council grouped the Watershed Lands into 47 planning units and established a phased approach to development and implementation of the LCP.

In 2007, the Stewardship Council board adopted Volumes I and II of the LCP:

- **Volume I:** The Land Conservation Framework establishes the overall framework for the LCP, including legal requirements, the planning process, methodologies, public involvement, and relevant regulatory processes.
- **Volume II:** Planning Unit Concepts documents existing conditions and presents management objectives, potential measures, and conceptual plans to preserve and/or enhance the Beneficial Public Values (BPVs) within each planning unit. It also documents existing economic uses.

Volume III, consisting of Land Conservation and Conveyance Plans (LCCPs) to be issued serially and cumulatively, will encompass a series of real estate transaction packages that will detail the specific land conservation and/or disposition requirements for each parcel or parcel cluster. LCCPs represent the Stewardship Council's recommendations for preserving and/or enhancing the BPVs of the Watershed Lands, and are intended to support required regulatory approvals of the land transactions resulting from the Stewardship Council's recommendations. The content of the LCCP spans a number of issues required by the Settlement and Stipulation, such as an express reservation of a right for continued operation and maintenance of hydroelectric facilities and associated water delivery facilities, including project replacements and improvements required to meet existing and future water delivery requirements for power generation and consumptive water use by existing users, compliance with any Federal Energy Regulatory Commission (FERC) license, FERC license renewal, or other regulatory requirements. In addition, conservation easements will honor existing agreements for economic uses, including consumptive water deliveries, and preserve or enhance reasonable public access to the Watershed Lands.

During the development of LCP Volumes I and II and the LCCPs, the Stewardship Council implemented a public outreach program to ensure local communities, elected representatives, neighboring property owners, and other key stakeholders had many opportunities to engage in the Stewardship Council's effort to preserve and enhance the Watershed Lands. To solicit additional input from the public on potential fee title recipients or conservation easement holders (referred to as donees), the Stewardship Council hosted a series of public information meetings. These meetings were designed to (1) provide an overview and update on the Stewardship Council's Land Conservation Program, (2) outline next steps, timeline, and opportunities for additional public input, and (3) solicit public input on the desired qualifications of potential donees and the future stewardship of the planning units.

Public input that the Stewardship Council received as a result of the public outreach process, including comments on Volume II of the LCP, comments from public information meetings on the selection of donees and other issues, and correspondence received by the Stewardship Council were considered by the Stewardship Council in its evaluation of the potential donees and their land stewardship proposals. In addition to public meetings, the public was given the opportunity to participate in all of the Stewardship Council's public board meetings where decisions were made on fee title and conservation easement donees. Prior to making a decision regarding the disposition of any parcel, the Stewardship Council will provide notice to the Board of Supervisors of the affected county, each affected city, town, and water supply entity, each affected Tribe and/or co-licensee, and each landowner located within one mile of the exterior boundary of the parcel, by mail or other effective manner. A summary of the public outreach process for this subject LCCP, the Blue Lakes planning unit, is provided in Appendix 1. Furthermore, the proposed LCCP will be made available for public review and comment before it is forwarded by the Watershed Planning Committee to the board for its review and approval.

The Stewardship Council Board of Directors recommends that the United States Forest Service (USFS) receive 410 acres within five parcels (937-939, 941 and a portion of 942) in the Blue Lakes planning unit in fee and that the Sierra Nevada Conservancy (SNC) hold a conservation covenant over the lands recommended for donation to the USFS in these parcels of the Blue Lakes planning unit.

Table 1 identifies Stipulation requirements that will be addressed in the LCCP and includes pertinent language from the Stipulation.

Table 1 Stipulation 12(a) Requirements

<p>(1) Acreage, Existing Economic Uses and Agreements <i>"Reasonably exact estimates of acreage, by parcel, within or outside licensed project boundaries, and existing economic uses (including all related agreements);"</i></p>
<p>(2) Objectives to Preserve and/or Enhance <i>"Objectives to preserve and/or enhance the BPVs, as defined in the Settlement Agreement, Appendix E, of each individual parcel;"</i></p>
<p>(3) Recommendations for Conservation Easement and Fee Simple Donation <i>"A recommendation for grant of a conservation easement or fee simple donation for each such parcel;"</i></p>
<p>(4) Finding of Donee Funding and Other Capacity to Maintain Lands to Preserve and/or Enhance BPVs <i>"A finding that the intended donee of such easement or fee simple has the funding and other capacity to maintain that property interest so as to preserve and/or enhance the BPVs thereof;"</i></p>
<p>(5) Analysis of Tax and Other Economic and Physical Impacts <i>"An analysis of tax and other economic and physical impacts of such disposition strategy, and a commitment by an appropriate entity to provide property tax revenue, other equivalent revenue source, or a lump sum payment, so that the totality of dispositions in each affected county under the LCC will be 'tax neutral' for that county;"</i></p>
<p>(6) Hazardous Waste Disclosure <i>"A disclosure of all known hazardous waste or substance contamination or other such environmental liabilities associated with each parcel;"</i></p>
<p>(7) Consideration of Parcel Split <i>"Appropriate consideration whether to split any parcel which is partly used or useful for operation of PG&E's and/or a co-licensee's hydroelectric facilities, where the beneficial public values of the unused part may be enhanced by such split, provided that it is consistent with Section 12(b)(4) of this Stipulation and that, in the event that governmental approval of a parcel split imposes conditions or restrictions on other PG&E property, the decision to accept or reject such conditions will be at PG&E's sole discretion;"</i></p>
<p>(8) Strategy for Physical Measures to Enhance BPVs <i>"A strategy to undertake appropriate physical measures to enhance the BPVs of individual parcels; provided that no such measure will be in conflict with the provisions of Settlement Agreement paragraph 17(c) and Appendix E paragraph 1;"</i></p>

Table 1 Stipulation 12(a) Requirements

(9) Monitoring Plan for the Economic and Physical Impacts of Disposition and Implementation of Enhancement Measures <i>"A plan to monitor the economic and physical impacts of disposition and implementation of enhancement measures on the applicable management objectives;"</i>
(10) Implementation Schedule for Transactions and Measures <i>"A schedule for the implementing transactions and measures."</i>

1. Acreage, Existing Economic Uses and Agreements

Acreage and Property Description

410 acres in Parcels 937-939, 941 and a portion of 942 will be donated to the USFS and, consistent with the conditions in the Settlement Agreement, the Property will be subject to a conservation covenant granted by USFS to SNC. The remaining 1,447 acres in the Blue Lakes planning unit will be retained by PG&E and will be subject to a conservation easement.

The Blue Lakes planning unit is located 30 miles south of South Lake Tahoe and 11 miles northwest of Kirkwood Ski Resort at an elevation of over 8,000 feet above mean sea level. The planning unit contains four glacial step lakes as well as segments of four creeks.

The lakes, creeks, and associated riparian areas found in this planning unit provide a diverse range of high elevation habitats. The area may provide habitat for special status species such as Yosemite toad, pine marten, snowshoe hare, and two Federal candidate species (Pacific fisher and mountain yellow-legged frog), as well as deer summer range. Bald eagles may also use the lakes for summer habitat.

Recreation use of the area is significant, primarily consisting of camping, hunting, fishing, hiking, swimming, OHV use, and boating. Developed campgrounds, day use areas, and boat ramps are located throughout this area, as well as trailheads to the adjacent Mokelumne Wilderness and a segment of the Pacific Crest Trail near Upper Blue Lake.

There are two PG&E Timber Management Units (TMUs) totaling 471 timbered acres on the lands recommended for donation to the USFS. These TMUs are currently managed under a Salvage management prescription, meaning that the lands are primarily managed for uses other than sustained timber production, but may require management to mitigate for urgent forest and watershed health issues such as insect attacks.

No agricultural (farming or grazing) activities occur within the planning unit.

The planning unit is in traditional Washoe territory, which was centered around Lake Tahoe but extended across the headwaters of the Mokelumne River. Numerous prehistoric and historic sites have been found around the lakes.

Adjacent and Nearby Landowners

The parcels subject to donation to the USFS are surrounded by National Forest System lands managed by the Eldorado National Forest. The parcels are accessed from State Highway 88 on Blue Lakes Road and Sunset Lakes Road.

The Stewardship Council notified and invited landowners located within one mile of the subject parcels to provide comment during key phases of the land conservation and conveyance planning process.

Existing Economic Uses and Agreements

There is one recorded encumbrance for the Pacific Crest Trail on the acreage for donation at the Blue Lakes planning unit. There are no unrecorded encumbrances or existing agreements for economic uses on the lands to be donated to the USFS.

PG&E's specific reserved rights are set forth in the grant deed, which can be found in Appendix 2.

2. Objectives to Preserve and/or Enhance the BPVs

The Land Conservation Commitment provides that “PG&E shall ensure that the Watershed Lands it owns... are conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants, the preservation of open space, outdoor recreation by the general public, sustainable forestry, agricultural uses, and historic values. PG&E will protect these beneficial public values associated with the Watershed Lands... from uses that would conflict with their conservation. PG&E recognizes that such lands are important to maintaining the quality of life of local communities and all the people of California in many ways, and it is PG&E’s intention to protect and preserve the beneficial public values of these lands under the terms of any agreements concerning their future ownership or management.”¹

The following text lists the objectives for each BPV at the Blue Lakes planning unit that the Stewardship Council board approved in LCP Volume II, as well as a description of how the transaction, as summarized by this LCCP, supports each objective and preserves and/or enhances the BPVs.

1. Objective: Preserve and enhance habitat in order to protect special biological resources.

The conservation covenant (Appendix 3) states that the USFS will manage the Property in conformity with a land and resource management plan (LRMP) prepared with public involvement pursuant to the National Forest Management Act and other applicable laws, including full compliance with the National Environmental Policy Act and the Multiple Use Sustained Yield Act. The USFS agrees to manage the Property for habitat purposes consistent with the multiple uses identified in the applicable LRMP and in full compliance with the Endangered Species Act.

2. Objective: Preserve open space in order to protect natural and cultural resources, viewsheds, the recreation setting, and the adjacent wilderness character.

The conservation covenant states that the Property shall be managed by the USFS for public uses and protection of natural resources as a component of the National Forest System and subject to applicable laws and regulations. Lands within the Mokelumne Wilderness Area will be managed as designated Wilderness.

3. Objective: Enhance recreational facilities in order to provide additional education and recreation opportunities consistent with the carrying capacity of the area.

The conservation covenant states that the Property will be open to the public for outdoor recreation such as hiking, camping, hunting and fishing, subject to reasonable regulations

¹ Land Conservation Commitment I.02-04-026, Appendix E, p. 38

and state fish and game laws and consistent with the long-term protection of the natural resources of the Property.

- 4. Objective: Develop and implement forestry practices in order to contribute to a sustainable forest, preserve and enhance habitat, as well as to ensure appropriate fuel load management.*

The conservation covenant states that the forested lands will be managed for sustainable forestry in accordance with the LRMP and other applicable laws and regulations.

- 5. Objective: Identify and manage cultural resources in order to ensure their protection.*

The conservation covenant states that the Property will be managed to protect historic, cultural and archaeological resources in conformity with the National Historic Preservation Act and the Archaeological Resources Protection Act.

Amending the LRMP

The USFS shall amend the LRMP and incorporate language into the management area descriptions that states that the Property was donated to ensure the permanent protection of the Property's natural resources. The amendment will include the objectives for the protection of the BPVs identified in the Stewardship Council's LCP, and will reference the covenant.

3. Recommendations for Conservation Covenant and Fee Simple Donation

The Settlement and Stipulation require that the Watershed Lands: (1) be subject to permanent conservation easements restricting development of the Watershed Lands so as to protect and preserve the BPVs, and/or (2) be donated in fee simple to one or more public entities or qualified nonprofit conservation organizations, whose ownership will ensure the protection of these BPVs.

Section 12(d) of the Stipulation provides for two exceptions to the requirement that the BPVs of the Watershed Lands be protected via conservation easements held by qualified organizations. The pertinent exception is when “the chosen donee of fee title informs the Governing Board that applicable law or policy precludes its accepting such easement, and the Governing Board receives satisfactory assurance in another form that the parcel will be managed consistent with the purpose of the Land Conservation Commitment.”

Conservation Covenant

The USFS informed the Stewardship Council that applicable law or policy precludes it from accepting donations of Watershed Lands encumbered with conservation easements and provided the Stewardship Council with an explanation of the basis for its determination. The Stewardship Council board accepts as reasonable the basis for the determination of the USFS that applicable law or policy precludes the USFS from accepting donations of PG&E lands encumbered with conservation easements.

The Stewardship Council board has determined that a conservation covenant in the form attached as Appendix 3 encumbering the Property qualifies as a satisfactory assurance that the Property will be managed consistent with the purpose of the Land Conservation Commitment.

Therefore, a conservation covenant will be placed on the Property rather than a conservation easement. For the complete text of the conservation covenant, see Appendix 3. The conservation covenant over the Property will be held by SNC. The qualifications of SNC are described in Chapter 4.

Retention or Donation of Fee Title

The Settlement Agreement states that PG&E will not be expected to make fee simple donations of Watershed Lands with hydroelectric project features, and conservation easements and enhancements may not interfere with hydroelectric operations. In general, PG&E will retain fee title to those Watershed Lands within the boundaries of hydroelectric projects licensed by the FERC, as well as other properties required for continuing and future utility operations. However, these Watershed Lands will be conserved via a conservation easement. See Appendix 5 for a description of PG&E’s Land Conservation Commitment.

The 410 acres proposed for donation to the USFS in Parcels 937-939, 941 and a portion of 942 were identified as available for donation, subject to PG&E's reserved rights.

Lands to be Donated by PG&E

410 acres within five legal parcels (937-939, 941 and a portion of 942) will be donated to the USFS pending CPUC approval of the Section 851 filing for the transaction. The legal description of the parcels is included in the grant deed, which is provided in Appendix 2. The qualifications and capacity of the USFS to manage the Blue Lakes property recommended for donation are described in Chapter 4.

The map in Exhibit 1 shows all of the land within Parcels 937-939, 941 and portion of 942 in the Blue Lakes planning unit that will be donated. The map also shows key features in the planning unit and surrounding area, and the ownership of adjacent land.

Lands to be Retained by PG&E

The remaining lands in the Blue Lakes planning unit will be retained by PG&E and will be the subject of a separate LCCP.

4. Finding of Donee Funding and Other Capacity to Maintain Lands to Preserve and/or Enhance the BPVs

Selected Organizations

At the conclusion of the selection process referenced below, the following organizations were endorsed by the Stewardship Council board on March 30, 2011:

- USFS to hold fee simple title to 1,032 acres within Parcels 937-939, 941 and a portion of 942.²
- SNC to hold the conservation covenant on the acres to be donated to the USFS in Parcels 937-939, 941 and a portion of 942.

Capacity of Selected Organizations

The Stewardship Council board made a finding that the USFS and SNC will have the funding and other capacity to maintain the property interest so as to preserve and/or enhance the BPVs.³

A. USFS:

- The USFS is a public agency that was established in 1905. The USFS manages 193 million acres of public forests and grasslands. The mission of the USFS is to sustain the health, diversity, and productivity of the Nation's forest and grasslands to meet the needs of present and future generations. Congress directs the USFS to manage National Forests for multiple uses and benefits and for the sustained yield of renewable resources such as water, forage, wildlife, wood, and recreation.
- Management direction for the Eldorado National Forest is governed by the Eldorado National Forest Land and Resource Management Plan of 1989 and a variety of national and regional policies and regulations. The USFS maintains a base of professional, technical and administrative expertise in a multitude of specialties and management functions and is able to draw on the expertise of over 1,000 USFS professionals within the state of California. Disciplines include wildlife biologists, archaeologists, aquatic biologists, botanists, fuels planners, conservationists, recreation specialists, landscape architects, public affairs specialists, interpretive/conservation education specialists, geographic information specialists, business management specialists, and engineers.
- The Stewardship Council's review of the USFS's financial capacity consisted of an evaluation of its annual operating budget and financial statements. Based on

² On March 30, 2011 the Stewardship Council Board recommended the US Forest Service for a donation of 1,032 acres identified as available for donation. However due to provisions of Section 12(b)(4) of the Stipulation relating to the exercise of mandatory conditioning authority by federal agencies under Section 4(e) of the Federal Power Act, only 430 acres could be donated.

³ Stipulation, Section 12(a)(4)

this review, staff concluded that the USFS has the financial ability to manage the lands being recommended for donation to preserve and/or enhance the BPVs associated with these lands.

B. SNC:

- SNC is a California state agency created by bi-partisan legislation (AB 2600) that was signed into law in 2004. The mission of SNC is to initiate, encourage and support efforts that improve the environmental, economic, and social well-being of the Sierra Nevada Region, its communities and the citizens of the State of California.
- The legislation that created SNC includes program areas that incorporate all of the BPVs identified in Volume II of the LCP.
- SNC supports the Sierra Nevada Region by providing funding for local projects and offering technical assistance and other support for collaborative projects in partnership with local government, nonprofit organizations, and Native American entities.
- SNC's Board of Directors is made up of 16 members; 13 voting and 3 non-voting members. The voting members include five Governor's appointees, two legislative appointees, and six local government representatives. The non-voting members include representatives from the National Park Service, United States Bureau of Land Management, and USFS.
- SNC will receive adequate funding from the Stewardship Council to monitor the conservation covenant at the Blue Lakes planning unit in perpetuity.

Donee Selection Process

A. USFS:

The Stewardship Council used a formal multi-step process to solicit and select organizations interested in receiving a donation of Watershed Lands or becoming a conservation easement holder at the Blue Lakes planning unit. The process consisted of the following key steps:

- Organizations were invited to register via the Stewardship Council's Interested Donee Registry and were invited to submit a statement of qualifications (SOQ). The Stewardship Council reviewed the SOQs that were submitted to identify organizations that: (a) were determined to be a qualified nonprofit conservation organization; a federal, state or local governmental entity; or, a recognized tribe; (b) appeared to have sufficient financial and organizational capacity relative to the property interest sought within the planning unit; and, (c) appeared to be capable of satisfying the requirements of the Settlement and Stipulation for receiving a donation of fee title or to hold the conservation easement.

- Organizations interested in a fee title donation were invited to submit a land stewardship proposal (“LSP” or “proposal”) describing their capacity and interest in preserving and enhancing the BPVs. The LSPs were posted on the Stewardship Council’s website.
- Organizations demonstrating sufficient capacity and determined by the Stewardship Council to be best-suited to receive a donation of property interest (fee or conservation easement) in particular Watershed Lands within a planning unit are being recommended to PG&E to receive fee title and/or conservation easements.

B. SNC:

SNC was selected by the Stewardship Council board to be the holder of a conservation covenant for all lands to be donated to the USFS for the following reasons:

- SNC has the organizational and financial capacity to carry out the covenant holder duties as described above.
- SNC’s program goals and objectives are compatible with the protection of the six BPVs.
- SNC’s geographic focus is the Sierra Nevada and Cascade ranges where PG&E’s Watershed Lands are located.
- SNC is willing to carry out the covenant holder role in perpetuity and the USFS is willing to enter into an agreement with SNC granting that right to SNC.
- SNC has a diverse board of directors, representing state, federal, and local agencies and the public.

5. Analysis of Tax and Other Economic and Physical Impacts

The Stipulation requires that the LCCP provide “an analysis of tax and other economic and physical impacts of such disposition strategy, and a commitment by an appropriate entity [which may be PG&E, subject to being authorized by the Commission to fully recover in rates any such costs in approving PG&E’s Section 851 application or in another appropriate Commission proceeding, Stewardship Council, donee, or a third party, depending on the individual circumstances] to provide property tax revenue, other equivalent revenue source, or a lump sum payment, so that the totality of dispositions in each affected county under this Land Conservation Commitment will be ‘tax neutral’ for that county.”

The following sections address the Stewardship Council’s plan for achieving tax neutrality for Alpine County, the county in which the Property is located.

Stewardship Council Board Policies and Guidelines

The Stewardship Council board adopted a set of Guidelines Regarding Satisfaction of Tax Neutrality on March 30, 2011, after an opportunity for public comment. Under the guidelines, the Stewardship Council outlined the following overarching assumptions:

1. The Stewardship Council will address property tax neutrality based upon the most current property taxes paid by PG&E on the lands being transferred at the time of the actual transfer of fee title from PG&E to the selected donee.
2. The Stewardship Council’s achievement of property tax neutrality applies to all property taxes that would be distributed directly to County General Funds, School and Fire Districts, Regional Conservation and Water Districts, and any other special districts as defined by the applicable Tax Rate Area.
3. The Settlement and Stipulation direct the Stewardship Council to ensure that the effects of distributions be made tax neutral for the affected counties. Therefore, the Stewardship Council’s property tax neutrality commitment will not apply to any amount of property tax payments that are subject to apportionment by the State of California.

On June 27, 2012, the Stewardship Council board approved an amendment to the property tax methodology it had adopted on May 2, 2012, after an opportunity for public comment and specific outreach to all potentially affected counties. The methodology establishes a standard payment process when lands are transferred to organizations that are exempt from paying property taxes (see Appendix 4). The methodology outlines two in-lieu payment options: a one-time lump sum payment from the Stewardship Council directly to counties, and the Stewardship Council’s establishment of an endowment account that would be designed to generate enough investment income to make annual in-lieu payments to counties on an ongoing basis. Regardless of the payment option selected by the county, the payment methodology provides that the county will distribute

funds related to the special districts as defined in the Tax Rate Area upon receipt of the lump sum payment or the annual installment payment.

On August 14, 2014 the California Public Utilities Commission approved Resolution E-4644. The resolution states that the Commission endorses the Guidelines Regarding Satisfaction of Tax Neutrality and the Property Tax Neutrality Methodology adopted by the Stewardship Council.

Achieving Property Tax Neutrality

The Stewardship Council will provide funding to satisfy property tax payments in perpetuity for the Property. After the CPUC has approved the fee title donation of the Property, Alpine County may select the option of either receiving a lump sum payment or an annual payment from a trustee selected by the Stewardship Council.

The transfer of lands to Alpine County is expected to result in the reduction of approximately \$2,948 in annual taxes paid to Alpine County (as shown in Table 2 below).

Table 2: Property Tax Detail

Parcel ID	SBE Map Number	Taxes on Acres Transferred
937	135-2-1B-1	\$19
938	135-2-1B-1	\$32
939	135-2-1-7	\$2,800
941	135-2-1B-3	\$21
942	135-2-1B-1, 135-2-1B-2	\$69

If Alpine County chooses the lump sum option, the Stewardship Council would make a one-time payment of approximately \$73,525 to the county. Alpine County would, in-turn, be required to distribute the funds to the general fund and applicable special districts consistent with the Tax Rate Area in effect for the parcels.

If Alpine County chooses the annual payment option, the Stewardship Council could elect to do one of the following: (1) for an initial period of time, make installment payments itself to Alpine County with the annual installment fixed at approximately \$2,941 per year or (2) immediately after the donation of lands to a tax exempt entity deposit approximately \$73,525 with a third party trustee, which would be responsible for making annual payments to Alpine County. Pursuant to the methodology described in the Property Tax Neutrality Methodology adopted on June 27, 2012, the trustee will make

annual payments equal to 4% of a rolling 20 quarter average of the principal balance invested for the parcels. Alpine County would, in-turn, be required to distribute the funds to the general fund and applicable special districts consistent with the Tax Rate Area in effect for the parcels.

Other Economic and Physical Impacts

The Settlement and Stipulation require an analysis of the physical and economic impacts of each disposition. The transaction agreements for the donation of 410 acres within the Blue Lakes planning unit have not mandated any changes to the physical or economic uses of the lands. The USFS intends to manage the lands in a manner consistent with the current physical and economic uses of the lands. No new activities are proposed that will result in physical impacts.

6. Hazardous Waste Disclosure

The Stipulation states that in the transfer of fee title and conveyance of a conservation easement, PG&E will disclose all known hazardous waste, substance contamination, or other such environmental liabilities associated with each parcel and hold the donee harmless.

Lands to be Retained by PG&E

Approximately 1,447 acres within the Blue Lakes planning unit will be retained by PG&E.

Lands to be Donated by PG&E

PG&E has confirmed the Blue Lakes Summary of Potential Environmental Issues on Land to be Retained, dated September 8, 2010 and Environmental Site Assessment dated June 24, 2010 have been provided to the USFS, fulfilling the disclosure requirements of the Land Conservation Commitment.

Environmental Agreement

Pending CPUC approval of the transaction, PG&E will execute Environmental Agreements with the USFS and SNC, satisfying the requirements of Section 12(f) of the Stipulation.

7. Consideration of Parcel Split

To effectuate transfer of acres identified for donation to the USFS within Parcels 937-939, 941, and a portion of 942, a parcel split is required to comply with the California Subdivision Map Act (Government Code Section 66410, et seq.). Certain exemptions to the Map Act apply to public utilities and/or to governmental entities and may apply to this Conveyance.

8. Strategy for Physical Measures to Enhance the BPVs

The Stewardship Council developed and implemented a strategy to identify and undertake appropriate physical measures to enhance the BPVs of the Watershed Lands consistent with Settlement Agreement paragraph 17(c)⁴ and Appendix E, paragraph 1.

During the preparation of Volume II of the LCP, a number of potential physical enhancement measures to preserve and/or enhance the BPVs were identified. These measures were identified with public input and were intended to be illustrative in nature and subject to change over time in coordination with the future landowner.

The Stewardship Council is developing a grant program to fund enhancements on the Watershed Lands in the future. Grant funding will be available to accomplish any number of potential future physical measures such as developing trails, day use areas, and other public access improvements.

⁴ Settlement Agreement Paragraph 17(c) states, “PG&E shall fund PG&E Environmental Enhancement Corporation with \$70 million in Cash to cover administrative expenses and the costs of environmental enhancements to the Watershed Lands... provided that no such enhancement may at any time interfere with PG&E’s hydroelectric operations maintenance or capital improvements.”

9. Monitoring Plan for the Economic and Physical Impacts of Disposition and Implementation of Enhancement Measures

The Stipulation requires that the LCCP outline a plan to monitor the economic and physical impacts of disposition and implementation of enhancement measures.

The conservation covenant holder is required to monitor every conservation covenant that it holds to ensure that the landowner is complying with the terms of the covenant in perpetuity. The Stewardship Council has entered into a Conservation Covenant Funding Agreement with SNC whereby SNC will receive a monitoring endowment from the Stewardship Council to fund its monitoring activities at the Blue Lakes planning unit.

To further meet the requirement of monitoring the economic and physical impacts, the Stewardship Council will enter into an another agreement with the SNC, whereby the agency will agree to undertake certain duties designed to monitor the impacts of PG&E's Land Conservation Commitment.

When the Stewardship Council has completed its work, it will be dissolved. Prior to its dissolution, the Stewardship Council expects to prepare a report providing an assessment of any economic and physical impacts resulting from the Land Conservation Commitment as of that time. The Stewardship Council's close-out report will include, among other things, the following information:

- How the property tax neutrality requirement was satisfied with regard to each parcel donated to a tax exempt organization.
- A report regarding the enhancements that were funded by the Stewardship Council.

It is anticipated that several years after the dissolution of the Stewardship Council, SNC will prepare a report assessing the physical and economic impacts of the Land Conservation Commitment up until that time. The report is expected to cover the following topics:

- Impact of the Land Conservation Commitment on agreements for economic uses.
- Changes in entities holding conservation easements or fee title.
- Performance of duties by conservation easement and conservation covenant holders.

In addition to preparing an assessment report, which will be submitted to the CPUC and PG&E, SNC will serve as a public repository for key transaction documents and other documents pertaining to the Land Conservation Commitment through June 2025.

10. Implementation Schedule for Transactions and Measures

Schedule for Transaction

- CPUC review and approval (2015)
- Close of escrow (2016)
- Stewardship Council begins releasing funds to SNC on a reimbursement of costs basis (2016)

Compliance with Local Land Use Planning Requirements

Future management of the donated property at the Blue Lakes planning unit is anticipated to comply with all applicable County ordinances and/or General Plan policies that would pertain to uses and activities on federal lands.

Appendix 1: Summary of Public Outreach

SUMMARY OF PUBLIC OUTREACH PROGRAM

The Stewardship Council established a comprehensive public outreach program to both inform and solicit input from the public on the development and implementation of a plan to permanently protect over 140,000 acres of PG&E watershed lands. A variety of tools and techniques are used to engage the public, including:

- Stewardship Council Website: the website provides background information on the land conservation program and is regularly updated with board meeting agendas and minutes, proposed recommendations, and other announcements.
- Stakeholder Database and E-mailing: regular e-mail notifications are sent directly to individuals and organizations that have signed-up to receive e-mails. The e-mails provide updates on the status of the land conservation program, including pending actions by the board and upcoming public meetings.
- Targeted Newspaper Noticing and Paid Advertisements: newspaper advertisements and notices are placed in local newspapers circulated in the area where a board or public meeting is taking place or in communities that may have an interest in a particular topic on an upcoming meeting agenda.
- News Releases: news releases are issued to statewide and local media outlets at key intervals during the planning process.
- Public Information Meetings and Workshops: public information meetings and workshops are conducted throughout the watershed lands to provide updates and solicit input from interested stakeholders on the land conservation program and individual planning units. In many workshops, public comments were sought on potential measures to protect and enhance the beneficial public values on specific lands as well as the desired qualifications of potential donee organizations. Individuals and organizations unable to attend are provided an opportunity to submit comments in writing and review meeting summaries posted on the web site.
- Notice by Mail of Pending Decisions Regarding the Conveyance of Individual Parcels and Invitation to Comment:
 - Noticing of Affected Governmental Entities: prior to the Watershed Planning Committee forwarding a recommendation to the board that a proposed Land Conservation and Conveyance Plan (LCCP) be adopted by the board, a notice will be mailed to the Board of Supervisors of the affected county; each affected city, town, and water supply entity; and each affected tribe and/or co-licensee.
 - Noticing of landowners: postcards or letters are sent to all landowners located within one mile of lands that are the subject of a proposed LCCP prior to the Watershed Planning Committee forwarding a recommendation to the board that the proposed LCCP be adopted by the board.
- Individual Meetings with Stakeholders: Over the course of the preparation of Volumes I and II of the Land Conservation Plan (LCP) and the LCCP, Stewardship Council staff met, and communicated via the telephone and email, with a number of stakeholders interested in the Watershed Lands.

Appendix 1: Summary of Public Outreach

- The Stewardship Council Board of Directors meets five to six times per year, typically on a bimonthly schedule. At the board meetings, the public is invited to directly address the board on an agenda item or on any other matter. The meetings have been held at locations in northern and central California and across the watershed lands to help facilitate public participation. Agendas are available one week prior to meetings, and meeting minutes are posted on the Stewardship Council public website approximately three weeks following those meetings.

BLUE LAKES PLANNING UNIT PUBLIC OUTREACH

Highlighted below are the opportunities that have been, or are being, provided for public input on key documents and decisions concerning the Blue Lakes planning unit and the land conservation and conveyance process.

I. PUBLIC REVIEW OF VOLUMES I AND II OF THE LCP

The Draft Land Conservation Plan Volumes I and II were released in June 2007 for a 60-day public comment period. During this time, the Stewardship Council held ten public meetings to publicize the availability of the Draft LCP and to encourage public comment. These meetings were advertised via an e-mail sent to contacts in the Stewardship Council's database, an announcement posted on the Stewardship Council's web site, a press release issued to local newspapers, a paid advertisement in local papers, and a postcard sent to all landowners on record that reside within one mile of any PG&E parcel. Comments were received via email, the website, and hardcopy letters. The comments were reviewed, and responded to individually; and the text in the draft LCP was revised as appropriate.

During public review of Volumes I and II of the LCP, 52 comments were submitted concerning the Blue Lakes planning unit. These comments were submitted by East Bay Municipal Utilities District (EBMUD) the Sierra Club, by Alpine County Board of Supervisors, and by an adjacent landowner. These comments are summarized as follows:

- Comments submitted by EBMUD requested changes to the LCP to reflect water quality as a public value and to include protecting water supplies as a management priority within the planning unit, as well as identify the Blue Lakes planning unit as the source water supply for several districts, agencies and Counties.
- Comments submitted on behalf of the Sierra Club indicated support for the US Forest Service as a fee recipient, the closure of unauthorized OHV trails, and general support for the measures presented in the LCP.
- Alpine County Board of Supervisors requested the County continue to be engaged in planning work, particularly related to any public closures of sensitive areas that may be proposed. Additionally the County articulated support for recreational improvements including additional trails and/or year round facilities (ski huts or kiosks), as well as fuel management plans.

Appendix 1: Summary of Public Outreach

- Remaining comments pertained to concerns around the closure of trails or roads for off-road vehicle use, support for protection of long-standing OHV use where sanctioned trails exist, concerns that measures intended to increase recreation and visitation may exceed the carrying capacity of the resources, as well as requested clarification around the LCPs proposed measures and references to the closure of OHV trails or other ‘unauthorized uses’.

II. NOTICING OF LANDOWNERS WITHIN ONE MILE

In the fall of 2006 a postcard was distributed to the approximately 26,000 landowners located within one mile of the exterior boundary of all the parcels to notify and invite comment on Volume I and II of the LCP. A postcard was also sent to notify and invite all landowners located within one mile of the parcels within the Blue Lakes planning unit to a Public Information Meeting that was held in Markleeville, California on October 8, 2009. In addition, simultaneous with the release of the proposed subject LCCP for public comment, adjacent landowners located within one mile of the subject parcels are noticed by mail 30 days before the Watershed Planning Committee considers forwarding the proposed subject LCCP to the board for final approval.

III. PUBLIC INFORMATION MEETING

A Public Information Meeting workshop for the Blue Lakes planning unit was hosted by the Stewardship Council on October 8, 2009 in Markleeville, California. Attendees at the workshop included a total of 18 individuals representing a wide variety of interests including local, state, federal, and tribal governments; and community organizations. The meeting was advertised via an e-mail sent to contacts in the Stewardship Council’s database, an announcement posted on the Stewardship Council’s web site, a press release issued to the local newspaper, and a postcard sent to all landowners on record located within one mile of any PG&E parcel associated with the Blue Lakes planning unit.

The purpose of the workshop was to: (1) provide an overview of the land conservation process; and, (2) solicit additional public input on future stewardship of the two planning units.

IV. PUBLIC REVIEW OF LAND CONSERVATION PROGRAM POLICIES & GUIDELINES

Public comment was sought on policies and guidelines that helped inform the Stewardship Council’s land conservation and conveyance process. These documents were provided to the public in advance of being reviewed and endorsed by the Watershed Planning Committee or Fiduciary Committee and forwarded to the board for review and consideration.

Land Conservation Program Funding Policy

The Stewardship Council created a Land Conservation Program Funding Policy to help guide future planning and decision-making regarding funding of the long term management and stewardship of the watershed lands. In June and July, 2009, the draft policy was posted on the Stewardship Council’s web site and made available for review and comment to a group of stakeholders consisting of all registered potential donees and representatives of the counties in which the watershed lands are located. Two comments were received during the 30-day review and comment period. Both comments were

Appendix 1: Summary of Public Outreach

reviewed, and it was determined that neither comment necessitated a change in the draft policy. The Stewardship Council's Board of Directors adopted the policy at a public board meeting in Sonora, Calif. on September 17, 2009.

Guidelines for Achieving Property Tax Neutrality

The Stewardship Council created guidelines for achieving property tax neutrality to describe scenarios when the Stewardship Council will make property tax payments to affected counties as in lieu payments for property taxes that are lost due to the donation of PG&E watershed lands to an entity that is exempt from paying property taxes. The guidelines also defined a set of overarching assumptions regarding property tax neutrality payments. The draft guidelines were posted on the Stewardship Council's web site in December 2010. A notice inviting review and comment on the guidelines was sent to the Stewardship Council's stakeholder database. Additional targeted outreach was performed to inform the affected counties. Nine comments were received during the 60-day review and comment period. After consideration of public comments, the Stewardship Council Board adopted a set of guidelines at its public board meeting on March 30, 2011.

Proposed methodology for achieving tax neutrality

The proposed methodology for achieving tax neutrality on donated lands was e-mailed to all land stakeholders and posted on Stewardship Council's website for public review and comment on January 9, 2012. The deadline for submission of comments was March 9, 2012. The Stewardship Council received one request to extend this deadline, which was granted. By the new deadline March 30, 2012, six comments were received. Upon consideration of the comments received, the Stewardship Council board deferred adoption of the full methodology until the June 27, 2012 board meeting so that the affected counties could be notified of the proposed change to the capitalization rate. No comments were received on the revised capitalization rate. The revised methodology was adopted by the board at its June 27, 2012 meeting.

V. WATERSHED PLANNING COMMITTEE RECOMMENDATIONS OF FEE TITLE AND CONSERVATION EASEMENT DONEES

Staff recommendations for prospective fee title donees and conservation easement holders that are endorsed by the Watershed Planning Committee are posted on the Stewardship Council's website for public review and comment. The proposed board action is noticed via an e-mail sent to contacts in the Stewardship Council's database. In addition, public board meetings are advertised via an e-mail sent to contacts in the Stewardship Council's database, an announcement posted on the Stewardship Council's web site, a press release issued to local papers, and an advertisement placed in local newspapers in the area where a board or public meeting is taking place or in communities that may have an interest in a particular topic on an upcoming meeting agenda. The board action taken is also noted in the meeting minutes that are posted on the Stewardship Council's website following each meeting.

Appendix 1: Summary of Public Outreach

All public comments received by staff concerning the fee and conservation easement recommendation at the Blue Lakes planning unit were provided to the board for consideration at the relevant public board meeting.

VI. PUBLIC REVIEW OF THE LAND CONSERVATION AND CONVEYANCE PLANS

The public is provided an opportunity to review and comment on the proposed Land Conservation and Conveyance Plans (LCCPs), and the comments received are shared with board members prior to the Watershed Planning Committee's forwarding the proposed LCCP to the board for its review and approval. The 30-day public review and comment periods are announced via an e-mail sent to contacts in the Stewardship Council's database, a posting on the Stewardship Council's web site, and an advertisement placed in local newspapers in communities that may have an interest in a particular planning unit. A notice inviting review and comment on the proposed LCCP is also sent to all landowners on record located within one mile of the subject PG&E parcels and to PG&E leaseholders. In addition, a notice is mailed to the board of supervisors of the affected county; each affected city, town, and water supply entity; and each affected tribe and/or co-licensee. After receiving public comment, the Watershed Planning Committee may make revisions to a proposed LCCP prior to forwarding a recommendation to the board.

VII. STEWARDSHIP COUNCIL BOARD OF DIRECTORS MEETINGS

Proposed LCCPs endorsed by the Watershed Planning Committee are posted on the Stewardship Council's website for additional public review and comment approximately 30 days prior to being considered by the board at a public board meeting. The posting of proposed LCCPs is advertised via an e-mail sent to contacts in the Stewardship Council's database. In addition, public board meetings are advertised via an e-mail sent to contacts in the Stewardship Council's database, an announcement posted on the Stewardship Council's web site, a press release issued to local papers, and an advertisement placed in local newspapers in the area where a board or public meeting is taking place or in communities that may have an interest in a particular topic on an upcoming meeting agenda. The board action taken is noted in the meeting minutes that are posted on the Stewardship Council's website following each meeting.

All public comments received will be provided to the board. There is also an additional opportunity for public comment at the public board meeting when the board considers approval of the proposed LCCP. Adoption of an LCCP by the board would be the final step in the Stewardship Council's process for selecting donees. The conservation easement donee is responsible for securing its own internal approvals prior to the transaction being completed. Transactions will be finalized upon LCCP review and transaction approval by the California Public Utilities Commission.

Draft for discussion purposes only
1/28/15

RECORDING REQUESTED BY
USDA Forest Service

WHEN RECORDED MAIL TO:
USDA Forest Service
Regional Land Adjustment Team
100 Forni Road
Placerville, CA 95667
Attn: Janice Gordon

REAL PROPERTY TRANSFER TAX \$ EXEMPT

Declared: Laurence Crabtree
Forest Supervisor
By and For: Forest Service (USDA)

LD _____

APNs: **[TO BE INSERTED WHEN LEGAL DESCRIPTION IS COMPLETE]**

GRANT DEED

I. CONVEYANCES

KNOW ALL MEN BY THESE PRESENTS, that, PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("Grantor"), hereby grants unto the UNITED STATES OF AMERICA ("Grantee") and its assigns, all those certain lots, pieces or parcels of land situate, lying and being in the County of Alpine State of California, more particularly described as follows (the "Property"):

[DESCRIPTION TO BE INSERTED AFTER SURVEY COMPLETE]

The acquiring agency is the Department of Agriculture, Forest Service. The Forest Service accepts the donation of the property as authorized by the Act of August 3, 1956 (7 U.S.C. § 428a(a)), the Wilderness Act of September 3, 1964 (16 U.S.C. § 1131 (note), and the Act of October 10, 1978 (7 U.S.C. § 2269).

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances thereunto belonging, or in anywise appertaining, and the reversion and reversions, remainder and remainders, rents, issues and profits thereof,

ALL SUBJECT TO (a) any applicable lien securing payment of real estate taxes and assessments; (b) all matters that would be disclosed by a physical inspection or survey of

Grant Deed
Blue Lakes Donation
APNs: **TBD**

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the Property or that are actually known to Grantee; (c) all contracts, leases, licenses, covenants, conditions, easements, restrictions, liens, encumbrances and other exceptions of record or unrecorded; (d) the terms and conditions of the Conservation Covenant attached hereto as Exhibit 1 (the "Conservation Covenant"); and (e) the terms and conditions of the Environmental Agreement attached hereto as Exhibit 2.

II. WATER RESTRICTION

Grantor grants APN 04-04-03, also known as Parcel **[PARCEL NUMBER TO BE INSERTED AFTER LEGAL DESCRIPTION COMPLETE]** and that portion of APN 04-01-03, also known as Parcel **[PARCEL NUMBER TO BE INSERTED AFTER LEGAL DESCRIPTION COMPLETE]**, that lies outside of the Mokelumne Wilderness boundary, as show on the **[USFS to enter map reference]** of the hereinabove described Property to Grantee, and Grantee accepts the grant of said APN 04-04-03, also known as Parcel **[PARCEL NUMBER TO BE INSERTED AFTER LEGAL DESCRIPTION COMPLETE]** and APN 04-01-03, also known as Parcel **[PARCEL NUMBER TO BE INSERTED AFTER LEGAL DESCRIPTION COMPLETE]** of the Property from Grantor, subject to the following restrictions (the "Restrictions"):

Grantee agrees that it shall not:

A. Divert or extract water from any surface water source, including but not limited to any river, stream, creek, channel, watercourse, underflow, spring, lake, pond, or reservoir on the Property ("Surface Water"), or otherwise exercise any water right to Surface Water:

1. For any of the following uses:

(a) Irrigation for agricultural use such as row crops, field crops, tree farms, irrigated pasture, or for landscape use; or

(b) Developed recreation, including campgrounds, day use areas, trailheads, visitor information centers, or stand-alone restrooms; or

(c) Administrative offices, fire stations, work centers, or crew living quarters;
or

(d) Mining or Municipal use; or

2. For any purpose that is not for direct use in protecting or enhancing the Beneficial Public Values of the Property as identified in the Conservation Covenant; or

Grant Deed
Blue Lakes Donation
APNs: TBD

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B. Sell, lease, transfer, or convey any rights to divert Surface Water or exercise any water right to Surface Water; or

C. License, permit, authorize, or allow any third-party to divert Surface Water or exercise any water right to Surface Water, except for:

1. Issuance of a permit to a grazing permittee for use of Surface Water, provided such use is consistent with the other terms and covenants of this Restriction; or,

2. Authorization for use of Surface Water for active fire suppression.

3. For use by a contractor during road maintenance or road construction activities.

No consent or waiver, express or implied, by Grantor to or of any breach of the above-stated Restrictions shall be construed as a consent or waiver to or of any other breach of the Restrictions.

III. MISCELLANEOUS

The provisions hereof shall inure to the benefit of and bind the successors and assigns of the respective parties hereto, and all covenants shall apply to and run with the Property.

The real property hereby conveyed is no longer necessary or useful to Grantor in the performance by it of its duties to the public.

The California Public Utilities Commission, in Decision No. _____, has approved transfer of the Property under State of California Public Utilities Code Section 851.

TO HAVE AND TO HOLD all and singular the said premises, together with the appurtenances, unto the United States of America and its assigns forever.

[Signature page follows]

Appendix 2: Grant Deed

Draft for discussion purposes only
1/28/15

IN WITNESS WHEREOF, **Pacific Gas and Electric Company**, a California corporation, has
hereunto set its hand this _____ day of _____, 20__.

Pacific Gas and Electric Company

By _____

Its _____

Grant Deed
Blue Lakes Donation
APNs: **TBD**

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[Administrative Block for PG&E Reference Only]

The Area, Region or Location (operating area): **[REDACTED]**
Land Service Office: **Fresno**
Operating Department (either or all - distribution, gas transmission, electric transmission hydro, DCCP, etc.): **[REDACTED]** Hydro
USGS location (MERIDIAN and T, R, S, & QQ): **[REDACTED]**
FERC License Number(s): **[REDACTED]**
PG&E Drawing Number(s): **[REDACTED]**
PLAT NO.: **[REDACTED]**
LD of any affected documents (if applicable): TBD
LD of any Cross-referenced documents (if applicable): **[REDACTED]**
TYPE OF INTEREST (use the number codes): **[REDACTED]**
SBE Parcel Number (if applicable, most current and complete #, i.e. 135-01-007-Pcl 4)
Order # or PM #: **[REDACTED]**
JCN: **[REDACTED]**
County: Amador
Utility Notice Numbers (if applicable): **[REDACTED]**
851 Approval Application No. TBD Decision TBD
Prepared By: **[REDACTED]**
Checked By: **[REDACTED]**

Draft for discussion purposes only
1/28/15

This deed is correct as to the description, consideration and conditions.

By _____ Date: _____
Janice Gordon
Realty Specialist
Regional Land Adjustment Team
Forest Service, Pacific Southwest Region

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the attached Grant Deed in favor of the UNITED STATES OF AMERICA, is hereby accepted by the undersigned officer on behalf of the United States of America pursuant to authority granted by the Act of August 3, 1956 (7 U.S.C. § 428a(a)), the Wilderness Act of September 3, 1964 (16 U.S.C. §1131 (note)), and the Act of October 10, 1978 (7 U.S.C. § 2269) and the Grantee consents to the recordation thereof.

Authorized Officer _____ Date: _____
Laurence Crabtree
Forest Supervisor,
Eldorado National Forest

Appendix 2: Grant Deed

Draft for discussion purposes only
1/28/15

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

Appendix 3: Conservation Covenant

RECORDING REQUESTED BY:
U.S. Department of Agriculture
Forest Service

WHEN RECORDED MAIL TO:
Sierra Nevada Conservancy
11521 Blocker Drive, Suite 205
Auburn, CA 95603

APNs 04-01-03 (portion); 04-04-03

CONSERVATION COVENANT

THIS CONSERVATION COVENANT (“Covenant”) is made and entered into this _____ day of _____, 20____ by and between the Sierra Nevada Conservancy (“Conservancy”), an agency of the State of California, and the United States of America (“United States”), acting by and through the United States Forest Service (“USFS”).

RECITALS

A. The United States is the owner of approximately 430 acres of real property located in the County of Alpine (the "County"), State of California, as more particularly described in the attached Exhibit A (the “Property”). The Property is located within the watersheds of Blue Creek and Deer Creek, tributaries of the North Fork Mokelumne River.

B. Pacific Gas and Electric Company, a California corporation (“PG&E”), transferred fee title in the Property to the United States by Grant Deed, recorded in the Official Records of the County of Alpine, on _____, 20____, as Instrument Number _____ (the “Grant Deed”), subject to the restrictions as set forth in the Grant Deed. PG&E transferred fee title to the Property to the United States in connection with PG&E’s implementation of the “Land Conservation Commitment” provided for in the following documents and described more fully below:

(1) That certain Settlement Agreement (the “Settlement Agreement”) as modified and approved by the Public Utilities Commission of the State of California (the “Commission”) in its Opinion and Order of December 18, 2003 (Decision 03-12-035); and

(2) That certain Stipulation Resolving Issues Regarding the Land Conservation Commitment dated September 25, 2003 (the “Stipulation”).

Appendix 3: Conservation Covenant

C. The Settlement Agreement and the Stipulation (collectively, the “Governing Documents”) require PG&E to ensure that approximately 140,000 acres of watershed lands owned by PG&E as of the effective date of the Governing Documents (collectively, the “Watershed Lands”) are conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants; the preservation of open space; outdoor recreation by the general public; sustainable forestry; agricultural uses; and historic values (collectively, the “Beneficial Public Values”). The Property is included in the Watershed Lands.

D. Pursuant to the Governing Documents, the Pacific Forest and Watershed Lands Stewardship Council, a California nonprofit public benefit corporation (the “Stewardship Council”), was created to oversee and carry out the Land Conservation Commitment. Pursuant to the Governing Documents, the Stewardship Council developed a plan for protection of the Watershed Lands (the “Land Conservation Plan” or “LCP”). The LCP includes, among other things, objectives to preserve and/or enhance the Beneficial Public Values identified on each parcel of Watershed Lands, including the Property.

E. The Conservancy is authorized to carry out projects and activities to further the purposes of the Laird-Leslie Sierra Nevada Conservancy Act, Division 23.3 of the California Public Resources Code, and, among other things, is authorized to acquire and hold interests in real property pursuant to California Public Resources Code Sections 33347 and 33352. The Conservancy is further authorized, as an entity described in California Civil Code Section 815.3(b), to hold a “conservation easement” as defined in Civil Code Section 815.1.

F. The State of California (the “State”) is the owner, in fee simple, of certain lands located within the general vicinity of the Property, all of which will benefit from the conservation of the Property predominantly in its natural, scenic, forested and open-space condition (the “Benefited Properties”). The Benefited Properties are more particularly described in Exhibit B, attached hereto and incorporated herein by this reference.

G. By this instrument, the parties desire to create a Covenant providing for the permanent protection of the Property’s natural resources, and for the retention of the Property predominantly in its natural, scenic, historical, agricultural, forested, and/or open-space condition. The parties intend that the Covenant created hereby shall run with and burden the Property in perpetuity, binding the USFS and its successors as the owners of the Property, benefiting the State as owner of the Benefited Properties, and enforceable by the State acting by and through the Conservancy (or any lawful successor agency).

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and pursuant to the laws of the United States and the State of California, the parties agree as follows:

Appendix 3: Conservation Covenant

1. **Covenants and Conditions.** In order to promote the perpetual use of the Property herein described for scenic and natural purposes including, where appropriate, provisions for open space and resource utilization, it is agreed that the Property:

(a) Shall be managed by the USFS for public uses and protection of natural resources as a component of the National Forest System and subject to the laws and regulations applicable thereto;

(b) Shall be managed by the USFS in conformity with a land and resource management plan ("LRMP") prepared with public involvement pursuant to the National Forest Management Act (90 Stat. 2949) and other applicable laws, including full compliance with the National Environmental Policy Act (83 Stat. 852) and the Multiple Use Sustained Yield Act (74 Stat. 215).

(c) [This paragraph is applicable only to that portion of Parcel Two (of the Property described in Exhibit A) located within the boundary of the Mokelumne Wilderness Area] -- Shall be managed in accordance with the Wilderness Act of 1964 (78 Stat. 890), including the requirements that there shall be no commercial enterprise and no permanent roads except as necessary to meet minimum requirements for the administration of the area for wilderness including measures required in emergencies involving the health and safety of persons within the area; and no temporary roads; no use of motor vehicles, motorized equipment or motorboats; no landing of aircraft; no other form of mechanical transport, and no structure or installation;

(d) Shall be open to the public for outdoor recreation such as hiking, camping, hunting and fishing, subject to reasonable regulations and state fish and game laws and consistent with the long-term protection of the natural resources on the Property;

(e) Shall be managed for wildlife and fish habitat purposes consistent with other multiple uses as identified in the LRMP, including full compliance with the Endangered Species Act (87 Stat. 884);

(f) Shall be managed for agricultural values such as forage and for sustainable forestry on suitable lands in accordance with the LRMP, LRMP standards and other applicable laws and regulations.

(g) Shall be managed to protect historic, cultural and archaeological resources in conformity with the National Historic Preservation Act (80 Stat. 915), and the Archaeological Resources Protection Act (93 Stat. 721);

(h) Shall have acquired status under the Weeks Act of 1911 (36 Stat. 961) and, therefore, shall not be open to location and entry under the mining laws of the United States;

Appendix 3: Conservation Covenant

(i) Shall be subject to the above referenced laws, and others generally applicable to the National Forest System, as such laws may be amended by Congress from time to time.

The United States hereby agrees that the foregoing provisions affecting the use of the Property, and all of the other terms, conditions, and restrictions set forth below, shall be binding upon and inure to the benefit of the parties and their respective successors in interest, and shall constitute a restriction running with the Property in perpetuity, enforceable by the State, acting by and through the Conservancy or any lawful successor agency, for the benefit of the Benefited Properties, pursuant to California Civil Code section 1468.

2. **Disposal of the Property.** Before relinquishing title to the Property through exchange, sale or other means of disposal, the United States, acting by and through the USFS, will transfer a conservation easement over and upon the Property to, as the case may be: (a) the Conservancy, (b) the Conservancy's then-existing lawful successor agency, or (c) such other public agency as may be designated by the Conservancy or its lawful successor agency. The said conservation easement shall assure perpetual protection of the Property equivalent to the protections provided for in this Conservation Covenant. Upon conveyance of the said conservation easement, this Conservation Covenant will be dissolved and have no further force and effect.

3. **Dispute Resolution.** In the event of a disagreement or dispute related to this Covenant, the parties hereto agree first to seek an administrative resolution of the dispute by meeting first with field staff and thereafter elevating the matter for meetings with upper management, prior to resorting to legal action for enforcement of the Covenant. For the USFS, the first meeting will involve USFS Ranger Unit staff, next the matter will be elevated to the appropriate Forest Supervisor and, thereafter, if necessary, to the Regional Forester. For the Conservancy, the first meeting will involve field staff, next the matter will be elevated to the appropriate Program Manager, and thereafter, if necessary, to the Executive Officer. Each party shall bear its own costs for participation in the administrative dispute resolution (ADR) process. Unless the parties agree otherwise, at a minimum the ADR process will consist of the following: The party claiming a breach or failure of the Covenant will give written notice detailing such breach or failure and suggestions for cure of the breach or failure to the other party. The first meeting of the parties to resolve the matter shall occur no later than 30 days after the receipt of the notice, and subsequent meetings elevating the matter within the management hierarchy shall occur as soon as reasonably practicable, but no later than 30 days after the first meeting; provided, however, that if the complaining party believes there is an imminent risk of serious harm to natural resources resulting from the dispute, then it shall so notify the other party and only one meeting involving top level management shall be required before either party may seek enforcement in a court action. If after completion of this administrative process, a dispute remains, then either party may seek relief in a court of competent jurisdiction.

4. **Amendment to Land and Resource Management Plan.** The USFS shall amend the LMRP and incorporate language into the management area descriptions that

Appendix 3: Conservation Covenant

states that the Property was donated to ensure the permanent protection of the Property's natural resources. The amendment will include the objectives for the protection of the Beneficial Public Values identified in the Stewardship Council's Land Conservation Plan, and will reference this Covenant. The amendment will also require notification as addressed below and require that all future amendments to the LRMP (and any successor management plan thereto) provide reference to this Covenant. In addition, the objectives set forth in the Land Conservation Plan for the protection of the Beneficial Public Values shall be carried forward into all future amendments to the LRMP and any successor management plans thereto. This Covenant's recording information shall be included in the LRMP revision (and applicable amendments) to assure perpetual access to the intent of this donation.

5. **Right to Monitor.** The Conservancy has the right to enter and to monitor the Property for compliance with the terms of this Covenant.

6. **Notification.** The USFS shall provide the Conservancy reasonable advance written notice of any proposal to amend or revise the LRMP or any other management plans or documents relating to the management or use of the Property and shall provide the Conservancy with the opportunity to fully participate in such planning process as an interested party. In any public proceedings respecting any proposed modification to the LRMP or any other management plan or document relating to the management or use of the Property, USFS shall fully disclose and describe the existence of this Covenant and the intentions of the Stewardship Council to effect the permanent protection of the Beneficial Public Values of the Property in connection with PG&E's donation of the Property to the United States. Without limiting the foregoing, it is understood and agreed that no modification to the LRMP shall be made unless and until USFS has publicly disclosed the intention of PG&E to effect the permanent protection of the lands herein conveyed.

7. **Recording.** This Covenant will be recorded in the Official Records of the County in which the Property is located. Two duplicate original copies of this Covenant will be executed. Each signatory will receive one original for its records.

IN WITNESS WHEREOF the parties have executed this Covenant as of the day and year first above written.

SIERRA NEVADA CONSERVANCY, an agency of the State of California	UNITED STATES OF AMERICA
By: _____ (Name) (Title)	By: _____ RAMIRO VILLALVAZO Director, Public Services Pacific Southwest Region USDA - Forest Service

Appendix 3: Conservation Covenant

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of _____

On _____ before me, _____,
(insert name and title of the officer)

personally appeared _____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s)
is/are subscribed to the within instrument and acknowledged to me that he/she/they executed
the same in his/her/their authorized capacity(ies), and that by his/her/their signature on the
instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the
instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary Public

(Notary Seal)

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of _____

personally appeared _____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s)
is/are subscribed to the within instrument and acknowledged to me that he/she/they executed
the same in his/her/their authorized capacity(ies), and that by his/her/their signature on the
instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the
instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary Public

(Notary Seal)

EXHIBIT “A”

Property of the United States

The land described herein is situated in the State of California, County of Alpine, unincorporated area, and is described as follows: **Note -- the legal descriptions for Parcels One and Five are preliminary and will be finalized following completion of surveys.**

PARCEL ONE

All that certain parcel of land situate in Section 12 and Section 13, Township 9 North, Range 18 East, Mount Diablo Base and Meridian, as recorded June 22, 1895 in Book G, Page 467 of Deeds of the County of Alpine, State of California, particularly described therein as follows:

South one-half of the Northwest one-quarter, the West one-half of the Southwest one-quarter and Lots Three (3) and Four (4) of said Section 12; and the Northwest one-quarter of the Northwest one-quarter and Lot One (1) of said Section 13..

PARCEL TWO

All that certain parcel of land situate in Section 13, Township 9 North, Range 18 East, Mount Diablo Base and Meridian, as recorded September 20, 1905 in Book I, Page 66 of Deeds of the County of Alpine, State of California, particularly described therein as follows:

Southwest one-quarter of the Northwest one-quarter of said Section 13.

PARCEL THREE

All that certain parcel of land situate in Section 12, Township 9 North, Range 18 East, Mount Diablo Base and Meridian, as recorded March 12, 2001 in Book 91, Page 1019 of Official Records of the County of Alpine, State of California, particularly described therein as follows:

South one-half of the Northeast one-quarter of said Section 12..

PARCEL FOUR

All that certain parcel of land situate in Section 28 and Section 27, Township 9 North, Range 19 East, Mount Diablo Base and Meridian, as recorded October 17, 1949 in Book F, Page 13, Official Records of the County of Alpine, State of California, particularly described therein as follows:

The Northeast one-quarter of the Southeast one-quarter of said Section 28 and the , Northwest one-quarter of Southwest one-quarter of said Section 27.

PARCEL FIVE

All that certain parcel of land situate in Section 13, Township 9 North, Range 18 East, Mount Diablo Base and Meridian, as recorded September 20, 1905 in Book I, Page 66, of Deeds of the County of Alpine, State of California, particularly described therein as follows:

The Northeast one-quarter of the Southeast one-quarter of said Section 13.

EXHIBIT “B”

Description of the Benefited Properties

(SNC to identify/describe properties)

DRAFT



PROPERTY TAX NEUTRALITY METHODOLOGY

INTRODUCTION

The Settlement Agreement¹ and Stipulation² that established the Land Conservation Commitment require that the Land Conservation Plan being developed by the Stewardship Council provide property tax revenue, other equivalent revenue source, or a lump sum payment, so that the totality of dispositions in each affected county will be “tax neutral” for each county. Section 4.3 of Volume I of the Land Conservation Plan (LCP) adopted by the Stewardship Council in November 2007 described the Stewardship Council’s potential strategies and anticipated approach to achieving property tax neutrality at a programmatic level.

More recently, on September 17, 2009, the Stewardship Council adopted a funding policy. This policy further clarified the Stewardship Council’s approach to property tax neutrality and identified several potential vehicles to achieving this requirement. On March 30, 2011, the Stewardship Council adopted a set of guidelines which describe scenarios in which the Stewardship Council will make property tax payments to affected counties and further defined a set of overarching assumptions regarding property tax neutrality payments.

Table 1 below lists the estimated acreage and annual property taxes associated with PG&E watershed lands which are available for donation as of September 2011. The estimated total tax liability that would be subject to tax neutrality will depend upon the total acreage transferred, and the types of organization receiving lands.

COUNTY	Total Acres	Total Taxes (\$)	Acres Available for Donation	Taxes on Lands Avail. (\$)
Alpine	1,983	\$26,995	965	\$6,449
Amador	4,891	\$45,916	3,238	\$25,493
Butte	8,029	\$75,706	6,449	\$55,539
Calaveras	318	\$2,699	230	\$1,643
Fresno	1,527	\$26,917	342	\$3,552
Kern	664	\$1,734	0	\$0
Lake	5,271	\$116,467	3,355	\$80,975

¹ *Opinion Modifying the Proposed Settlement Agreement of Pacific Gas & Electric Company, PG&E Corporation and the Commission Staff, and Approving the Modified Settlement Agreement*, December 18, 2003:

http://www.stewardshipcouncil.org/documents/Settlement_Agreement.pdf

² *Stipulation Resolving Issues Regarding the Land Conservation Commitment*, September 25, 2003:

http://www.stewardshipcouncil.org/documents/Stipulation_Agreement.pdf



COUNTY	Total Acres	Total Taxes (\$)	Acres Available for Donation	Taxes on Lands Avail. (\$)
Madera	2,016	\$181,650	686	\$64,396
Mendocino	2,112	\$28,181	1,799	\$22,252
Nevada	10,651	\$107,895	4,889	\$39,128
Placer	7,846	\$356,996	5,587	\$179,825
Plumas	38,094	\$304,316	4,935	\$113,228
Shasta	46,989	\$296,123	36,191	\$178,510
Tehama	1,946	\$8,839	1,564	\$4,422
Tuolumne	1,840	\$28,470	1,040	\$11,368
Yuba	41	\$612	41	\$612
Grand Total	134,216	\$1,609,516	71,310	\$787,392

PURPOSE OF PROPOSED METHODOLOGY

The purpose of this methodology is to establish a standard payment process when lands are transferred to organizations that are exempt from paying property taxes. The following methodology will be applied to all counties which experience a loss in property tax revenues due to a recommended donation of fee title as part of the Stewardship Council's Land Conservation Commitment.

DETERMINING TAX NEUTRALITY PAYMENT AMOUNT

Following the Stewardship Council approval of a fee-title donation, the Stewardship Council will work with the affected county to calculate the payment amount for inclusion in the Stewardship Council's Land Conservation and Conveyance Plan (LCCP).

1. Using the legal description and/or survey of lands identified for transfer to an organization which is exempt from paying property taxes, the Stewardship Council and PG&E will prepare an estimate of the annual taxes on lands to be donated.
2. The reduction in annual taxes caused by the donation of acres to organizations exempt from property tax will constitute the "Annual Base Value" for the funding calculation.
3. The county will select either the lump-sum or annual payment option (described below) for the selected fee-title donation and communicate their preference in writing to the Stewardship Council.
4. The Stewardship Council will provide a draft funding agreement for county review and approval using the Annual Base Value and payment option. The draft funding agreement



is expected to include, among other items, the following acknowledgements by the county:

- a. Payment by the Stewardship Council satisfies the tax neutrality requirement as specified in the Settlement and Stipulation for the subject fee-title donation.
 - b. The county has issued (or will not reasonably withhold) a Welfare Tax Exemption for the new landowner, if required.
 - c. The county will agree to distribute the lump-sum or annual payment to the applicable special districts as dictated in the relevant Tax Rate Area at the time of payment. In consideration for the additional administrative responsibility of the county to set up the process to allocate payments to special districts, the Stewardship Council will provide a one-time reimbursement of up to \$3,000 of the county cost to perform such activities.
5. The proposed funding agreement that has been deemed acceptable by the county as evidenced by a certified board resolution will be included in the Stewardship Council's Land Conservation and Conveyance Plan (LCCP). In turn, the LCCP will be attached to PG&E' Section 851 filing with the California Public Utilities Commission, wherein PG&E will seek regulatory approval of the proposed fee title donation. If assessed values on the lands recommended for donation change prior to the transfer of land, the Stewardship Council will revise the payment calculation included in the proposed funding agreement prior to its execution by the parties.
6. Immediately following the transfer of lands, the Stewardship Council and the county will execute the funding agreement and the Stewardship Council will fund the settlement amount according to the terms of the funding agreement as described in number 4 above.

OPTIONS FOR FUNDING PROPERTY TAX NEUTRALITY PAYMENTS

The Stewardship Council is presenting two options for making tax neutrality payments: (1) a one-time lump-sum payment; or, (2) funding of an independent trustee to continue annual payments in lieu of taxes.

Lump-sum payment

Lump-sum payments in satisfaction of property tax neutrality would be calculated based upon the net present value of the Annual Base Value at the time that lands are removed from the property tax rolls. The lump-sum payment will be calculated using a discounted cash flows analysis for perpetual payment streams, otherwise known as a Capitalization Rate (Cap Rate).

The Cap Rate calculation requires an assumption of a long-term rate of return on comparable investments, and a long-term inflation rate. In order to develop a Cap Rate for a lump-sum payment, the Stewardship Council considered multiple long-term inputs, including long term equity and fixed income returns (Dow Jones Industrial Average, S&P 500, U.S. Treasury,



CalPERS), weighted average borrowing costs for subject counties, and discount rate assumptions for pension and other post-employment benefits.

Based upon the analysis described above, **the Stewardship Council is offering counties a Cap Rate of 4.0%** to be used in the calculation of a lump-sum payment in satisfaction of property tax neutrality. The calculation for arriving at a lump-sum payment is as follows:

$$\text{Lump Sum Value} = \text{Annual Base Value} \div 4.0\%$$

The following table provides an example of the application of the Cap Rate to various Annual Base Values:

Annual Base Value	\$500	\$1,000	\$5,000	\$10,000
Lump Sum at 4.0%	\$12,500	\$25,000	\$125,000	\$250,000

Lump-sum payments would be allocated based upon the applicable Tax Rate Area at the time of payment. The Stewardship Council envisions making these lump-sum payments as unrestricted payments in lieu of property taxes, subject to the distribution method described in section 4.c above. Counties and special districts would be free to determine the best use of the funds pursuant to the needs of the county or special district, including, if desired investment in a shared investment pool of the county's choosing.

Annual payments

The Stewardship Council is in negotiations with a professional investment manager to act as investment manager and trustee for an endowment to support the management and monitoring of conservation covenants after the Stewardship Council's anticipated dissolution in 2016 or thereafter. The Stewardship Council is prepared to make this arrangement available to counties which prefer to receive an annual payment in lieu of property taxes on lands which are removed from the tax rolls.

Under this structure, the Stewardship Council will make a contribution to an endowment account which would be designed to generate enough income to compensate for the lost property tax revenues and pay for annual investment management and trustee fees. The contribution to the endowment account would be calculated based upon the Annual Base Value for lands approved for donations and the expected payout ratio of 4%.

Annual payments out of the endowment account will be calculated based upon a rolling 20 quarter average of the account's ending balance³. The practice of calculating payments based

³ During the initial four years, the trustee will calculate payments based upon the number of available quarters (e.g. year 1 – rolling 4 quarters, year 2 – rolling 8 quarters, etc.)



upon a rolling average (smoothing) has been shown to reduce the number of significant declines in annual distributions, and increase the total value of payments and invested assets⁴.

Annual payments to counties would be allocated based upon the applicable Tax Rate Area at the time of payment by the receiving county. The Stewardship Council envisions making these annual payments as unrestricted payments in lieu of property taxes, subject to the distribution method described in section 4.c above. Counties and special districts would be free to determine the best use of the funds pursuant to the needs of the county or special district.

Participating counties would be enrolled in a common service model in the investment management account. All counties would share a common investment policy and investment management agreement. Funds will be invested in a commingled account, with the investment manager providing an individual accounting to each individual county.

Considerations of the Annual Payment Approach

The viability of the annual payment option is subject to a level of participation by the counties which meets the minimum account size (estimated at \$1 million).

Under this approach annual payments may exceed the original Annual Base Value in some years, and be lower in others, as the payment amount is reliant upon the ending market value of the account.

The Stewardship Council's transaction process is expected to occur serially, over the span of several years. It is likely that the viability and pricing of the annual payment approach will not be known for the initial transactions. Therefore, the Stewardship Council may make the initial annual payments directly to counties until the minimum account size is reached.

Please see Appendix A for more details on the annual payment option.

⁴ Smarter Giving for Private Foundations, AllianceBernstein, https://www.alliancebernstein.com/Research-Publications/Black-Books/Foundations-and-Endowments/Stories/Foundations_BlackBook.htm



Appendix A Annual Payment Details

TRUSTEE SELECTION

The Stewardship Council is performing due diligence for the selection of an investment manager and trustee to administer the trust account for annual payments to counties. Selection will be based upon many factors, including (but not limited to): organization history and reputation, investment management experience, fee structure, and administrative capabilities. Additional information on the selection process can be provided upon request.

Trustee's Responsibilities:

Upon the Stewardship Council's funding of the trust account, the trustee would assume all responsibilities for making annual payments to counties in lieu of property taxes, including:

Trust administration

- Interpret the trust document.
- Distribute trust assets according to the trust document.
- Perform principal and income accounting.
- Prepare and file tax returns.
- Address specific beneficiary issues, reporting, etc.

Investment management

- Invest the trust portfolio assets objectively for the benefit of all interested parties.
- Manage portfolio assets in a tax-efficient and tax-effective manner.
- Review investment performance to ensure the portfolio is meeting the established goals and objectives.

THE ANNUAL PAYMENT STRUCTURE

Using the inputs described in the term sheet, the Stewardship Council will make a contribution to the trust account on behalf of the participating county. The following example illustrates the funding and payout process.

EXAMPLE: Calculation of Contribution to Trust Account

Annual Base Value:	\$5,000 per year
Annual Payout Percentage:	4.00%
Contribution Calculation:	$\$5,000 \div 0.04 = \$125,000$



The actual annual payout is dependent upon the following factors:

Annual Rate of Return: The annual rate of return will depend upon investment selections and market and economic performance. While past results are not an accurate predictor of future results, the annual return of the S&P 500 has averaged approximately 9%-10% since 1925¹.

Estimated Annual Fees: Annual investment management and trust administration fees will be deducted from the account and are expected to be approximately 1% - 2%, depending upon the selected investment manager and trustee.

As envisioned, the trustee will make annual payments based upon a rolling 20 quarter average of the account balance². The practice of calculating payments based upon a rolling average (smoothing) has been shown to reduce the number of significant declines in annual distributions, and increase the total value of payments and invested assets³. However, this does not guarantee against the possibility of losses in investment principal resulting in payments in some years being less than the county would have otherwise received from property taxes.

The following examples illustrate the payment methodology in two theoretical scenarios.

Scenario A shows anticipated annual payments to a county with a stable rate of return. While it is unrealistic to expect no volatility in investment returns, Scenario A shows that the growth in annual payments should keep pace with, or exceed annual inflation, when invested in a balanced portfolio⁴.

Scenario B shows actual market returns for the S&P 500 index from 1980 to 2010. While historical returns do not predict future performance, the time period in Scenario B provides a more realistic assumption of variability in stock market returns. Please note that the proposed investment portfolio would not include a 100% allocation to the S&P 500 or to equities. A model portfolio would include diversification among equities (small cap, large cap, international) and fixed income investments. This diversification would likely reduce the estimated annual return and reduce volatility.

Please note that both of the scenarios are provided for illustrative purposes only and do not constitute a prediction of future performance on behalf of the Stewardship Council or the prospective investment manager.

¹ Based upon Historical Average Return of the S&P 500 index 1925-2010.

http://apps.finra.org/investor_information/smart/401k/401104.asp

Past performance does not guarantee future results.

² During the initial four years, the trustee will calculate payments based upon the number of available quarters (e.g. year 1 – rolling 4 quarters, year 2 – rolling 8 quarters, etc.).

³ Smarter Giving for Private Foundations, AllianceBernstein, https://www.alliancebernstein.com/Research-Publications/Black-Books/Foundations-and-Endowments/Stories/Foundations_BlackBook.htm

⁴ Bureau of Labor Statistics, CPI Rate: Jan 1913 to Nov 2011 http://www.bls.gov/data/inflation_calculator.htm

**Scenario A: \$125,000 earning a stable return⁵**

Year	Beginning Balance	Annual Return %	Annual Return \$	Annual Distribution (4%)	Fees -1%	Ending Balance
0	125,000	9.00%	11,250	-	(1,250)	135,000
1	135,000	9.00%	12,150	(5,400)	(1,350)	140,400
2	140,400	9.00%	12,636	(5,508)	(1,404)	146,124
3	146,124	9.00%	13,151	(5,620)	(1,461)	152,194
4	152,194	9.00%	13,697	(5,737)	(1,522)	158,632
5	158,632	9.00%	14,277	(5,859)	(1,586)	165,464
6	165,464	9.00%	14,892	(6,103)	(1,655)	172,598
7	172,598	9.00%	15,534	(6,360)	(1,726)	180,046
8	180,046	9.00%	16,204	(6,631)	(1,800)	187,818
9	187,818	9.00%	16,904	(6,916)	(1,878)	195,927
10	195,927	9.00%	17,633	(7,215)	(1,959)	204,387
11	204,387	9.00%	18,395	(7,526)	(2,044)	213,211
12	213,211	9.00%	19,189	(7,851)	(2,132)	222,417
13	222,417	9.00%	20,018	(8,190)	(2,224)	232,020
14	232,020	9.00%	20,882	(8,544)	(2,320)	242,038
15	242,038	9.00%	21,783	(8,913)	(2,420)	252,489
16	252,489	9.00%	22,724	(9,297)	(2,525)	263,390
17	263,390	9.00%	23,705	(9,699)	(2,634)	274,763
18	274,763	9.00%	24,729	(10,118)	(2,748)	286,626
19	286,626	9.00%	25,796	(10,554)	(2,866)	299,002
20	299,002	9.00%	26,910	(11,010)	(2,990)	311,912
21	311,912	9.00%	28,072	(11,486)	(3,119)	325,379
22	325,379	9.00%	29,284	(11,981)	(3,254)	339,428
23	339,428	9.00%	30,549	(12,499)	(3,394)	354,084
24	354,084	9.00%	31,868	(13,038)	(3,541)	369,372
25	369,372	9.00%	33,243	(13,601)	(3,694)	385,320
26	385,320	9.00%	34,679	(14,189)	(3,853)	401,957
27	401,957	9.00%	36,176	(14,801)	(4,020)	419,313
28	419,313	9.00%	37,738	(15,440)	(4,193)	437,417
29	437,417	9.00%	39,368	(16,107)	(4,374)	456,304
30	456,304	9.00%	41,067	(16,802)	(4,563)	476,005

⁵ Annual return based upon historical performance of the S&P 500 index 1925-2010. These figures are provided for illustrative purposes only and do not constitute a prediction of future performance on behalf of the Stewardship Council or the prospective investment manager.

**Scenario B: \$125,000 at historical S&P 500 returns⁶**

Year	Beginning Balance	Annual Return %	Annual Return \$	Annual Distribution (4%)	Fees (1%)	Ending Balance
1980	125,000	25.8%	32,213	0	(1,250)	155,963
1981	125,000	-9.7%	(12,163)	(6,239)	(1,250)	105,349
1982	105,349	14.8%	15,550	(4,214)	(1,053)	115,631
1983	115,631	17.3%	19,969	(4,420)	(1,156)	130,025
1984	130,025	1.4%	1,820	(4,680)	(1,300)	125,865
1985	125,865	26.3%	33,140	(4,769)	(1,259)	152,977
1986	152,977	14.6%	22,365	(5,039)	(1,530)	168,774
1987	168,774	2.0%	3,426	(5,546)	(1,688)	164,966
1988	164,966	16.6%	27,401	(5,941)	(1,650)	184,777
1989	184,777	31.7%	58,556	(6,379)	(1,848)	235,106
1990	235,106	-3.1%	(7,288)	(7,253)	(2,351)	218,214
1991	218,214	30.5%	66,490	(7,775)	(2,182)	274,747
1992	274,747	7.6%	20,936	(8,622)	(2,747)	284,313
1993	284,313	10.1%	28,659	(9,577)	(2,843)	300,551
1994	300,551	1.3%	3,967	(10,503)	(3,006)	291,009
1995	291,009	37.6%	109,361	(10,951)	(2,910)	386,510
1996	386,510	23.0%	88,743	(12,297)	(3,865)	459,090
1997	459,090	33.4%	153,152	(13,772)	(4,591)	593,880
1998	593,880	28.6%	169,731	(16,248)	(5,939)	741,424
1999	741,424	21.0%	155,996	(19,775)	(7,414)	870,230
2000	870,230	-9.1%	(79,191)	(24,409)	(8,702)	757,927
2001	757,927	-11.9%	(90,118)	(27,380)	(7,579)	632,850
2002	632,850	-22.1%	(139,860)	(28,770)	(6,329)	457,891
2003	457,891	28.7%	131,369	(27,683)	(4,579)	556,999
2004	556,999	10.9%	60,601	(26,207)	(5,570)	585,823
2005	585,823	4.9%	28,764	(23,932)	(5,858)	584,797
2006	584,797	15.8%	92,339	(22,547)	(5,848)	648,741
2007	648,741	5.5%	35,616	(22,674)	(6,487)	655,196
2008	655,196	-37.0%	(242,423)	(24,252)	(6,552)	381,969
2009	381,969	26.5%	101,069	(22,852)	(3,820)	456,366
2010	456,366	15.1%	68,729	(21,817)	(4,564)	498,715
Annualized Return :		9.6%	(1980-2010)			

⁶ Annual return based upon historical performance of the S&P 500 index 1980-2010. These figures are provided for illustrative purposes only and do not constitute a prediction of future performance on behalf of the Stewardship Council or the prospective investment manager.

APPENDIX E
LAND CONSERVATION COMMITMENT**STATEMENT OF PURPOSE**

PG&E shall ensure that the Watershed Lands it owns and Carizzo Plains are conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants, the preservation of open space, outdoor recreation by the general public, sustainable forestry, agricultural uses, and historic values. PG&E will protect these beneficial public values associated with the Watershed Lands and Carizzo Plains from uses that would conflict with their conservation. PG&E recognizes that such lands are important to maintaining the quality of life of local communities and all the people of California in many ways, and it is PG&E's intention to protect and preserve the beneficial public values of these lands under the terms of any agreements concerning their future ownership or management.

PG&E Environmental Enhancement Corporation will develop a plan for protection of these lands for the benefit of the citizens of California. Protecting such lands will be accomplished through either (1) PG&E's donation of conservation easements to one or more public agencies or qualified conservation organizations consistent with these objectives, or (2) PG&E's donation of lands in fee to one or more public entities or qualified conservation organizations, whose ownership would be consistent with these conservation objectives.

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COMMITMENTS

1. **PG&E Shall Place Permanent Conservation Easements on or Donate Watershed Lands:** The Watershed Lands and Carizzo Plains shall (1) be subject to permanent conservation easements restricting development of the lands so as to protect and preserve their beneficial public values, and/or (2) be donated in fee simple to one or more public entities or qualified non-profit conservation organizations, whose ownership will ensure the protection of these beneficial public values. PG&E will not be expected to make fee simple donations of Watershed Lands that contain PG&E's or a joint licensee's hydroelectric project features. In instances where PG&E has donated land in fee, some may be sold to private entities subject to conservation easements and others, without significant public interest value, may be sold to private entities with few or no restrictions.

The conservation easements shall provide for the preservation of land areas for the protection of the natural habitat of fish, wildlife and plants, the preservation of open space, outdoor recreation by the general public, sustainable forestry, agricultural uses, and historic values and, shall prevent any other uses that will significantly impair or interfere with those values. Conservation easements on the Watershed Lands will include an express reservation of a right for continued operation and maintenance of hydroelectric facilities and associated water delivery facilities, including project replacements and improvements required to meet existing and

future water delivery requirements for power generation and consumptive water use by existing users, compliance with any FERC license, FERC license renewal or other regulatory requirements. In addition, easements will honor existing agreements for economic uses, including consumptive water deliveries. The conservation easements shall be donated to and managed by one or more non-profit conservation trustees, qualified conservation organizations or public agencies with the experience and expertise to fully and strictly implement the conservation easements.

2. Process For Development of the Conservation Easements and Land Donation Plan: PG&E will work with PG&E Environmental Enhancement Corporation and the Commission in the development and implementation of the conservation easements and land donation plan. PG&E Environmental Enhancement Corporation will recommend to PG&E (1) conservation objectives for the properties, including identification of conservation values, (2) criteria for ultimate disposition of the properties, (3) conservation easements guidelines, and (4) land disposition plans.
3. Reporting Responsibilities: PG&E Environmental Enhancement Corporation will prepare a report to the Commission within 18 months of the Effective Date describing the status of the conservation easement and land disposition plan. PG&E Environmental Enhancement Corporation will make the report available to the public upon request. Every two years following the first report, PG&E Environmental Enhancement Corporation will prepare a report to the Commission on the implementation of the conservation easement and land disposition plan.

(END OF APPENDIX A)

Attachment B

Conservation Covenant

RECORDING REQUESTED BY:
U.S. Department of Agriculture
Forest Service

WHEN RECORDED MAIL TO:
Sierra Nevada Conservancy
11521 Blocker Drive, Suite 205
Auburn, CA 95603

APNs: 004-010-003 (por.); 004-010-004 (por.); 004-040-003

CONSERVATION COVENANT

THIS CONSERVATION COVENANT (“Covenant”) is made and entered into this _____ day of _____, 20____ by and between the Sierra Nevada Conservancy (“Conservancy”), an agency of the State of California, and the United States of America (“United States”), acting by and through the United States Forest Service (“USFS”).

RECITALS

A. The United States is the owner of approximately 406 acres of real property located in the County of Alpine (the "County"), State of California, as more particularly described in the attached Exhibit A (the “Property”). The Property is located within the watersheds of Blue Creek and Deer Creek, tributaries of the North Fork Mokelumne River.

B. Pacific Gas and Electric Company, a California corporation (“PG&E”), transferred fee title in the Property to the United States by Grant Deed, recorded concurrently herewith in the Official Records of the County (the “Grant Deed”), subject to the restrictions as set forth in the Grant Deed. PG&E transferred fee title to the Property to the United States in connection with PG&E’s implementation of the “Land Conservation Commitment” provided for in the following documents and described more fully below:

(1) That certain Settlement Agreement (the “Settlement Agreement”) as modified and approved by the Public Utilities Commission of the State of California (the “Commission”) in its Opinion and Order of December 18, 2003 (Decision 03-12-035); and

(2) That certain Stipulation Resolving Issues Regarding the Land Conservation Commitment dated September 25, 2003 (the “Stipulation”).

C. The Settlement Agreement and the Stipulation (collectively, the “Governing Documents”) require PG&E to ensure that approximately 140,000 acres of watershed lands owned by PG&E as of the effective date of the Governing Documents (collectively, the “Watershed Lands”) are conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants; the preservation of open space; outdoor recreation by the general public; sustainable forestry; agricultural uses; and historic values (collectively, the “Beneficial Public Values”). The Property is included in the Watershed Lands.

D. Pursuant to the Governing Documents, the Pacific Forest and Watershed Lands Stewardship Council, a California nonprofit public benefit corporation (the “Stewardship Council”), was created to oversee and carry out the Land Conservation Commitment. Pursuant to the Governing Documents, the Stewardship Council developed a plan for protection of the Watershed Lands (the “Land Conservation Plan” or “LCP”). The LCP includes, among other things, objectives to preserve and/or enhance the Beneficial Public Values identified on each parcel of Watershed Lands, including the Property.

E. The Conservancy is authorized to carry out projects and activities to further the purposes of the Laird-Leslie Sierra Nevada Conservancy Act, Division 23.3 of the California Public Resources Code, and, among other things, is authorized to acquire and hold interests in real property pursuant to California Public Resources Code Sections 33347 and 33352. The Conservancy is further authorized, as an entity described in California Civil Code Section 815.3(b), to hold a “conservation easement” as defined in Civil Code Section 815.1.

F. By this instrument, the parties desire to create a Covenant providing for the permanent protection of the Property’s natural resources, and for the retention of the Property predominantly in its natural, scenic, historical, agricultural, forested, and/or open-space condition. The parties intend that the Covenant created hereby shall run with and burden the Property in perpetuity, binding the USFS and its successors as the owners of the Property, , and enforceable by the State acting by and through the Conservancy (or any lawful successor agency).

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and pursuant to the laws of the United States and the State of California, the parties agree as follows:

1. **Covenants and Conditions.** In order to promote the perpetual use of the Property herein described for scenic and natural purposes including, where appropriate, provisions for open space and resource utilization, it is agreed that the Property:

(a) Shall be managed by the USFS for public uses and protection of natural resources as a component of the National Forest System and subject to the laws and regulations applicable thereto;

(b) Shall be managed by the USFS in conformity with a land and resource management plan (“LRMP”) prepared with public involvement pursuant to the National Forest Management Act (90 Stat. 2949) and other applicable laws, including full compliance with the National Environmental Policy Act (83 Stat. 852) and the Multiple Use Sustained Yield Act (74 Stat. 215).

(c) That portion of Parcel Two of the Property described in Exhibit A and located within the boundary of the Mokelumne Wilderness Area, shall be managed in accordance with the Wilderness Act of 1964 (78 Stat. 890), including the requirements that there shall be no commercial enterprise and no permanent roads except as necessary to meet minimum requirements for the administration of the area for wilderness including measures required in emergencies involving the health and safety of persons within the area; and no temporary roads; no use of motor vehicles, motorized equipment or motorboats; no landing of aircraft; no other form of mechanical transport, and no structure or installation;

(d) Shall be open to the public for outdoor recreation such as hiking, camping, hunting and fishing, subject to reasonable regulations and state fish and game laws and consistent with the long-term protection of the natural resources on the Property;

(e) Shall be managed for wildlife and fish habitat purposes consistent with other multiple uses as identified in the LRMP, including full compliance with the Endangered Species Act (87 Stat. 884);

(f) Shall be managed for agricultural values such as forage and for sustainable forestry on suitable lands in accordance with the LRMP, LRMP standards and other applicable laws and regulations.

(g) Shall be managed to protect historic, cultural and archaeological resources in conformity with the National Historic Preservation Act (80 Stat. 915), and the Archaeological Resources Protection Act (93 Stat. 721);

(h) Shall have acquired status under the Weeks Act of 1911 (36 Stat. 961) and, therefore, shall not be open to location and entry under the mining laws of the United States;

(i) Shall be subject to the above referenced laws, and others generally applicable to the National Forest System, as such laws may be amended by Congress from time to time.

The United States hereby agrees that the foregoing provisions affecting the use of the Property, and all of the other terms, conditions, and restrictions set forth below, shall be binding upon and inure to the benefit of the parties and their respective successors in interest, and shall constitute a restriction running with the Property in perpetuity, enforceable by the State, acting by and through the Conservancy or any lawful successor agency.

2. **Disposal of the Property.** Before relinquishing title to the Property through exchange, sale or other means of disposal, the United States, acting by and through the USFS, will transfer a conservation easement over and upon the Property to, as the case may be: (a) the Conservancy, (b) the Conservancy's then-existing lawful successor agency, or (c) such other public agency as may be designated by the Conservancy or its lawful successor agency. The said conservation easement shall assure perpetual protection of the Property equivalent to the protections provided for in this Conservation Covenant. Upon conveyance of the said conservation easement, this Conservation Covenant will be dissolved and have no further force and effect.

3. **Dispute Resolution.** In the event of a disagreement or dispute related to this Covenant, the parties hereto agree first to seek an administrative resolution of the dispute by meeting first with field staff and thereafter elevating the matter for meetings with upper management, prior to resorting to legal action for enforcement of the Covenant. For the USFS, the first meeting will involve USFS Ranger Unit staff, next the matter will be elevated to the appropriate Forest Supervisor and, thereafter, if necessary, to the Regional Forester. For the Conservancy, the first meeting will involve field staff, next the matter will be elevated to the appropriate Program Manager, and thereafter, if necessary, to the Executive Officer. Each party shall bear its own costs for participation in the administrative dispute resolution (ADR) process. Unless the parties agree otherwise, at a minimum the ADR process will consist of the following: The party claiming a breach or failure of the Covenant will give written notice detailing such breach or failure and suggestions for cure of the breach or failure to the other party. The first meeting of the parties to resolve the matter shall occur no later than 30 days after the receipt of the notice, and subsequent meetings elevating the matter within the management hierarchy shall occur as soon as reasonably practicable, but no later than 30 days after the first meeting; provided, however, that if the complaining party believes there is an imminent risk of serious harm to natural resources resulting from the dispute, then it shall so notify the other party and only one meeting involving top level management shall be required before either party may seek enforcement in a court action. If after completion of this administrative process, a dispute remains, then either party may seek relief in a court of competent jurisdiction.

4. **Amendment to Land and Resource Management Plan.** The USFS shall amend the LMRP and incorporate language into the management area descriptions that states that the Property was donated to ensure the permanent protection of the Property's natural resources. The amendment will include the objectives for the protection of the Beneficial Public Values identified in the Stewardship Council's Land Conservation Plan, and will reference this Covenant. The amendment will also require notification as addressed below and require that all future amendments to the LRMP (and any successor management plan thereto) provide reference to this Covenant. In addition, the objectives set forth in the Land Conservation Plan for the protection of the Beneficial Public Values shall be carried forward into all future amendments to the LRMP and any successor management plans thereto. This Covenant's recording information shall be included in the LRMP revision (and applicable amendments) to assure perpetual access to the intent of this donation.

5. **Right to Monitor.** The Conservancy has the right to enter and to monitor the Property for compliance with the terms of this Covenant.

6. **Notification.** The USFS shall provide the Conservancy reasonable advance written notice of any proposal to amend or revise the LRMP or any other management plans or documents relating to the management or use of the Property and shall provide the Conservancy with the opportunity to fully participate in such planning process as an interested party. In any public proceedings respecting any proposed modification to the LRMP or any other management plan or document relating to the management or use of the Property, USFS shall fully disclose and describe the existence of this Covenant and the intentions of the Stewardship Council to effect the permanent protection of the Beneficial Public Values of the Property in connection with PG&E's donation of the Property to the United States. Without limiting the foregoing, it is understood and agreed that no modification to the LRMP shall be made unless and until USFS has publicly disclosed the intention of PG&E to effect the permanent protection of the lands herein conveyed.

7. **Counterpart Execution.** This Covenant may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8. **Recording.** This Covenant will be recorded in the Official Records of the County in which the Property is located. Two duplicate original copies of this Covenant will be executed. Each signatory will receive one original for its records.

IN WITNESS WHEREOF the parties have executed this Covenant as of the day and year first above written.

SIERRA NEVADA CONSERVANCY, an agency of the State of California	UNITED STATES OF AMERICA
By: _____ JAMES BRANHAM Executive Officer	By: _____ JAMES J.BACON Director, Public Services Pacific Southwest Region USDA - Forest Service

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of _____

On _____ before me, _____,
a Notary Public, personally appeared _____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose
name(s) is/are subscribed to the within instrument and acknowledged to me that
he/she/they executed the same in his/her/their authorized capacity(ies), and that by
his/her/their signature on the instrument the person(s), or the entity upon behalf of which
the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary Public

(Notary Seal)

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of _____

On _____ before me, _____,
a Notary Public, personally appeared _____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose
name(s) is/are subscribed to the within instrument and acknowledged to me that
he/she/they executed the same in his/her/their authorized capacity(ies), and that by
his/her/their signature on the instrument the person(s), or the entity upon behalf of which
the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary Public

(Notary Seal)

EXHIBIT "A"

Property of the United States

THE LAND DESCRIBED HEREIN IS SITUATED IN THE STATE OF CALIFORNIA, COUNTY OF ALPINE, UNINCORPORATED AREA, AND IS DESCRIBED AS FOLLOWS:

PARCEL ONE:

ALL THAT PORTION OF THAT TRACT OF LAND DESCRIBED IN THE DEED RECORDED IN BOOK G, PAGE 467, OFFICIAL RECORDS OF ALPINE COUNTY, STATE OF CALIFORNIA, LOCATED IN SECTIONS 12 & 13, T.9N., R.18E., MDM, COUNTY OF ALPINE, STATE OF CALIFORNIA MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF THE SOUTH HALF OF THE NORTHWEST QUARTER OF SAID SECTION 12, FROM WHICH THE NORTHWEST CORNER OF SAID SECTION 12, BEING MARKED BY A 3/4" REBAR, BEARS NORTH 00° 56'16" WEST FOR A DISTANCE OF 1,298.84 FEET, THENCE ALONG THE WEST LINE OF SAID SECTION 12 SOUTH 00°56'16" EAST FOR A DISTANCE OF 3896.51 FEET TO THE SOUTHWEST CORNER OF SAID SECTION 12; THENCE ALONG THE WEST LINE OF ABOVE SAID SECTION 13 SOUTH 00°29'17" EAST FOR A DISTANCE OF 1269.37 FEET TO THE SOUTHWEST CORNER OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER OF SAID SECTION 13; THENCE LEAVING SAID WEST LINE AND ALONG THE SOUTH LINE OF SAID NORTHWEST QUARTER OF THE NORTHWEST QUARTER OF SAID SECTION 13 NORTH 89° 31'20" EAST FOR A DISTANCE OF 1303.43 FEET TO THE NORTHWEST CORNER OF GOVERNMENT LOT 2, LOCATED IN SAID SECTION 13 BEING MARKED BY A STONE MOUND; THENCE ALONG THE NORTH LINE OF SAID GOVERNMENT LOT 2 NORTH 89°14'39" EAST FOR A DISTANCE OF 581.26 FEET MORE OR LESS TO A POINT ON THE PACIFIC GAS & ELECTRIC COMPANY FEDERAL ENERGY REGULATORY COMMISSION (FERC) PROJECT BOUNDARY NO.137; THENCE ALONG SAID FERC BOUNDARY THE FOLLOWING SIX (6) CONSECUTIVE COURSES AND DISTANCES:

- 1. NORTH 20° 58'29" WEST FOR A DISTANCE OF 491.12 FEET;**
- 2. NORTH 40° 03'29" WEST FOR A DISTANCE OF 1437. 97 FEET;**
- 3. NORTH 18° 04'43" WEST FOR A DISTANCE OF 745.72 FEET;**
- 4. NORTH 33° 50'08" EAST FOR A DISTANCE OF 633.69 FEET;**
- 5. NORTH 16° 16'04" WEST FOR A DISTANCE OF 997.70 FEET;**
- 6. NORTH 85° 50'57" EAST FOR A DISTANCE OF 566.73 FEET;**

THENCE LEAVING SAID FERC BOUNDARY NORTH 44° 16'05" EAST, FOR A DISTANCE OF 666.93 TO A POINT ON A LINE THAT IS PARALLEL TO AND OFFSET 30 FEET NORTHERLY FROM THE CENTERLINE OF THE EXISTING BLUE LAKES ROAD; THENCE FOLLOWING SAID OFFSET LINE THE FOLLOWING EIGHT (8) CONSECUTIVE COURSES AND DISTANCES:

- 1. SOUTH 85° 28'12" EAST FOR A DISTANCE OF 135.10 FEET;**
- 2. SOUTH 75° 15'29" EAST FOR A DISTANCE OF 68.83 FEET;**
- 3. SOUTH 57° 17'05" EAST FOR A DISTANCE OF 146.29 FEET;**
- 4. SOUTH 67° 18'44" EAST FOR A DISTANCE OF 119.87 FEET;**
- 5. SOUTH 51° 04'31" EAST FOR A DISTANCE OF 213.98 FEET;**
- 6. SOUTH 40° 59'32" EAST FOR A DISTANCE OF 124.15 FEET;**
- 7. SOUTH 59° 11'27" EAST FOR A DISTANCE OF 110.96 FEET;**
- 8. SOUTH 57° 44'43" EAST FOR A DISTANCE OF 191.06 FEET TO A POINT ON THE EAST LINE OF GOVERNMENT LOT 3, BEING THE EAST LINE OF THE NORTH HALF OF THE SOUTHWEST QUARTER OF SAID SECTION 12;**

THENCE LEAVING SAID OFFSET LINE AND ALONG SAID EAST LINE NORTH 00°37'06" WEST FOR A DISTANCE OF 1371.51 FEET TO THE NORTH LINE OF ABOVE SAID SOUTH HALF OF THE NORTHWEST QUARTER OF SECTION 12; THENCE ALONG SAID NORTH LINE NORTH 89° 01'49" WEST FOR A DISTANCE OF 2655.96 FEET TO THE POINT OF BEGINNING.

CONTAINING 163.1 ACRES, MORE OR LESS.

THE BEARINGS SHOWN HEREON IS CCS83, ZONE 2 (2011). THE DISTANCES SHOWN ARE GROUND DISTANCES, MULTIPLY ALL DISTANCE BY 0.99944861 (COMBINATION FACTOR) TO OBTAIN GRID DISTANCES.

PARCEL TWO:

ALL THAT CERTAIN PARCEL OF LAND SITUATE IN SECTION 13, TOWNSHIP 9 NORTH, RANGE 18 EAST, MOUNT DIABLO BASE AND MERIDIAN, AS RECORDED SEPTEMBER 20, 1905 IN BOOK I, PAGE 66 OF DEEDS OF THE COUNTY OF ALPINE, STATE OF CALIFORNIA, PARTICULARLY DESCRIBED THEREIN AS FOLLOWS:

SOUTHWEST ONE-QUARTER OF THE NORTHWEST ONE-QUARTER OF SAID SECTION 13.

PARCEL THREE:

ALL THAT CERTAIN PARCEL OF LAND SITUATE IN SECTION 12, TOWNSHIP 9 NORTH, RANGE 18 EAST, MOUNT DIABLO BASE AND MERIDIAN, AS RECORDED MARCH 2, 2002 IN BOOK 91, PAGE 1019 OF OFFICIAL RECORDS OF THE COUNTY OF ALPINE, STATE OF CALIFORNIA, PARTICULARLY DESCRIBED THEREIN AS FOLLOWS:

SOUTH ONE-HALF OF THE NORTHEAST ONE-QUARTER OF SAID SECTION 12.

PARCEL FOUR:

ALL THAT CERTAIN PARCEL OF LAND SITUATE IN SECTION 28 AND SECTION 27, TOWNSHIP 9 NORTH, RANGE 19 EAST, MOUNT DIABLO BASE AND MERIDIAN, AS RECORDED OCTOBER 17, 1949 IN BOOK F, PAGE 13, OFFICIAL RECORDS OF THE COUNTY OF ALPINE, STATE OF CALIFORNIA, PARTICULARLY DESCRIBED THEREIN AS FOLLOWS:

THE NORTHEAST ONE-QUARTER OF THE SOUTHEAST ONE-QUARTER OF SAID SECTION 28 AND THE NORTHWEST ONE-QUARTER OF THE SOUTHWEST ONE-QUARTER OF SAID SECTION 27.

PARCEL FIVE:

ALL THAT PORTION OF THAT TRACT OF LAND DESCRIBED IN THE DEED RECORDED IN BOOK I, PAGE 66, OFFICIAL RECORDS OF ALPINE COUNTY, STATE OF CALIFORNIA, LOCATED IN SECTION 13, T.9N., R.18E., M.D.M., COUNTY OF ALPINE, STATE OF CALIFORNIA MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 13.

EXCEPTING THERE FROM ALL THAT PORTION OF THAT TRACT OF LAND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 13, FROM WHICH THE EAST QUARTER CORNER OF SAID SECTION 13, BEING MARKED BY A 3/4" IRON PIPE WITH A 2 1/2" GENERAL LAND OFFICE (GLO) BRASS CAP BEARS NORTH 89° 02'30" EAST FOR A DISTANCE OF 1308.97 FEET; THENCE ALONG THE NORTH LINE OF SAID NORTHEAST QUARTER OF SAID SOUTHEAST QUARTER NORTH 89° 02'30" EAST, FOR A DISTANCE OF 90.05 FEET; THENCE LEAVING SAID NORTH LINE AND ALONG THE PACIFIC GAS & ELECTRIC COMPANY FEDERAL ENERGY REGULATORY COMMISSION (FERC) BOUNDARY SOUTH 06° 34'05" EAST, FOR A DISTANCE OF 89.36 FEET; THENCE SOUTH 53° 38'22" WEST, FOR A DISTANCE OF 125.23 FEET TO A POINT ON THE WEST LINE OF SAID NORTHEAST QUARTER OF SAID SOUTHEAST QUARTER; THENCE LEAVING SAID FERC BOUNDARY AND ALONG SAID WEST LINE NORTH 00° 12'31" EAST, FOR A DISTANCE OF 161.52 FEET TO SAID POINT OF BEGINNING.

CONTAINING 39.17 ACRES, MORE OR LESS._

THE BASIS OF BEARINGS SHOWN HEREON IS CCS83, ZONE 2 (2011). THE DISTANCES SHOWN ARE GROUND DISTANCES, MULTIPLY ALL DISTANCE BY 0.99944861 (COMBINATION FACTOR) TO OBTAIN GRID DISTANCES.

Attachment C

Grant Deed

RECORDING REQUESTED BY
USDA Forest Service

WHEN RECORDED MAIL TO:
USDA Forest Service
Regional Land Adjustment Team
100 Forni Road
Placerville, CA 95667

REAL PROPERTY TRANSFER TAX \$ EXEMPT
Declared: Laurence Crabtree
Forest Supervisor
By and For: Forest Service (USDA)

APNs: 004-010-003 (por.); 004-010-004 (por.); 004-040-003

GRANT DEED

I. CONVEYANCES

KNOW ALL MEN BY THESE PRESENTS, that, PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("Grantor"), hereby grants unto the UNITED STATES OF AMERICA ("Grantee") and its assigns, all those certain lots, pieces or parcels of land situate, lying and being in the County of Alpine State of California, more particularly described as follows (the "Property"):

See Exhibit A, attached and made a part hereof

The acquiring agency is the Department of Agriculture, Forest Service. The Forest Service accepts the donation of the property as authorized by the Act of August 3, 1956 (7 U.S.C. §428a), the Wilderness Act of September 3, 1964 (16 U.S.C. §1131 (note)), and the Act of October 10, 1978 (7 U.S.C. §2269).

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances thereunto belonging, or in anywise appertaining, and the reversion and reversions, remainder and remainders, rents, issues and profits thereof,

ALL SUBJECT TO (a) any applicable lien securing payment of real estate taxes and assessments; (b) all matters that would be disclosed by a physical inspection or survey of the Property or that are actually known to Grantee; (c) all contracts, leases, licenses, covenants, conditions, easements, restrictions, liens, encumbrances and other exceptions of record or unrecorded; (d) the terms and conditions of the Conservation Covenant attached hereto as Exhibit 1 (the "Conservation Covenant"); and (e) the terms and conditions of the Environmental Agreement attached hereto as Exhibit 2.

II. WATER RESTRICTION

Grantor grants Parcel Four and that portion of Parcel Two lying outside of the Mokelumne Wilderness boundary, of the hereinabove described Property to Grantee, and Grantee accepts the grant of said Parcel Four and portion of Parcel Two of the Property from Grantor, subject to the following restrictions (the "Restrictions"):

Grantee agrees that it shall not:

A. Divert or extract water from any surface water source, including but not limited to any river, stream, creek, channel, watercourse, underflow, spring, lake, pond, or reservoir on the Property ("Surface Water"), or otherwise exercise any water right to Surface Water:

1. For any of the following uses:

- (a) Irrigation for agricultural use such as row crops, field crops, tree farms, irrigated pasture, or for landscape use; or
- (b) Developed recreation, including campgrounds, day use areas, trailheads, visitor information centers, or stand-alone restrooms; or
- (c) Administrative offices, fire stations, work centers, or crew living quarters; or
- (d) Mining or Municipal use; or

2. For any purpose that is not for direct use in protecting or enhancing the Beneficial Public Values of the Property as identified in the Conservation Covenant; or

B. Sell, lease, transfer, or convey any rights to divert Surface Water or exercise any water right to Surface Water; or

C. License, permit, authorize, or allow any third-party to divert Surface Water or exercise any water right to Surface Water, except for:

- 1. Issuance of a permit to a grazing permittee for use of Surface Water, provided such use is consistent with the other terms and covenants of this Restriction; or,
- 2. Authorization for use of Surface Water for active fire suppression.
- 3. For use by a contractor during road maintenance or road construction activities.

No consent or waiver, express or implied, by Grantor to or of any breach of the above-stated Restrictions shall be construed as a consent or waiver to or of any other breach of the Restrictions.

III. MISCELLANEOUS

The provisions hereof shall inure to the benefit of and bind the successors and assigns of the respective parties hereto, and all covenants shall apply to and run with the Property.

The real property hereby conveyed is no longer necessary or useful to Grantor in the performance by it of its duties to the public.

The California Public Utilities Commission, in Decision No. , has approved transfer of the Property under State of California Public Utilities Code Section 851.

TO HAVE AND TO HOLD all and singular the said premises, together with the appurtenances, unto the United States of America and its assigns forever.

IN WITNESS WHEREOF, **Pacific Gas and Electric Company**, a California corporation, has hereunto set its hand this _____ day of _____, 20__.

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By: _____
Andrew K. Williams
Vice President
Safety, Health and Environment

This deed is correct as to the description, consideration and conditions.

By _____ Date: _____
JANICE GORDON
Senior Realty Specialist
Regional Land Adjustment Team
Forest Service, Pacific Southwest Region

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the attached Grant Deed in favor of the UNITED STATES OF AMERICA, is hereby accepted by the undersigned officer on behalf of the United States of America pursuant to authority granted by the Act of August 3, 1956 (7 U.S.C. §428a), the Wilderness Act of September 3, 1964 (16 U.S.C. §1131 (note)), and the Act of October 10, 1978 (7 U.S.C. §2269) and the Grantee consents to the recordation thereof.

Authorized Officer _____ Date: _____
LAURENCE CRABTREE
Forest Supervisor,
Eldorado National Forest

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

On _____, before me, _____, a Notary Public,
personally appeared _____, who proved to me on the basis of
satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within
instrument and acknowledged to me that he/she/they executed the same in his/her/their
authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or
the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____

EXHIBIT A

THE LAND DESCRIBED HEREIN IS SITUATED IN THE STATE OF CALIFORNIA, COUNTY OF ALPINE, UNINCORPORATED AREA, AND IS DESCRIBED AS FOLLOWS:

PARCEL ONE:

ALL THAT PORTION OF THAT TRACT OF LAND DESCRIBED IN THE DEED RECORDED IN BOOK G, PAGE 467, OFFICIAL RECORDS OF ALPINE COUNTY, STATE OF CALIFORNIA, LOCATED IN SECTIONS 12 & 13, T.9N., R.18E., MDM, COUNTY OF ALPINE, STATE OF CALIFORNIA MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF THE SOUTH HALF OF THE NORTHWEST QUARTER OF SAID SECTION 12, FROM WHICH THE NORTHWEST CORNER OF SAID SECTION 12, BEING MARKED BY A 3/4" REBAR, BEARS NORTH 00° 56'16" WEST FOR A DISTANCE OF 1,298.84 FEET, THENCE ALONG THE WEST LINE OF SAID SECTION 12 SOUTH 00°56'16" EAST FOR A DISTANCE OF 3896.51 FEET TO THE SOUTHWEST CORNER OF SAID SECTION 12; THENCE ALONG THE WEST LINE OF ABOVE SAID SECTION 13 SOUTH 00°29'17" EAST FOR A DISTANCE OF 1269.37 FEET TO THE SOUTHWEST CORNER OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER OF SAID SECTION 13; THENCE LEAVING SAID WEST LINE AND ALONG THE SOUTH LINE OF SAID NORTHWEST QUARTER OF THE NORTHWEST QUARTER OF SAID SECTION 13 NORTH 89° 31'20" EAST FOR A DISTANCE OF 1303.43 FEET TO THE NORTHWEST CORNER OF GOVERNMENT LOT 2, LOCATED IN SAID SECTION 13 BEING MARKED BY A STONE MOUND; THENCE ALONG THE NORTH LINE OF SAID GOVERNMENT LOT 2 NORTH 89°14'39" EAST FOR A DISTANCE OF 581.26 FEET MORE OR LESS TO A POINT ON THE PACIFIC GAS & ELECTRIC COMPANY FEDERAL ENERGY REGULATORY COMMISSION (FERC) PROJECT BOUNDARY NO.137; THENCE ALONG SAID FERC BOUNDARY THE FOLLOWING SIX (6) CONSECUTIVE COURSES AND DISTANCES:

- 1. NORTH 20° 58'29" WEST FOR A DISTANCE OF 491.12 FEET;**
- 2. NORTH 40° 03'29" WEST FOR A DISTANCE OF 1437. 97 FEET;**
- 3. NORTH 18° 04'43" WEST FOR A DISTANCE OF 745.72 FEET;**
- 4. NORTH 33° 50'08" EAST FOR A DISTANCE OF 633.69 FEET;**
- 5. NORTH 16° 16'04" WEST FOR A DISTANCE OF 997.70 FEET;**
- 6. NORTH 85° 50'57" EAST FOR A DISTANCE OF 566.73 FEET;**

THENCE LEAVING SAID FERC BOUNDARY NORTH 44° 16'05" EAST, FOR A DISTANCE OF 666.93 TO A POINT ON A LINE THAT IS PARALLEL TO AND OFFSET 30 FEET NORTHERLY FROM THE CENTERLINE OF THE EXISTING BLUE LAKES ROAD; THENCE FOLLOWING SAID OFFSET LINE THE FOLLOWING EIGHT (8) CONSECUTIVE COURSES AND DISTANCES:

- 1. SOUTH 85° 28'12" EAST FOR A DISTANCE OF 135.10 FEET;**
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- 3. SOUTH 57° 17'05" EAST FOR A DISTANCE OF 146.29 FEET;**
- 4. SOUTH 67° 18'44" EAST FOR A DISTANCE OF 119.87 FEET;**
- 5. SOUTH 51° 04'31" EAST FOR A DISTANCE OF 213.98 FEET;**
- 6. SOUTH 40° 59'32" EAST FOR A DISTANCE OF 124.15 FEET;**
- 7. SOUTH 59° 11'27" EAST FOR A DISTANCE OF 110.96 FEET;**
- 8. SOUTH 57° 44'43" EAST FOR A DISTANCE OF 191.06 FEET TO A POINT ON THE EAST LINE OF GOVERNMENT LOT 3, BEING THE EAST LINE OF THE NORTH HALF OF THE SOUTHWEST QUARTER OF SAID SECTION 12;**

THENCE LEAVING SAID OFFSET LINE AND ALONG SAID EAST LINE NORTH 00°37'06" WEST FOR A DISTANCE OF 1371.51 FEET TO THE NORTH LINE OF ABOVE SAID SOUTH HALF OF THE NORTHWEST QUARTER OF SECTION 12; THENCE ALONG SAID NORTH LINE NORTH 89° 01'49" WEST FOR A DISTANCE OF 2655.96 FEET TO THE POINT OF BEGINNING.

CONTAINING 163.1 ACRES, MORE OR LESS.

THE BEARINGS SHOWN HEREON IS CCS83, ZONE 2 (2011). THE DISTANCES SHOWN ARE GROUND DISTANCES, MULTIPLY ALL DISTANCE BY 0.99944861 (COMBINATION FACTOR) TO OBTAIN GRID DISTANCES.

PARCEL TWO:

ALL THAT CERTAIN PARCEL OF LAND SITUATE IN SECTION 13, TOWNSHIP 9 NORTH, RANGE 18 EAST, MOUNT DIABLO BASE AND MERIDIAN, AS RECORDED SEPTEMBER 20, 1905 IN BOOK I, PAGE 66 OF DEEDS OF THE COUNTY OF ALPINE, STATE OF CALIFORNIA, PARTICULARLY DESCRIBED THEREIN AS FOLLOWS:

SOUTHWEST ONE-QUARTER OF THE NORTHWEST ONE-QUARTER OF SAID SECTION 13.

PARCEL THREE:

ALL THAT CERTAIN PARCEL OF LAND SITUATE IN SECTION 12, TOWNSHIP 9 NORTH, RANGE 18 EAST, MOUNT DIABLO BASE AND MERIDIAN, AS RECORDED MARCH 2, 2002 IN BOOK 91, PAGE 1019 OF OFFICIAL RECORDS OF THE COUNTY OF ALPINE, STATE OF CALIFORNIA, PARTICULARLY DESCRIBED THEREIN AS FOLLOWS:

SOUTH ONE-HALF OF THE NORTHEAST ONE-QUARTER OF SAID SECTION 12.

PARCEL FOUR:

ALL THAT CERTAIN PARCEL OF LAND SITUATE IN SECTION 28 AND SECTION 27, TOWNSHIP 9 NORTH, RANGE 19 EAST, MOUNT DIABLO BASE AND MERIDIAN, AS RECORDED OCTOBER 17, 1949 IN BOOK F, PAGE 13, OFFICIAL RECORDS OF THE COUNTY OF ALPINE, STATE OF CALIFORNIA, PARTICULARLY DESCRIBED THEREIN AS FOLLOWS:

THE NORTHEAST ONE-QUARTER OF THE SOUTHEAST ONE-QUARTER OF SAID SECTION 28 AND THE NORTHWEST ONE-QUARTER OF THE SOUTHWEST ONE-QUARTER OF SAID SECTION 27.

PARCEL FIVE:

ALL THAT PORTION OF THAT TRACT OF LAND DESCRIBED IN THE DEED RECORDED IN BOOK I, PAGE 66, OFFICIAL RECORDS OF ALPINE COUNTY, STATE OF CALIFORNIA, LOCATED IN SECTION 13, T.9N., R.18E., M.D.M., COUNTY OF ALPINE, STATE OF CALIFORNIA MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 13.

EXCEPTING THERE FROM ALL THAT PORTION OF THAT TRACT OF LAND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

1/31/17 Version

BEGINNING AT THE NORTHWEST CORNER OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 13, FROM WHICH THE EAST QUARTER CORNER OF SAID SECTION 13, BEING MARKED BY A 3/4" IRON PIPE WITH A 2 1/2" GENERAL LAND OFFICE (GLO) BRASS CAP BEARS NORTH 89° 02'30" EAST FOR A DISTANCE OF 1308.97 FEET; THENCE ALONG THE NORTH LINE OF SAID NORTHEAST QUARTER OF SAID SOUTHEAST QUARTER NORTH 89° 02'30" EAST, FOR A DISTANCE OF 90.05 FEET; THENCE LEAVING SAID NORTH LINE AND ALONG THE PACIFIC GAS & ELECTRIC COMPANY FEDERAL ENERGY REGULATORY COMMISSION (FERC) BOUNDARY SOUTH 06° 34'05" EAST, FOR A DISTANCE OF 89.36 FEET; THENCE SOUTH 53° 38'22" WEST, FOR A DISTANCE OF 125.23 FEET TO A POINT ON THE WEST LINE OF SAID NORTHEAST QUARTER OF SAID SOUTHEAST QUARTER; THENCE LEAVING SAID FERC BOUNDARY AND ALONG SAID WEST LINE NORTH 00° 12'31" EAST, FOR A DISTANCE OF 161.52 FEET TO SAID POINT OF BEGINNING.

CONTAINING 39.17 ACRES, MORE OR LESS._

THE BASIS OF BEARINGS SHOWN HEREON IS CCS83, ZONE 2 (2011). THE DISTANCES SHOWN ARE GROUND DISTANCES, MULTIPLY ALL DISTANCE BY 0.99944861 (COMBINATION FACTOR) TO OBTAIN GRID DISTANCES.

Attachment D

State Board of Equalization Land Appraisal Record

BRLNP705

State Board of Equalization
Board Roll System
Land Subsystem

04/28/16

10:03 AM

Page 9

Selected by: Assessee 0135 Pacific Gas & Electric Co.
County 02 ALPINE

Post List
Roll Year 2016

Blue Lakes

Map					Class	TRA	Miles	Index		Esc	R/W	Market Values		Non-Unitary	Total
Asse	Asse	Cnty	Map	Par				Typ	Num			Op	Not		
Asse	Asse	Cnty	Map	Par	Non-Fee	Status				Sht	Ind	R/W	R/W		
0135	0135	02	001	07		80 Acres	191	000	-	001	IND 001	10J	N	280,000	280,000
0135	0135	02	001B	01		306 Acres	491	051	-	004	IND 001	10J	N	13,252	13,252
0135	0135	02	001B	02		275 Acres	191	000	-	001	IND 001	10J	N	323,000	446,750
0135	0135	02	001B	03		113 Acres	491	051	-	004	IND 001	10J	N	6,238	6,238

Advice 5072-E
May 19, 2017

Attachment E

Environmental Agreement

EXHIBIT 2

ENVIRONMENTAL AGREEMENT

THIS ENVIRONMENTAL AGREEMENT ("Agreement"), dated _____, 20____, executed by and between THE UNITED STATES OF AMERICA ("Grantee") and PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("Grantor"), is entered into with reference to that certain real property (the "Property") donated by Grantor to Grantee and described as follows:

See Exhibit A, attached and made a part hereof

In consideration of, and as a material inducement to, Grantor's donation and conveyance of the Property to Grantee and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor and Grantee hereby agree as follows:

1. Definitions. The following terms have the meanings ascribed to them below for purposes of this Agreement:

1.1. "Applicable Law" means all present and future laws, statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, judicial, administrative and regulatory decrees, directives and judgments of all governmental agencies, departments, commissions and boards that regulate the conduct of either Grantor or Grantee in the management of their respective real property or hazardous substances. Provided, however, that nothing in this agreement is intended to express or imply consent of the United States to the regulation of its conduct under any law, regulation, order, policy or other provision of any unit of State or local government to the application of which Congress has not previously expressly waived the sovereign immunity of the United States.

1.2. "Closing Date" means the date of recordation of the Grant Deed in the Official Records of Alpine County, California.

1.3. "Environmental Requirements" means Applicable Laws regulating the actions Grantor or Grantee relating to the protection of human health or safety, or regulating or relating to industrial hygiene or environmental conditions, or the protection of the environment, or pollution or contamination of the air, soil, surface water or groundwater, including, without limitation, all requirements and regulations pertaining to reporting, licensing, permitting, investigating and remediating emissions, discharges, releases or threatened releases of Hazardous Substances, whether solid, liquid or gaseous in nature, into the air, surface water, or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances, whether solid, liquid or gaseous in nature. The Environmental Requirements applicable to each of the parties may differ based on the laws, regulations and policies regulating the actions of each party.

1.4. "Grant Deed" means the Grant Deed conveying title to the Property from Grantor to Grantee.

1.5. “Hazardous Substances” means any hazardous or toxic material or waste that is or becomes regulated by the laws of any local governmental authority, the State of California or the United States Government under any Environmental Requirements applicable to either Grantor or Grantee in the management of property owned by either. Hazardous Substances may be defined differently based on the laws, regulations and policies applicable to each party to this agreement. For purposes of this Agreement, Hazardous Substances may include, without limitation, any material or substance:

(a) now or hereafter defined as a "hazardous substance," "hazardous waste," "hazardous material," "extremely hazardous waste," "restricted hazardous waste" or "toxic substance" or words of similar import under any applicable local, state or federal law or under the regulations adopted or promulgated pursuant thereto, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. § 9601 et seq.) ("CERCLA"); the Hazardous Materials Transportation Act (49 U.S.C. § 1801 et seq.); the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.); the Federal Water Pollution Control Act (33 U.S.C. § 1251 et seq.); the Clean Air Act (42 U.S.C. § 7401 et seq.); the Clean Water Act (33 U.S.C. §§1251 et seq.); the Safe Drinking Water Act (33 U.S.C. § 300f et seq.); the River and Harbors Act of 1899 (33 U.S.C. §§ 401 et seq.); the National Emission Standard for Hazardous Air Pollutants for Asbestos (40 C.F.R. §§ 61.140 et seq.), the OSHA Construction Standard (29 C.F.R. §§ 1926.1001 et seq.); the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.); the Oil Pollution Act (33 U.S.C. § 300f et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §§136 et seq.); the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001 et seq.); the Atomic Energy Act of 1954, (42 U.S.C. §§2014 et seq.); the Nuclear Waste Policy Act of 1982 (42 U.S.C. §§10101 et seq.); the Medical Waste Management Act (Cal. Health and Safety Code §§25015 et seq.); the Porter-Cologne Water Quality Control Act (Cal. Water Code § 13020 et seq.); the Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code § 25249.5 et seq.); the Carpenter-Presley-Tanner Hazardous Substance Account Act (Cal. Health and Safety Code §§25300 et seq.); the Hazardous Waste Control Act (Cal. Health & Safety Code § 25100 et seq.); and all rules and regulations of the United States or California Environmental Protection Agency or any successor agency, or any other state or federal department, board or agency, or any other agency or governmental board or entity having jurisdiction, as any of the foregoing have been, or are hereafter amended from time to time; or

(b) that is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous, and is now or hereafter regulated as a Hazardous Substance by any governmental authority, agency, department, commission, board, agency or instrumentality of the United States, any State of the United States or any political subdivision thereof having jurisdiction over either party to this agreement; or, as applicable to Grantor, which cause, or are listed by the State of California as being known to the State of California to cause, cancer or reproductive toxicity; or

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

(d) that contains gasoline, diesel fuel or other petroleum hydrocarbons; or

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

(f) that contains radon gas.

1.6. "Necessary Remediation" means Remediation required by any governmental agency having jurisdiction over the Remediation and the parties responsible for implementation of the Remediation pursuant to applicable Environmental Requirements to address a Hazardous Substances release or disposal, or to enable the current use of the Property as of the Closing Date.

1.7. "Remediation" refers to the process of, and all work and planning performed in connection with, the investigation, testing for, monitoring, remediation, containment, transportation, removal and disposal or recycling of Hazardous Substances from the Property and any other property to which Hazardous Substances originating on the Property have migrated or may migrate in the future, and the repair and restoration of the Property, and restoration and mitigation of affected natural resources, regardless of whether such actions are required by applicable Environmental Requirements.

2. History of use and current uses of the property.

2.1. A Summary of Potential Environmental Issues on Land to be Retained prepared by AMEC Geomatrix, Inc., dated September 8, 2010, and an Environmental Site Assessment prepared by AMEC Geomatrix, Inc., dated June 24, 2010, each prepared on behalf of Grantor.

2.2. An Environmental Site Assessment performed for the Grantee, by Advantage Environmental Consultants, dated _____, 20__.

3. Environmental Agreement. Grantor and Grantee agree that each will comply with Applicable Law regulating the conduct of each with respect to any storage, disposal or release of a Hazardous Substance in, on or to the Property based on Environmental Requirements applicable to each party.

3.1. Grantor's obligations under this paragraph are supplemented by the "Stipulation Resolving Issues Regarding Land Conservation Commitment dated April 22, 2002, and filed with the Public Utilities Commission of the State of California" filed in the Commission's Investigation I02-04-026 under the Commission's "Order Instituting Investigation into the Ratemaking Implications for Pacific Gas and Electric Company (PG&E) Pursuant to the Commission's Alternative Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for PG&E in the United States Bankruptcy Court, Northern District of California, San Francisco Division, In re Pacific Gas and Electric Company, Case No. 01-30923DM (U 39M)" (hereafter "Stipulation"). In the Stipulation, Grantor agreed, among other provisions, to donate some of the lands it owns under the terms in the Stipulation to suitable donees, and further agreed as follows:

“In disposition of fee title, PG&E will hold the donee harmless for hazardous waste or substance liability, provided that PG&E may decline to agree to such disposition unless the Commission first authorizes PG&E to recover the costs of such liability and any associated mitigation or remediation in rates. In the absence of such authorization related to fee title, PG&E will convey a conservation easement that holds the donee harmless for such liability; provided that no such easement will permit any use that increases human exposure to hazardous waste or substance, unless the Commission first authorizes PG&E to recover the costs of any necessary mitigation or remediation in rates.”

The terms of the Stipulation were formally adopted and approved by the California Public Utilities Commission by Decision 03-12-035, issued December 18, 2003, in Investigation I.02-04-026 and apply to this donation.

3.2. Grantee warrants that it has no actual knowledge of any release or threatened release of Hazardous Materials in, on, to, beneath or from the Property except as disclosed in Paragraph 2, above.

3.3. Grantor’s obligation under this Agreement with regard to Hazardous Substances is limited to the Necessary Remediation of Hazardous Substances which were released onto the Property prior to the Closing Date. None of the forgoing limits Grantor’s obligations under any applicable Federal, State, or local law, regulation, or order, now or in the future.

3.4. Grantor’s retention of responsibility in this Paragraph 3 shall exclude:

- (a) Remediation of naturally-occurring Hazardous Substances;
- (b) Remediation of Hazardous Substances present at background or ambient concentrations;
- (c) Remediation of contamination to the extent caused by Grantee or as a result of Grantee’s negligence, including remediation necessitated by Grantee’s exacerbation of a Hazardous Substance release present as of the Closing Date; and
- (d) Liability to parties other than Grantee (i.e. successors and assigns of Grantee).

None of the forgoing limits Grantor’s obligations under any applicable Federal, State, or local law, regulation, or order, now or in the future.

4. Performance and Completion of Necessary Remediation. Any Necessary Remediation performed hereunder shall be conducted in a manner consistent with applicable Environmental Requirements and shall be considered complete when the party conducting the Necessary Remediation obtains a “No Further Remedial Action Required Letter,” “Certificate of Completion,” or similar governmental certification indicating that additional Remediation is not required for the current land use from the governmental agency with jurisdiction over the

performance of the Necessary Remediation. Grantee shall allow Grantor necessary and reasonable access to the property to perform any Necessary Remediation that Grantor is required to perform under the terms of this agreement on such terms and conditions as are mutually agreed by the parties.

5. Dispute Resolution. In the event of a disagreement or dispute related to this Agreement, the parties hereto agree first to seek an administrative resolution of the dispute by meeting prior to resorting to legal action for enforcement of this Agreement. The meeting will involve representatives for each of the parties with an appropriate level of authority to consider and attempt to resolve the disputed matter. Each party shall bear its own costs for participation in the administrative dispute resolution (“ADR”) process and shall be entitled to be accompanied by in-house or outside counsel. Either party may give the other party written notice of any disagreement or dispute and its election to initiate the ADR process. Within thirty (30) days after delivery of said notice, the representatives will meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary to exchange information and to attempt to resolve the disagreement or dispute. If the matter has not been resolved within sixty (60) days of the first meeting, then either party may seek relief in a court of competent jurisdiction. Notwithstanding the foregoing, either party may seek equitable relief to preserve the status quo prior to participating in the ADR process or at any time during the ADR process.

6. Other Provisions.

6.1. This Agreement shall be binding upon and inure to the benefit of the heirs, assignees and other successors in interest of Grantee and Grantor. No transfer of an interest in the Property or this Agreement by Grantee or its assignees shall operate to relieve Grantor or Grantee of their obligations hereunder. This Agreement shall not create or bestow any right in any third party. Grantee and Grantor agree that no third party beneficiary to this Agreement exists and that nothing contained herein shall be construed as giving any other person or entity third party beneficiary status.

6.2. The failure of Grantor or Grantee to insist upon strict compliance with any of the terms hereof shall not be considered to be a waiver of any of the other terms of this Agreement, nor shall it militate against the right of Grantor or Grantee to insist upon strict compliance with any term of this Agreement at any later time.

6.3. This Agreement shall not constitute or be construed as an admission of liability or fact by Grantor or Grantee for any purpose whatsoever.

6.4. Grantee and Grantor shall execute, acknowledge and deliver to each other all documents, and shall take all actions reasonably required by each of them from time to time to confirm or effect the matters set forth herein, or otherwise to carry out the purposes of this Agreement.

6.5. The representations, warranties, covenants, and agreements of Grantor and Grantee contained in this Agreement shall be recorded in the Official Records of Alpine County (as an exhibit to the Grant Deed) and shall survive the recordation of the Grant Deed.

6.6. Time is of the essence of this Agreement.

6.7. If any portion, word, clause, phrase, sentence or paragraph of this Agreement is declared void or unenforceable, such portion shall be considered independent and severable from the remainder, and the validity of the remainder of the terms of this Agreement shall remain unaffected.

6.8. This Agreement sets forth the entire understanding of Grantee and Grantor in connection with the subject matter hereof, and each acknowledges that the other has made no statement, representation or warranty relating to the Property upon which either has relied or that acted as an inducement for either to enter into this Agreement. Grantor's and Grantee's obligations under this Agreement may not be altered or amended in any respect except by a writing executed by both Grantee and Grantor and recorded in the same Official Records where the Grant Deed is recorded.

6.9. The covenants contained in this Agreement shall survive the conveyance of title to the Property from Grantor to the Grantee, shall be construed as running with the title to the Property conveyed by Grantor to Grantee, and may be enforced by either party, subject to the Dispute Resolution provisions in Paragraph 6, above.

6.10. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF, Grantor and Grantee have executed this Agreement on the date first written above.

<p><u>GRANTOR:</u></p> <p>PACIFIC GAS AND ELECTRIC COMPANY, a California corporation</p> <p>By: _____ ANDREW K. WILLIAMS Vice President Safety, Health and Environment</p>	<p>GRANTEE:</p> <p>THE UNITED STATES OF AMERICA</p> <p>By: _____ JAMES J. BACON Director, Public Services Pacific Southwest Region USDA, Forest Service</p>
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EXHIBIT A

THE LAND DESCRIBED HEREIN IS SITUATED IN THE STATE OF CALIFORNIA, COUNTY OF ALPINE, UNINCORPORATED AREA, AND IS DESCRIBED AS FOLLOWS:

PARCEL ONE:

ALL THAT PORTION OF THAT TRACT OF LAND DESCRIBED IN THE DEED RECORDED IN BOOK G, PAGE 467, OFFICIAL RECORDS OF ALPINE COUNTY, STATE OF CALIFORNIA, LOCATED IN SECTIONS 12 & 13, T.9N., R.18E., MDM, COUNTY OF ALPINE, STATE OF CALIFORNIA MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF THE SOUTH HALF OF THE NORTHWEST QUARTER OF SAID SECTION 12, FROM WHICH THE NORTHWEST CORNER OF SAID SECTION 12, BEING MARKED BY A 3/4" REBAR, BEARS NORTH 00° 56'16" WEST FOR A DISTANCE OF 1,298.84 FEET, THENCE ALONG THE WEST LINE OF SAID SECTION 12 SOUTH 00°56'16" EAST FOR A DISTANCE OF 3896.51 FEET TO THE SOUTHWEST CORNER OF SAID SECTION 12; THENCE ALONG THE WEST LINE OF ABOVE SAID SECTION 13 SOUTH 00°29'17" EAST FOR A DISTANCE OF 1269.37 FEET TO THE SOUTHWEST CORNER OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER OF SAID SECTION 13; THENCE LEAVING SAID WEST LINE AND ALONG THE SOUTH LINE OF SAID NORTHWEST QUARTER OF THE NORTHWEST QUARTER OF SAID SECTION 13 NORTH 89° 31'20" EAST FOR A DISTANCE OF 1303.43 FEET TO THE NORTHWEST CORNER OF GOVERNMENT LOT 2, LOCATED IN SAID SECTION 13 BEING MARKED BY A STONE MOUND; THENCE ALONG THE NORTH LINE OF SAID GOVERNMENT LOT 2 NORTH 89°14'39" EAST FOR A DISTANCE OF 581.26 FEET MORE OR LESS TO A POINT ON THE PACIFIC GAS & ELECTRIC COMPANY FEDERAL ENERGY REGULATORY COMMISSION (FERC) PROJECT BOUNDARY NO.137; THENCE ALONG SAID FERC BOUNDARY THE FOLLOWING SIX (6) CONSECUTIVE COURSES AND DISTANCES:

- 1. NORTH 20° 58'29" WEST FOR A DISTANCE OF 491.12 FEET;**
- 2. NORTH 40° 03'29" WEST FOR A DISTANCE OF 1437. 97 FEET;**
- 3. NORTH 18° 04'43" WEST FOR A DISTANCE OF 745.72 FEET;**
- 4. NORTH 33° 50'08" EAST FOR A DISTANCE OF 633.69 FEET;**
- 5. NORTH 16° 16'04" WEST FOR A DISTANCE OF 997.70 FEET;**
- 6. NORTH 85° 50'57" EAST FOR A DISTANCE OF 566.73 FEET;**

THENCE LEAVING SAID FERC BOUNDARY NORTH 44° 16'05" EAST, FOR A DISTANCE OF 666.93 TO A POINT ON A LINE THAT IS PARALLEL TO AND OFFSET 30 FEET NORTHERLY FROM THE CENTERLINE OF THE EXISTING BLUE LAKES ROAD; THENCE FOLLOWING SAID OFFSET LINE THE FOLLOWING EIGHT (8) CONSECUTIVE COURSES AND DISTANCES:

- 1. SOUTH 85° 28'12" EAST FOR A DISTANCE OF 135.10 FEET;**
- 2. SOUTH 75° 15'29" EAST FOR A DISTANCE OF 68.83 FEET;**
- 3. SOUTH 57° 17'05" EAST FOR A DISTANCE OF 146.29 FEET;**
- 4. SOUTH 67° 18'44" EAST FOR A DISTANCE OF 119.87 FEET;**
- 5. SOUTH 51° 04'31" EAST FOR A DISTANCE OF 213.98 FEET;**
- 6. SOUTH 40° 59'32" EAST FOR A DISTANCE OF 124.15 FEET;**
- 7. SOUTH 59° 11'27" EAST FOR A DISTANCE OF 110.96 FEET;**
- 8. SOUTH 57° 44'43" EAST FOR A DISTANCE OF 191.06 FEET TO A POINT ON THE EAST LINE OF GOVERNMENT LOT 3, BEING THE EAST LINE OF THE NORTH HALF OF THE SOUTHWEST QUARTER OF SAID SECTION 12;**

THENCE LEAVING SAID OFFSET LINE AND ALONG SAID EAST LINE NORTH 00°37'06" WEST FOR A DISTANCE OF 1371.51 FEET TO THE NORTH LINE OF ABOVE SAID SOUTH HALF OF THE NORTHWEST QUARTER OF SECTION 12; THENCE ALONG SAID NORTH LINE NORTH 89° 01'49" WEST FOR A DISTANCE OF 2655.96 FEET TO THE POINT OF BEGINNING.

CONTAINING 163.1 ACRES, MORE OR LESS.

THE BEARINGS SHOWN HEREON IS CCS83, ZONE 2 (2011). THE DISTANCES SHOWN ARE GROUND DISTANCES, MULTIPLY ALL DISTANCE BY 0.99944861 (COMBINATION FACTOR) TO OBTAIN GRID DISTANCES.

PARCEL TWO:

ALL THAT CERTAIN PARCEL OF LAND SITUATE IN SECTION 13, TOWNSHIP 9 NORTH, RANGE 18 EAST, MOUNT DIABLO BASE AND MERIDIAN, AS RECORDED SEPTEMBER 20, 1905 IN BOOK I, PAGE 66 OF DEEDS OF THE COUNTY OF ALPINE, STATE OF CALIFORNIA, PARTICULARLY DESCRIBED THEREIN AS FOLLOWS:

SOUTHWEST ONE-QUARTER OF THE NORTHWEST ONE-QUARTER OF SAID SECTION 13.

PARCEL THREE:

ALL THAT CERTAIN PARCEL OF LAND SITUATE IN SECTION 12, TOWNSHIP 9 NORTH, RANGE 18 EAST, MOUNT DIABLO BASE AND MERIDIAN, AS RECORDED MARCH 2, 2002 IN BOOK 91, PAGE 1019 OF OFFICIAL RECORDS OF THE COUNTY OF ALPINE, STATE OF CALIFORNIA, PARTICULARLY DESCRIBED THEREIN AS FOLLOWS:

SOUTH ONE-HALF OF THE NORTHEAST ONE-QUARTER OF SAID SECTION 12.

PARCEL FOUR:

ALL THAT CERTAIN PARCEL OF LAND SITUATE IN SECTION 28 AND SECTION 27, TOWNSHIP 9 NORTH, RANGE 19 EAST, MOUNT DIABLO BASE AND MERIDIAN, AS RECORDED OCTOBER 17, 1949 IN BOOK F, PAGE 13, OFFICIAL RECORDS OF THE COUNTY OF ALPINE, STATE OF CALIFORNIA, PARTICULARLY DESCRIBED THEREIN AS FOLLOWS:

THE NORTHEAST ONE-QUARTER OF THE SOUTHEAST ONE-QUARTER OF SAID SECTION 28 AND THE NORTHWEST ONE-QUARTER OF THE SOUTHWEST ONE-QUARTER OF SAID SECTION 27.

PARCEL FIVE:

ALL THAT PORTION OF THAT TRACT OF LAND DESCRIBED IN THE DEED RECORDED IN BOOK I, PAGE 66, OFFICIAL RECORDS OF ALPINE COUNTY, STATE OF CALIFORNIA, LOCATED IN SECTION 13, T.9N., R.18E., M.D.M., COUNTY OF ALPINE, STATE OF CALIFORNIA MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 13.

EXCEPTING THERE FROM ALL THAT PORTION OF THAT TRACT OF LAND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 13, FROM WHICH THE EAST QUARTER CORNER OF SAID SECTION 13, BEING MARKED BY A 3/4" IRON PIPE WITH A 2 1/2" GENERAL LAND OFFICE (GLO) BRASS CAP BEARS NORTH 89° 02'30" EAST FOR A DISTANCE OF 1308.97 FEET; THENCE ALONG THE NORTH LINE OF SAID NORTHEAST QUARTER OF SAID SOUTHEAST QUARTER NORTH 89° 02'30" EAST, FOR

A DISTANCE OF 90.05 FEET; THENCE LEAVING SAID NORTH LINE AND ALONG THE PACIFIC GAS & ELECTRIC COMPANY FEDERAL ENERGY REGULATORY COMMISSION (FERC) BOUNDARY SOUTH 06° 34'05" EAST, FOR A DISTANCE OF 89.36 FEET; THENCE SOUTH 53° 38'22" WEST, FOR A DISTANCE OF 125.23 FEET TO A POINT ON THE WEST LINE OF SAID NORTHEAST QUARTER OF SAID SOUTHEAST QUARTER; THENCE LEAVING SAID FERC BOUNDARY AND ALONG SAID WEST LINE NORTH 00° 12'31" EAST, FOR A DISTANCE OF 161.52 FEET TO SAID POINT OF BEGINNING.

CONTAINING 39.17 ACRES, MORE OR LESS._

THE BASIS OF BEARINGS SHOWN HEREON IS CCS83, ZONE 2 (2011). THE DISTANCES SHOWN ARE GROUND DISTANCES, MULTIPLY ALL DISTANCE BY 0.99944861 (COMBINATION FACTOR) TO OBTAIN GRID DISTANCES.

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

AT&T

Albion Power Company
Alcantar & Kahl LLP
Anderson & Poole
Atlas ReFuel
BART

Barkovich & Yap, Inc.
Bartle Wells Associates
Braun Blaising McLaughlin & Smith, P.C.
Braun Blaising McLaughlin, P.C.

CENERGY POWER
CPUC
CalCom Solar
California Cotton Ginners & Growers Assn
California Energy Commission
California Public Utilities Commission

California State Association of Counties
Calpine
Casner, Steve
Center for Biological Diversity
City of Palo Alto

City of San Jose
Clean Power
Clean Power Research
Coast Economic Consulting
Commercial Energy
Cool Earth Solar, Inc.
County of Tehama - Department of Public Works
Crossborder Energy
Crown Road Energy, LLC
Davis Wright Tremaine LLP
Day Carter Murphy

Defense Energy Support Center
Dept of General Services

Division of Ratepayer Advocates

Don Pickett & Associates, Inc.
Douglass & Liddell
Downey & Brand
Ellison Schneider & Harris LLP
Evaluation + Strategy for Social Innovation

G. A. Krause & Assoc.
GenOn Energy Inc.
GenOn Energy, Inc.
Goodin, MacBride, Squeri, Schlotz & Ritchie

Green Charge Networks
Green Power Institute
Hanna & Morton
ICF
International Power Technology
Intestate Gas Services, Inc.

Kelly Group
Ken Bohn Consulting
Leviton Manufacturing Co., Inc.
Linde
Los Angeles County Integrated Waste Management Task Force
Los Angeles Dept of Water & Power
MRW & Associates
Manatt Phelps Phillips
Marin Energy Authority
McKenna Long & Aldridge LLP
McKenzie & Associates
Modesto Irrigation District

Morgan Stanley
NLine Energy, Inc.
NRG Solar
Nexant, Inc.

ORA
Office of Ratepayer Advocates

Office of Ratepayer Advocates, Electricity Planning and Policy B
OnGrid Solar
Pacific Gas and Electric Company
Praxair
Regulatory & Cogeneration Service, Inc.
SCD Energy Solutions

SCE
SDG&E and SoCalGas
SPURR
San Francisco Water Power and Sewer

Seattle City Light
Sempra Energy (Socal Gas)
Sempra Utilities
SoCalGas
Southern California Edison Company
Southern California Gas Company (SoCalGas)
Spark Energy
Sun Light & Power
Sunshine Design
Tecogen, Inc.
TerraVerde Renewable Partners

TerraVerde Renewable Partners, LLC
Tiger Natural Gas, Inc.
TransCanada
Troutman Sanders LLP
Utility Cost Management
Utility Power Solutions
Utility Specialists

Verizon
Water and Energy Consulting
Wellhead Electric Company
Western Manufactured Housing Communities Association (WMA)
YEP Energy
Yelp Energy