

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE



October 18, 2019

Advice Letter 4150-G

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

SUBJECT: Bundled Sale of Gas Gathering Pipeline Segments and Assignment of Land Rights in Solano County to California Resources Production Corporation under Section 851

Dear Mr. Jacobson:

Advice Letter 4150-G is effective as of October 25, 2019.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph
Deputy Executive Director for Energy and Climate Policy/
Director, Energy Division



September 25, 2019

Advice 4150-G

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

Subject: Bundled Sale of Gas Gathering Pipeline Segments and Assignment of Land Rights in Solano County to California Resources Production Corporation under Section 851

Purpose

Pacific Gas and Electric Company (PG&E) requests approval under Public Utilities (P.U.) Code Section 851 and General Order (G.O.) 173, for the sale of bundled segments of gas gathering pipelines with associated appurtenances known as Line 182B (the Facilities), and the assignment of associated land rights (Assignments) in Solano County, to California Resources Production Corporation (CRPC). Both the Facilities and Assignments are further described in the attached Pipeline Purchase and Sale Agreement (Agreement) between PG&E and CRPC (See Attachment 1, Schedule 1.1 and Schedule 7, respectively).

This sale involves gas gathering system segments that are of no current operational value to PG&E, and the sale will not interfere with PG&E's utility operations or provision of service to its customers. Rather, this sale is beneficial to PG&E's customers because it will alleviate the need for pipeline operations, maintenance, and replacement or retirement, which are not cost-justified.

PG&E respectfully requests that the California Public Utilities Commission (Commission or CPUC) approve this sale, which is similar to other CPUC-approved gas gathering facility sales¹ and meets the long-established CPUC standard of not being adverse to the public interest.

¹ Several prior CPUC Resolutions have to date, approved similar PG&E Section 851 requests for approval of gas gathering facility sales. Transactions approved by the CPUC in accordance with D.89-12-016 from 2006 through 2016 (most recent available) include:

- (1) the sale of 26,207 feet of gas gathering pipelines located in Colusa County to TexCal Energy, LP for \$55,531.20 (See Advice 2876-G, filed on October 12, 2007, and approved in Resolution G-3412 on February 28, 2008);
- (2) the sale of 65 miles of gas gathering pipelines located in Sacramento and Solano Counties to Rosetta Resources Operating, LP for \$1,339,317.00. (See Advice 2912-G-A, filed on April 17, 2008, and approved in Resolution G-3416 on June 12, 2008);

Background

Since the 1930s, PG&E has installed and owned natural gas gathering facilities, including pipelines, dehydration stations, odorization units, cathodic protection, meters, and other equipment. These facilities were constructed to extend PG&E's pipeline system to individual gas wells, under procurement agreements for purchase of production gas at the well-head.

In Decision (D.) 89-12-016, the Commission "strongly encourage[d] PG&E to sell [its] gathering plant when it is offered net book value or more for the plant, consistent with our view that PG&E should phase out its gathering operations..."² The Commission's stated intent was to promote more efficient investments in plant and improve pricing signals among gas supplies from various sources. During the intervening period, PG&E has successfully implemented the Commission's directive having sold most of its gas gathering assets. This sale will continue to reduce the remaining gas gathering pipelines in PG&E's system.

In September 2017, PG&E initiated a bidding process for the bundled sale of segments of its Line 182B, which receives gas from the Suisun Gas Field. This gas field is located near Grizzly Island (west of Rio Vista, California and north of Pittsburg). The system segments included in this sale currently collect gas production from CRPC, exclusively. In response to the bidding process, PG&E accepted a bid from CRPC to purchase the Facilities.

In accordance with General Order 173, Rule 4, PG&E provides the following information related to the proposed transaction:

-
- (3) the sale of 3,523 feet of gas gathering pipelines located in San Joaquin County to Vintage Production for \$16,500. (See Advice 2747-G, filed on July 26, 2006, and the Approval Letter dated September 20, 2006);
 - (4) the sale of 13,519 feet of gas gathering pipelines located in Colusa County to Vintage Production for \$30,778.50 (See Advice 2831-G, filed on May 4, 2007 and approved in Resolution G-3411 on December 6, 2007);
 - (5) the sale of approximately 13,400 feet of gas gathering pipelines and appurtenances located in Sutter County to Atlantic Oil Company for \$35,483.64. (See Advice 3052-G, filed on October 9, 2009, as updated by Advice 3109-G, filed on April 7, 2010, and approved by Resolution G-3442, January 21, 2010 and Resolution G-3458, June 7, 2012, respectively); and
 - (6) the sale of 74,088 feet of gas gathering pipelines located in Sutter and Glenn Counties to CRPC for \$220,009.00 (See Advice 3658-G, filed on December 15, 2015, and approved by Energy Division letter on February 23, 2016).

² California Public Utilities Commission D.89-12-016 [I.88-11-012] (December 6, 1989), page 24.

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

Pacific Gas and Electric Company	California Resources Production Corp.
Jonathan Pendleton	Zabi Nowaid
Law Department	Managing Counsel
P.O. Box 7442	27200 Tourney Road
San Francisco, CA 94120	Santa Clarita, CA 91355
Telephone: (415) 973-2916	Telephone: 818-661-3706
Facsimile: (415) 973-5520	
Email: J1PC@pge.com	

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

The Facilities that PG&E proposes to sell are generally in good condition, and are used exclusively to transport California well production gas supplies to the PG&E pipeline system. There are currently no end-use gas customers served by this pipeline. The Facilities are located in Solano County west of Rio Vista, California. This pipeline was installed between 1946 and 2006, varies between one inch and six inches in diameter, and has a total length (including all the segments) of approximately 30,063 feet.

PG&E maps detailing the Facilities and their location can be found in the Schedule 1.1 of the Agreement, as executed between PG&E and CRPC on January 25, 2019. PG&E's easements associated with the Facilities will be assigned to CRPC. A listing of the easements that are part of this sale transaction can be found in the Agreement in Schedule 7, List of Easements.

(c) Intended Use of the Property:

PG&E is not aware of any anticipated change in the use of the Facilities. The Facilities are currently used to receive CRPC gas well production, and upon completion of the sale, CRPC plans to operate the Facilities as a private pipeline. However, CRPC agrees that upon request, it will make any capacity in excess of its requirements available to third party producers for the collection of natural gas well production in the area served by the subject pipeline segment.

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

As provided for in the Agreement (Attachment 1), CRPC was the sole bidder for the Facilities and the associated land rights, and PG&E has accepted CRPC's offer of Fifty-Nine Thousand, Sixty Dollars and Twenty-Eight Cents (\$59,060.28) as a one-time payment (the "Fee Payment"). This amount is comprised of \$45,094.50

representing sale of the Facilities at \$1.50 per linear foot of pipeline (30,063 feet), plus \$13,965.78 in transaction costs.³

Commission Resolution ALJ-202 describes the conditions under which an advice letter submittal can be used for Section 851 transactions in lieu of submittal through an application process. Section II of Appendix A indicates in Items 6 and 7 that an advice submittal can be used if the transaction amount does not exceed \$5 million^{4,5}. This proposed transaction falls below that financial threshold.

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

In D.89-12-016, the Commission ordered PG&E to record sales of gas gathering facilities “in appropriate accounts for future consideration of gain-on-sale issues.” Proceeds from the sale of the Facilities will be made in accordance with the policy for the allocation of the gains and losses on the sale of depreciable assets, as adopted in the Commission’s Gain on Sale Rulemaking 04-09-003, in D.06-05-041 as modified in D.06-12-043.

The gain on sale in the proposed transaction will be \$45,094.50, which is equal to the Fee Payment (\$59,060.28) less transaction costs (\$13,965.78) as shown in Attachment 2. Pursuant to the forgoing authority, PG&E proposes to allocate one hundred percent (100%) of the Fee Payment to ratepayers as a credit through Accumulated Depreciation. This approach is consistent with other CPUC-approved gas gathering sales (see CPUC citations in Note 1 above).

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

The Facilities are fully-depreciated, and the proposed transaction will therefore have no impact on PG&E’s rate base.

The proposed sale will not have an adverse effect on the public interest because it will not interfere with the operation of PG&E’s facilities, or with the provision of service to PG&E’s customers.⁶ Rather, the proposed transaction will serve the

³ Such transaction costs would normally include, but are not limited to: land rights activities, data room and records preparation, reconfiguration work to separate the system, and documentation transfers to the buyer to effectuate the transaction.

⁴ Resolution ALJ-202, Appendix A, Section II, Item 6 states “[i]f the transaction is for the sale of depreciable assets (other than a building or buildings), the assets do not have a fair market value in excess of \$5 million...”

⁵ Resolution ALJ-202, Appendix A, Section II, Item 7 states “[i]f the transaction conveys an easement, right-of-way, or other interest in real property, the value of the easement, right-of-way, or other interest in the property does not exceed \$5 million...”

⁶ Numerous Commission decisions have held that the relevant inquiry for the Commission in

public interest by eliminating significant operation and maintenance costs, as well as potential replacement or retirement costs associated with the ownership of the Facilities.

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

The Original Cost of the Facilities was \$427,850. The accumulated Straight Line Depreciation is \$427,850, resulting in a Present Net Book Value (NBV) of \$0.00. The NBV includes the original facility costs less accumulated depreciation and net salvage.

The costs of future inspection and ongoing maintenance (as well as possible replacement or retirement costs) will be transferred to CRPC as a result of the sale. Because of the ongoing maintenance and future replacement or retirement costs associated with the ownership of the Facilities, it will financially benefit PG&E and its customers to sell the Facilities and assign the associated land rights. This transaction will thus reduce the rates that ratepayers would otherwise have to pay to cover the future costs, which will instead be borne by CRPC.

The Present Fair Market Value for the Facilities was determined through a bidding process conducted using the same auction procedures used for all other such CPUC-approved PG&E gas gathering pipeline sales (\$1.50 per linear foot of pipeline). At the conclusion of this competitive bidding process, PG&E accepted the bid for the Facilities from CRPC in the amount of the Fee Payment because this proposed sale allows PG&E to avoid the future costs of operating, maintaining, and ultimately replacing or retiring the Facilities. The Commission should therefore find the agreed sale price to be reasonable.

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

Not Applicable.

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

Section 851 proceedings is whether the transaction is “adverse to the public interest” (See, e.g. Universal Marine Corp., 1984, Cal. PUC Lexis 962 * 3; 14 CPUC 2d 644, 646; see also, D.89-07-019, 1989 Cal. PUC Lexis 582 * 25, 32 CPUC 2d 233; D.01-05-076, 2001 Cal. PUC Lexis 284 * 15; D.04-07-021, mimeo p.57). The Commission should grant Section 851 approval if there is no evidence that transaction would adversely affect the public or impair PG&E’s ability to serve its customers. (D.04-07-023, mimeo, pp. 11-12.)

Along with the sale of the Facilities, PG&E is also assigning several land rights associated with the property to CRPC. PG&E will not be collecting any fees associated with the assignment as they have little or no economic value to PG&E.

(j) A Complete Description of any Recent Past (Within the Prior Two Years) or Anticipated Future Transactions that May Appear To Be Related to the Present Transaction:

In compliance with D.89-12-016 and as a result of optimizing its pipeline operations, PG&E will continue to solicit bids for auctions of various sections of its operating gas gathering facilities. Therefore, PG&E expects to conduct sales of its gas gathering facilities to various purchasers in the future. Each proposed sale would be governed by a standard Pipeline Purchase and Sale Agreement (Attachment 1), similar in form to the proposed Agreement attached to this advice letter. In addition, each sale would be nearly identical, with the exception of the identity of the purchaser, description of the specific gas gathering facility, and the purchase price.

In addition to this advice submittal, PG&E is submitting for Commission approval of the sale of a second gas gathering pipeline and a local transmission pipeline. The sale of gas gathering Line 112, which receives gas from the Vernalis Gas Field west of Modesto, is described in Advice 4146-G. The sale of PG&E's local transmission Line 306, which delivers gas to the Morro Bay area, is described in Application 19-04-003.

(k) Sufficient Information and Documentation (Including Environmental Information) to Show that All of Eligibility Criteria Set Forth in Rule 3 of General Order 173 are Satisfied:

PG&E has provided information in this Advice Letter to satisfy the eligibility criteria under General Order 173 in that:

- The activity proposed in the transaction will not require environmental review by the CPUC as a Lead Agency;
- The transaction will not have an adverse effect on the public interest or on the ability of PG&E to provide safe and reliable service to its customers at reasonable rates;
- The transaction will not materially impact the rate base of PG&E; and
- The transaction does not warrant a more comprehensive review that would be provided through a formal Section 851 application.

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

No information is readily available other than what has already been included within this advice letter submittal.

With respect to the sale of the Facilities, PG&E relied on historical data from maps and records to identify the Facilities to include in this sale. While these are deemed accurate, both PG&E and CRPC recognize the complexity of the Facilities and the Assignments. Thus, PG&E respectfully requests authority from the Commission to be able to make adjustments to correct the records as may be revealed during the sale transaction or during future operational activities, without necessitating a subsequent submittal under P.U. Code Section 851.

(m) Environmental Information

Pursuant to General Order 173, the Advice Letter program applies to proposed transactions that will not require environmental review by the CPUC as a Lead Agency under the California Environmental Quality Act ("CEQA") either because: (a) a statutory or categorical exemption applies (the applicant must provide a Notice of Exemption from the Lead Agency or explain why an exemption applies), or (b) because the transaction is not a project under CEQA (the applicant must explain the reasons why it believes that the transaction is not a project), or (c) because another public agency, acting as the Lead Agency under CEQA, has completed environmental review of the project, and the Commission is required to perform environmental review of the project only as a Responsible Agency under CEQA.

This transaction is not a "project" under CEQA and will not require CEQA review, as defined by CEQA Guideline Section 15061(b) (3) discussed below.

a. Exemption

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

(a) If yes, please attach notice of exemption. Please provide name of agency, date of Notice of Exemption, and State Clearinghouse number.

Not Applicable.

(b) If no, does the applicant contend that the project is exempt from CEQA? If yes, please identify the specific CEQA exemption or exemptions that apply to the transaction, citing to the applicable State CEQA Guideline(s) and/or Statute(s).

PG&E believes this transaction is exempt from and does not require CEQA review under Section 15061(b)(3) of the CEQA guidelines because approval of this sale does not have any potential for causing a significant effect on the environment.⁷ The Commission has previously ruled that if the property being exchanged “will be used in the same manner as previously, and neither applicant seeks authority from the Commission for a change in the existing use, there is no substantial evidence of any change to the environment and no CEQA review is required.” (D.99-03-033, 1999 Cal PUC LEXIS 408). The CPUC has consistently made similar such findings in approving PG&E’s prior gas gathering facility sales (see, e.g., Resolution G-3416, issued June 12, 2005 at p. 5, and other citations in Section 10 above).

b. Not a “Project” Under CEQA

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

This transaction is not a project under CEQA. The ownership of the Facilities is merely being transferred from PG&E to CRPC. The property being transferred to CRPC will be used in the same manner as previously, and neither party seeks authority from the Commission for a change in the existing use. Therefore, this transaction does not meet the definition of a “project” as provided in CEQA Guideline 15378, in addition to being exempt from and not requiring CEQA review pursuant to CEQA Guideline 15061(b)(3), as discussed above.

c. CPUC as a Responsible Agency under CEQA

If another public agency, acting as the Lead Agency under CEQA, has completed an environmental review of the project and has approved the final CEQA documents, and the Commission is a Responsible Agency under CEQA, the applicant shall provide the following:

- a. The name, address, and phone number of the Lead Agency, the type of CEQA document that was prepared (Environmental Impact Report, Negative Declaration, Mitigated Negative Declaration), the date on which the Lead Agency approved the CEQA document, the date on which a Notice of Determination was filed.

Not applicable.

⁷ CEQA Guidelines Section 15061 (b) (3) states: “[t]he activity is covered by the general rule that CEQA only applies to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.”

- b. A copy of all CEQA documents prepared by or for the Lead Agency regarding the project and the Lead Agency's resolution or other document approving the CEQA documents.

Not applicable.
- c. A list of section and page numbers for the environmental impacts, mitigation measures, and findings in the prior CEQA documents that relate to the approval sought from the Commission.

Not applicable.
- d. An explanation of any aspect of the project or its environmental setting which has changed since the issuance of the prior CEQA document.

Not applicable.
- e. A statement of whether the project will require approval by additional public agencies other than the Commission and the Lead Agency, and, if so, the name and address of each agency and the type of approval required.

Not applicable.

Protests

Anyone wishing to protest this submittal may do so by letter sent via U.S. mail, facsimile or E-mail, no later than October 15, 2019, which is 20 days after the date of this submittal. Protests must be submitted 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 shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Erik Jacobson
Director, Regulatory Relations
c/o Megan Lawson
Pacific Gas and Electric Company
77 Beale Street, Mail Code B13U
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-3582
E-mail: PGETariffs@pge.com

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

Effective Date

Pursuant to the review process outlined in General Order 173, PG&E requests that this Tier 2 advice letter become effective on October 25, 2019, which is 30 days from the date of submittal.

Notice

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

/S/

Erik Jacobson
Director, Regulatory Relations

Attachment 1: Pipeline Purchase and Sale Agreement

Attachment 2: Gain/Loss of Sale

******* SERVICE LIST for Advice 4150-G *****
APPENDIX A**

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

*****AGENCIES*****

Solano County Clerk
675 Texas Street, Suite 1900
Fairfield, California 94533

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

*****3rd Parties*****

California Resources Production Corp.
Zabi Nowaid
Managing Counsel
27200 Tournay Road
Santa Clarita, CA 91355

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

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



ADVICE LETTER 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 G)

Utility type:

- ELC GAS WATER
 PLC HEAT

Contact Person: Annie Ho
 Phone #: (415) 973-8794
 E-mail: PGETariffs@pge.com
 E-mail Disposition Notice to: AMHP@pge.com

EXPLANATION OF UTILITY TYPE

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

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 4150-G

Tier Designation: 2

Subject of AL: Bundled Sale of Gas Gathering Pipeline Segments and Assignment of Land Rights in Solano County to California Resources Production Corporation under Section 851

Keywords (choose from CPUC listing): Agreements, Section 851

AL Type: Monthly Quarterly Annual One-Time Other:

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

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:

Confidential treatment requested? Yes No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required? Yes No

Requested effective date: 10/25/19

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:

Service affected and changes proposed¹: N/A

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

¹Discuss in AL if more space is needed.

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

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102
Email: EDTariffUnit@cpuc.ca.gov

Name: Erik Jacobson, c/o Megan Lawson
Title: Director, Regulatory Relations
Utility Name: Pacific Gas and Electric Company
Address: 77 Beale Street, Mail Code B13U
City: San Francisco, CA 94177
State: California Zip: 94177
Telephone (xxx) xxx-xxxx: (415)973-2093
Facsimile (xxx) xxx-xxxx: (415)973-3582
Email: PGETariffs@pge.com

Name:
Title:
Utility Name:
Address:
City:
State: District of Columbia Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

Attachment 1

Pipeline Purchase and Sale Agreement

PIPELINE PURCHASE AND SALE AGREEMENT

This PIPELINE PURCHASE AND SALE AGREEMENT (“Agreement”) is made by and between **Pacific Gas and Electric Company**, a California corporation (“PG&E”), and **California Resources Production Corporation**, a Delaware corporation (“Buyer”).

RECITALS

A. PG&E owns certain pipelines and accessory equipment which are used for gathering natural gas, all as more particularly described in Schedule 1 “DESCRIPTION OF PIPELINE(S) TO BE SOLD,” attached hereto (collectively, the “Subject Pipeline(s)”) and all located as shown generally on the map attached hereto as Schedule 1.1 “PIPELINE MAPS AND SURVEY SHEETS.”

B. PG&E desires to sell, and Buyer desires to purchase, the Subject Pipeline(s), for the consideration and on the terms set forth in this Agreement.

AGREEMENT

The Parties, intending to be legally bound, agree as follows:

1. DEFINITIONS

1.1 Defined Terms. For purposes of this Agreement (and the Schedules and Exhibits attached hereto), the following terms, and the singular or plural thereof, have the meanings specified or referred to in this Article 1:

“**Affiliate**” -- with respect to a specified Person, any other Person that (a) directly or indirectly controls the specified Person; (b) is controlled by or is under direct or indirect common control with the specified Person; or (c) is an officer, director, employee, representative, manager, partner or agent or subsidiary of the Person. For the purposes of this definition, “**control**,” or “**controlled by**” when used with respect to any specified Person, means the power to direct the management or policies of the specified Person, directly or indirectly, whether through the ownership of voting securities, partnership or limited liability company interests, by contract or otherwise.

“**Agreement**” -- this Pipeline Purchase and Sale Agreement, together with the Schedules and Exhibits specified in Section 12.12 hereof.

“**Article**” -- a numbered article of this Agreement. An Article includes all the numbered Sections (“Sections”) of this Agreement that begin with the same number as that Article.

“**Assumed Liabilities**” -- as defined in Section 3.2.

“**Audited Financial Statements**” -- as defined in Section 4.2(f).

“**Balancing Agreement**” -- the California Production Balancing Agreement (CPBA) to be entered into by PG&E and Buyer (or Buyer’s Affiliate) before the Closing (Exhibit F).

“**Buyer**” -- as defined in the introductory (first) paragraph of this Agreement.

“**Buyer Group**” -- as defined in Section 8.2.

“**Capital Expenditure**” -- any additions to or replacements of property, plant and equipment and any other expenditures or repairs that would be capitalized on PG&E’s balance sheet in accordance with PG&E’s capitalization policy.

“Certificate of Incumbency” -- with respect to the Party delivering it, a certification satisfactory to the other Party in its reasonable discretion, from the corporate secretary (or if applicable the assistant corporate secretary) that the officer signing this Agreement has been duly authorized to sign and execute this Agreement on behalf of that Party.

“Closing” -- the consummation of the Transaction and transfer of the Subject Pipeline(s) contemplated by this Agreement, as set forth in Section 7.4.

“Closing Date” -- as defined in Section 7.4.

“Closing Deadline” -- as defined in Section 7.6(b).

“Closing Document” -- any document required to be delivered at the Closing pursuant to this Agreement.

“Commercially Reasonable Efforts” -- efforts which are reasonably within the contemplation of the Parties at the time of execution of this Agreement and which do not require the performing Party to expend any funds other than expenditures which are customary and reasonable in transactions of the kind and nature contemplated by this Agreement in order for the performing Party to satisfy its obligations hereunder.

“CPI” -- The Nationwide, All Items, Consumer Price Index for all Urban Workers (CPI-U) as published by the United States Department of Labor, Bureau of Labor Statistics, using the most recent index published prior to execution of this Agreement by Buyer as the base year index.

“CPUC” -- the California Public Utilities Commission, or its regulatory successor, as applicable.

“CPUC Approval” -- the decision of the CPUC approving the sale of the Subject Pipeline(s), this Agreement and the consummation of the Transaction contemplated hereby on terms and conditions acceptable to PG&E, in its sole discretion, and in a form which is final and unconditional and unappealable, including exhaustion of all administrative and judicial appeals or remedies and the running of time periods and statutes of limitation for rehearing and appeal.

“Creditworthiness Requirements” -- as defined in Section 12.9.

“Dollars” -- United States dollars.

“Due Diligence Period” -- as defined in Section 5.1.

“Due Diligence Related Termination Period” -- as defined in Section 5.3.

“Effective Date” -- the date of execution and delivery of this Agreement by PG&E and Buyer.

“Environmental Costs” -- all claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability), encumbrances, liens, costs and expenses of investigation and defense of any claim, whether or not such a claim is ultimately defeated, and any good faith settlement, of whatever kind or nature, contingent or otherwise, matured or unmatured, foreseeable or unforeseeable, including reasonable attorneys’ fees and disbursements and consultants’ fees, any of which are incurred as a result of the existence of Hazardous Substances upon, about or beneath the Subject Pipeline(s), emitted or released from the Subject Pipeline(s), or migrating or threatening to migrate to or from the Subject Pipeline(s), including, without limitation:

- (a) Damage for personal injury;
- (b) Damages for injury to property, both real and personal;
- (c) Environmental clean-up and remediation costs;

(d) Reasonable fees incurred for the services of attorneys, consultants, contractors, experts, laboratories and all other costs incurred in connection with the investigation or remediation of such Hazardous Substances, including the preparation of any feasibility studies, reports or the performance of any Remediation required by any Governmental Authority, and including any attorneys' fees, costs and expenses incurred in enforcing this Agreement or collecting any sums due under it; and

(e) Liability for the indemnification of any Third Party or Governmental Authority for costs expended in connection with the items referenced in this definition of Environmental Costs, including oversight costs of any Governmental Authority.

“Environmental Laws” -- any applicable statutes, regulations or ordinances relating to storage and use of hazardous or toxic substances, generation, treatment, storage, and disposal of hazardous wastes, wastewater discharges and similar environmental matters, including, but not limited to, the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. § 9601, et seq.), 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 Toxic Substances Control Act (15 U.S.C. § 2601, et seq.), the Oil Pollution Act (33 U.S.C. § 2701, et seq.) and the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001, et seq.), the Porter-Cologne Water Quality Control Act (Cal. Wat. Code § 13020, et seq.), the Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code § 25249.5, et seq.), the Hazardous Substance Account Act (Cal. Health & Safety Code § 25300, et seq.), and the Hazardous Waste Control Act (Cal. Health & Safety Code § 25100, et seq.).

“Environmental Requirements” -- means all applicable present and future laws, statutes, regulations, rules, ordinances, codes, policies, rules of common law, licenses, permits, orders, approvals, plans, authorizations, concessions, franchises, and similar items, of all Governmental Authority and all applicable judicial, legislative, administrative, and regulatory decrees, judgments, and orders relating to the protection of human health or the environment, including:

(a) All requirements pertaining to reporting, licensing, permitting, investigation and remediation of emissions, discharges, releases, or threatened releases of Hazardous Substances, chemical substances, pollutants, contaminants or hazardous or toxic substances, materials or wastes, whether solid, liquid or gaseous in nature, into the air, surface water, groundwater or land, including all Environmental Laws, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of chemical substances, pollutants, contaminants or hazardous or toxic substances, materials or wastes, whether solid, liquid or gaseous in nature; and

(b) All requirements pertaining to the protection of the health and safety of employees or the public.

“Existing CPIOA” -- means the California Production Interconnection and Operating Agreement, between Buyer (or Buyer's Affiliate) and PG&E, existing and entered into prior to the execution of this Agreement by Buyer and PG&E.

“Facility,” “Facilities” -- any of the gathering pipelines or appurtenances specified in Schedule 1 “DESCRIPTION OF PIPELINE(S) TO BE SOLD” that constitute a portion of the Subject Pipeline(s) or collectively constitute the Subject Pipeline(s).

“Governmental Authority” -- any federal, state, local or other governmental, regulatory, or administrative agency, governmental commission, department, board, subdivision, court, tribunal, or other governmental arbitrator, arbitral body, or authority with jurisdiction, but excluding Buyer and any subsequent owner of the Subject Pipeline(s).

“Guarantor” -- any person or entity, acceptable to PG&E, that executes a Guaranty Agreement unconditionally guaranteeing payment to PG&E of all or a portion of Buyer's obligations as set forth in this Agreement.

“Guaranty” -- that certain guaranty attached hereto as Exhibit A, to be executed by Guarantor in favor of PG&E.

“Hazardous Substances” -- any chemical, material or substance that is listed or regulated under applicable Environmental Laws as a “hazardous” or “toxic” substance or waste, or as a “contaminant,” or is otherwise listed or regulated under applicable Environmental Laws because it poses a hazard to human health or the environment.

“HSR Act” -- as defined in Section 6.2(c).

“Interconnection Agreement” -- an agreement based on the standard California Production Interconnection and Operating Agreement (also referred to as “CPIOA”) to be entered into by PG&E and Buyer (or Buyer’s Affiliate) before the Closing (in the form attached hereto as Exhibit E or in its then current standard form, if amended) for the purpose of interconnection of the Subject Pipeline(s) to PG&E’s gas transmission system and establishing the terms and conditions for the delivery of gas into that system.

“Knowledge” -- (i) in the case of PG&E, the actual, current knowledge of the PG&E officers and employees listed in Schedule 12 “SCHEDULE OF PG&E OFFICERS AND EMPLOYEES” on the Closing Date of this Agreement (or, with respect to the certificate delivered pursuant to Section 7.2(j) “PG&E’s Certificate of Compliance,” on the date of delivery of the certificate); (ii) in the case of Buyer, the actual, current knowledge of Buyer’s officers and employees listed in Schedule 13 “SCHEDULE OF BUYER OFFICERS AND EMPLOYEES” on the Closing Date of this Agreement (or, with respect to the certificate delivered pursuant to Section 7.3.(p) “Buyer’s Certificate of Compliance,” on the date of delivery of the certificate).

“Losses” -- all costs, losses, expenses, damages, claims, causes of action, demands, judgments, fines, penalties, assessments, attorneys’ fees, accounting expenses, and liabilities.

“Necessary Capital Expenditure” -- any Capital Expenditure which, in the exercise of Prudent Utility Practices, is reasonably necessary for the continued operation or maintenance of any of the Subject Pipeline(s) or that is required by applicable law (except for any Remediation required by applicable Environmental Laws).

“Ordinary Maintenance Expenditures” -- those expenditures which, in the exercise of Prudent Utility Practices, are reasonably necessary for the continuing day-to-day operation, maintenance, administration, and management of any of the Subject Pipeline(s) during all seasons of the year and as required by applicable law (except for any Remediation required by applicable Environmental Laws).

“Party or Parties” -- **“Party”** means either PG&E or Buyer; **“Parties”** means PG&E and Buyer.

“Person” -- includes any individual, partnership, joint venture, corporation, limited liability company, firm, trustee, association, or unincorporated organization, governmental authority, or other entity.

“PG&E Group” -- as defined in Section 8.1.

“PG&E Remediation Liability Cap” -- Thirty Thousand Dollars (\$30,000.00) or the Purchase Price set forth in Section 3.1, whichever is the greater amount.

“PG&E Remediation Time Limit” -- that time period which is one (1) calendar year in length and which expires as of the first date following the anniversary of the Closing Date.

“Post-Closing Environmental Conditions” -- the presence of Hazardous Substances introduced into, on, over or about the Site(s) or the soil or groundwater at the Site(s) after the Closing, as a result of releases from the Subject Pipeline(s) or the operation thereof by Buyer or its transferees, or successors or assignees of Buyer or its transferees, or by their respective employees, agents or contractors, including any migration of such Hazardous Substances through soil or groundwater.

“Pre-Closing Environmental Conditions” -- those Hazardous Substances present prior to the Closing in the soil or groundwater at or adjacent to the Subject Pipeline(s) as a result of releases of Hazardous Substances by PG&E from the Subject Pipeline(s) or the operation thereof by PG&E, its employees, agents or contractors, prior to the Closing, and any migration of those Hazardous Substances through soil or groundwater after the Closing. Pre-Closing Environmental

Conditions do not include any molecules of Hazardous Substances that were not actually and physically present in the soil or groundwater or both at the Site(s) prior to the Closing as a result of releases of Hazardous Substances from the Subject Pipeline(s) by PG&E or the operation thereof by PG&E, its employees, agents or contractors, except that the Pre-Closing Environmental Conditions include those molecules of Hazardous Substances which migrate onto the Site(s) after the Closing and which were actually and physically present on the property adjacent to the Site(s) prior to the Closing as a result of releases of Hazardous Substances by PG&E or the operation of such adjacent properties by PG&E, its employees, agents or contractors.

“Prudent Utility Practices” -- any of the practices, methods and acts required by applicable laws and regulations, or engaged in or approved by a significant portion of the natural gas industry during the relevant time period, or any of the practices, methods or acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be acceptable practices, methods or acts generally accepted in the geographical region where the Subject Pipeline(s) are located.

“Related Contracts” -- Contracts related to the Subject Pipeline(s), or their maintenance or operation, including without limitation the contracts listed on Schedule 10 “RELATED CONTRACTS.”

“Remediation” -- any or all of the following activities to the extent they relate to or arise from the presence of Hazardous Substances in soil or groundwater: (i) monitoring, investigation, cleanup, abatement, closure, containment, remediation, removal, mitigation, response or restoration work; (ii) obtaining any permits, consents, approvals or authorizations of any Governmental Authority necessary to conduct any such work; and (iii) preparing and implementing any plans or studies for or related to such work.

“Required Consents” -- as defined in Section 6.8(b).

“Rights-of-Way” -- the easements, permits, licenses and other rights which are necessary for the ownership, operation and maintenance of the Subject Pipeline(s), including access thereto.

“Site(s)” -- the real property on or in which any portion of the Subject Pipeline(s) (or a Facility as applicable) is located.

“Tax” or “Taxes” -- any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Internal Revenue Code of 1986, as amended, Sect. 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property (including assessments, fees, or other charges based on the use or ownership of real property), personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated tax, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not, including such item for which liability arises as a transferee or successor-in-interest, including liability therefor as a transferee or successor-in-interest.

“Third Party” -- a Person that is not a Party to this Agreement.

“Third Party Claim” -- a claim by a Person that is not a Party to this Agreement.

“Transaction” -- the purchase and sale of the Subject Pipeline(s) pursuant to this Agreement.

“Volunteered Line” -- pipelines, valves and other appurtenances owned by PG&E, which are located between the measurement facility and a producer’s gas well(s) and are identified on Schedule 15 “Volunteered Line(s).”

2. SALE AND PURCHASE OF SUBJECT PIPELINE(S)

2.1 Sale and Purchase of the Subject Pipeline(s). On the terms and subject to the conditions of this Agreement, at the Closing, PG&E will sell, convey and transfer to Buyer, and Buyer will purchase and accept from PG&E, all of PG&E's right, title and interest in and to the following natural gas pipeline(s) (collectively, "Subject Pipeline(s)"):

The pipeline(s) and appurtenances that are specifically listed and described in Schedule 1 "DESCRIPTION OF PIPELINE(S) TO BE SOLD" and located as shown on Schedule 1.1 "PIPELINE MAPS AND SURVEY SHEETS", Schedules 1 and 1.1 are attached hereto and made part of this Agreement. The Subject Pipeline(s) shall include only those Pipeline(s) which are included in both Schedule 1 and Schedule 1.1.

2.2 No Other Pipeline(s) Transferred to Buyer. Other than as specifically set forth in Section 2.1 "Sale and Purchase of the Subject Pipeline(s)," nothing in this Agreement shall constitute or be construed as conferring on Buyer, and Buyer shall not acquire any right, title, or interest to or in any pipelines, metering stations, properties, or assets of PG&E or any business, operation, subsidiary, or division of PG&E, or any other asset of PG&E, whether tangible or intangible, real, personal or mixed.

2.3 Rights-of-Way and Other Permits. Buyer acknowledges that, the Subject Pipeline(s) are located on property owned in fee by Third Parties. PG&E claims easement rights to maintain and use the Subject Pipeline(s) on some, but not necessarily all, of the property owned by Third Parties on which the Subject Pipeline(s) are located. Attached hereto as Schedule 7 "LIST OF EASEMENTS TO BE ASSIGNED" and Schedule 7.1 "LIST OF EASEMENTS TO BE PARTIALLY ASSIGNED" are descriptions of those easements of which PG&E is currently aware. PG&E makes no representation that the information concerning such easements is complete or accurate, and makes no representation that the list of easements included on Schedules 7 and 7.1 constitute a full list of all easements which are owned by PG&E in connection with the Subject Pipeline(s). The list of easements on Schedules 7 and 7.1 may be supplemented by agreement of the parties from time to time prior to the Closing Date. To the extent that it is legally able to do so, PG&E shall assign to Buyer those easement rights listed on Schedule 7, and partially assign to Buyer rights under those easements listed on Schedule 7.1 as set forth in paragraph 2.3.1 "Easements." PG&E shall have no obligation to obtain for Buyer the Rights-of-Way or other rights, permits or approvals necessary or required for the ownership, operation, or maintenance of the Subject Pipeline(s). Buyer acknowledges the need and requirement to obtain various such Rights-of-Way and other permits and approvals.

2.3.1 Easements.

(a) Subject to any restrictions that may be contained in the documents granting such easements to PG&E, PG&E will at the Closing assign to Buyer its rights and obligations under easements held by PG&E for the use, operation and maintenance of the Subject Pipeline(s), to the extent that PG&E may have the legal right to do so; such assignment will be made by instrument in substantially the same form as attached hereto as Exhibit G "FORM OF ASSIGNMENT OF EASEMENT," provided that, if PG&E at its sole option elects to retain such easements for its own operations, then PG&E has the right to do so and to provide only a partial assignment of rights under such easements to the extent necessary for Buyer to own, operate and maintain the Subject Pipeline(s). Such partial assignment will be made by instrument in substantially the same form as is attached hereto as Exhibit H "FORM OF ASSIGNMENT AND APPORTIONMENT OF RIGHTS." With respect to all easements assigned or partially assigned to Buyer pursuant to this Article 2, PG&E hereby reserves the right to enter upon those easement areas in order to conduct remedial work and otherwise meet its obligations or exercise its rights set forth in Article 9. Any and all easements assigned pursuant to this Agreement will be subject to the aforesaid reservation of rights.

(b) Before the end of the Due Diligence Period, PG&E will provide to Buyer a list of easements to be conveyed to Buyer and identifying those easements under which PG&E will make a partial assignment only (retaining

easement rights for PG&E's use). Such list will consist of Schedules 7 and 7.1, as confirmed or amended by additions or deletions prior to the Closing. If at the time at which such list is delivered to Buyer, or otherwise amended, less than thirty-five (35) calendar days of the Due Diligence Period remain, then Buyer shall have thirty (30) calendar days to determine whether or not the easements to be assigned by PG&E will be sufficient for Buyer's acquisition of the Subject Pipeline(s), regardless of the expiration of the Due Diligence Period. Buyer may terminate this Agreement within that thirty (30) day period if Buyer determines that such easements will be insufficient for Buyer's acquisition.

(c) Notwithstanding any other provision of this Section 2.3.1, Buyer acknowledges and agrees that any assignments of easements made by PG&E will be made without any representation or warranty by PG&E (express or implied) with respect to the validity of such assignments or in any other respect and without recourse against PG&E. PG&E shall not be obligated to obtain any consents from property owners regarding such assignments. Buyer shall indemnify and hold PG&E harmless against and from (i) all liabilities, damages, claims and costs arising out of or resulting from any assignment of such easements by PG&E to Buyer, as set forth in Section 8.1(a)(7), and (ii) any and all future liabilities and obligations under or arising from such easements. The Parties shall comply with Public Utilities Code Section 3255(b), and Buyer shall reimburse PG&E for the cost of the notifications to property owners required by Public Utilities Code 3255(b) within ten (10) calendar days of PG&E's invoice for such costs.

(d) Effective as of the date of the assignment or individual assignments ("Effective Date of Assignment") that may be made by PG&E pursuant to this Section 2.3.1, Buyer will accept and agrees to assume, pay, perform and discharge, as and when due, all of the agreements and obligations of PG&E under or related to all easements or portion thereof assigned by PG&E to Buyer pursuant to this Section 2.3.1 which accrue after Closing, and Buyer agrees to be bound by all of the terms and conditions of such easements, except to the extent retained by PG&E under Section 3.3(a).

(e) Except for those easements listed pursuant to Section 2.3.1 (b) above, PG&E reserves the right to refuse to assign (or partially assign) to Buyer any of PG&E's easement rights referred to in this Section 2.3.1, if an assignment or an attempt to make such an assignment without the consent of a Third Party would (1) breach a contractual or equitable obligation owed to a Third Party, or violate any law, decree, order or regulation of any Governmental Authority, or (2) result, or potentially result, in PG&E incurring additional costs or liabilities that will not be paid by Buyer before the Closing.

2.3.2 Franchises, Licenses and Other Rights. Buyer acknowledges that PG&E does not intend to assign or transfer any franchise rights, licenses, or other rights or permits that it may have, other than the assignment of easements subject to the conditions set forth in Section 2.3.1 "Easements" above.

3. PURCHASE PRICE AND PAYMENT

3.1 Purchase Price. In consideration of the transfer of the Subject Pipeline(s), Buyer will pay a total of Forty-five Thousand Ninety-four Dollars and Fifty Cents (\$45,094.50) at the Closing, by wire transfer of immediately available funds to such account as will have been designated by PG&E ("Purchase Price").

3.2 Assumption of Liabilities. Upon the Closing, and subject to other terms of this Agreement, Buyer will assume and retain all obligations and liabilities of any kind or nature whatsoever related to, arising from or associated with any of the following (collectively, "Assumed Liabilities"):

(a) **Ownership Liabilities.** Ownership or possession of the Subject Pipeline(s) after the Closing, including without limitation: (i) liability for any Remediation determined by Buyer to be necessary or appropriate with respect to any Hazardous Substances in, on, under, about or incorporated in the Site(s) or the Subject Pipeline(s) or migrating through soil or groundwater, to or from the Site(s); (ii) liability for compliance with Environmental Requirements as well as liability for any and all Post-Closing Environmental Conditions and costs associated therewith; (iii) liability for any Hazardous Substances present in, on or incorporated into the Subject Pipeline(s), improvements, buildings, structures, containers, or equipment, or stored or contained within the Subject Pipeline(s) or in containers present at the Sites; and (iv) liability arising from the ownership or possession of the Subject Pipeline(s), equipment, structures, surface

impoundments or any other facility used for the treatment, storage, handling or disposal of Hazardous Substances; excepting from Buyer's liabilities set out in this subparagraph only those obligations and liabilities expressly retained by PG&E in Section 9.1 "PG&E's Rights and Responsibilities," and Section 8.2 (a)(1), (2) and (3) "Indemnification by PG&E."

(b) **Use and Operation Liabilities.** The use or operation of the Subject Pipeline(s) or the business conducted with the Subject Pipeline(s) after the Closing, including without limitation: (i) any obligation to remove, deactivate, demolish, dispose of, or close any Facility or the Subject Pipeline(s) or any portion thereof, and any obligation to restore the Site(s) to its/their natural state, and (ii) any obligation arising from the use or operation of surface impoundments or any other facility used for the treatment, storage or disposal of Hazardous Substances, excepting only those obligations and liabilities expressly retained by PG&E in Section 9.1 "PG&E's Rights and Responsibilities," and Section 8.2 "Indemnification by PG&E."

(c) **Compliance Liabilities.** Obligations, after the Closing, to comply with all permits, licenses and approvals that relate to the Subject Pipeline(s).

(d) **Assigned Liabilities.** Obligations arising or accruing from and after the Closing under any easements that relate to the Subject Pipeline(s) or under any Related Contracts that are assigned to Buyer. To the extent that they are assignable to Buyer and PG&E wishes to assign them, Buyer will accept the assignment of Related Contracts of which Buyer was furnished a copy during the Due Diligence Period.

(e) **Other Specified Liabilities.** All other obligations and liabilities expressly allocated to Buyer in this Agreement.

3.3 Retention of Liabilities. Upon the Closing and subject to other terms of this Agreement, PG&E will remain responsible for and retain all obligations and liabilities accruing prior to the Closing relating to any of the following:

(a) **Assigned Obligations.** Obligations to the extent their performance is due prior to the Closing under easements or contracts that relate to the Subject Pipeline(s). Payments that become due after the Closing for goods or services consumed by PG&E prior to the Closing or a prorated portion of such payments, as applicable. In the event that PG&E makes or is required to make any payment pursuant to this subparagraph (a) and a portion of such payment applies to a time period after the Closing, Buyer shall promptly pay to PG&E Buyer's pro rata share of such payment to the extent that it applies to such a time period. Conversely, if Buyer pays for any such goods or services consumed by PG&E prior to the Closing, PG&E shall promptly reimburse Buyer for such payments.

(b) **Other Specified Liabilities.** All other obligations and liabilities expressly allocated to PG&E in this Agreement.

4. REPRESENTATIONS AND WARRANTIES

4.1 Representations, Warranties and Disclaimers of PG&E. PG&E represents, warrants and, where specified, disclaims to Buyer as follows:

(a) **Organization and Existence.** PG&E is a duly organized and validly existing corporation in good standing under the Laws of the State of California.

(b) **Execution, Delivery and Enforceability.** PG&E has full corporate power to enter into and carry out its obligations under this Agreement. Except as specified in Schedule 8, "PG&E AUTHORIZATION AND ENFORCEABILITY," the execution and delivery by PG&E of this Agreement and the consummation of the Transaction contemplated by it have been duly authorized by all necessary corporate action required on the part of PG&E. Except as specified in Schedule 8, "PG&E AUTHORIZATION AND ENFORCEABILITY" and Schedule 11, "REQUIRED GOVERNMENTAL APPROVALS," and assuming Buyer's due authorization, execution and delivery of this Agreement, this Agreement constitutes a valid and legally binding obligation of PG&E enforceable against PG&E in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, or other

similar laws of general application relating to or affecting the enforcement of creditors' rights and by general equitable principles.

(c) No Violation. Except as specified in Schedule 8 "PG&E AUTHORIZATION AND ENFORCEABILITY," and Schedule 11 "REQUIRED GOVERNMENTAL APPROVALS" and subject to (i) PG&E obtaining the release of the Subject Pipeline(s) from the lien imposed by PG&E's First and Refunding Mortgage, dated December 1, 1920, as supplemented through the Closing Date, and (ii) the Parties satisfying their respective obligations to obtain or process (as applicable) the consents, approvals, permits, licenses, filings and notices described in Section 6.8 "Regulatory Matters and Other Consents," neither the execution and delivery by PG&E of this Agreement, nor the compliance by PG&E with any provision hereof, nor the consummation of the Transaction contemplated hereby will: (A) violate or conflict with, or result in a breach of the Articles of Incorporation or Bylaws of PG&E, or (B) violate any material law or regulation applicable to PG&E.

(d) No Consents. Except as may be specified in Schedule 8 "PG&E AUTHORIZATION AND ENFORCEABILITY" and Schedule 11 "REQUIRED GOVERNMENTAL APPROVALS," and subject to (i) PG&E obtaining the release of the Subject Pipeline(s) from the lien imposed by PG&E's First and Refunding Mortgage, dated December 1, 1920, as supplemented through the Closing Date, and (ii) the Parties satisfying their respective obligations to obtain or process (as applicable) the consents, approvals, permits, licenses, filings and notices described in Section 6.8 "Regulatory Matters and Other Consents," no consent or approval of, filing with, or notice to any Person is required to be obtained or made by PG&E in connection with PG&E's execution, delivery and performance of this Agreement or the consummation by PG&E of the Transaction contemplated hereby, which if not so obtained or made, will prevent PG&E from performing its obligations hereunder.

(e) Litigation. As of the Closing Date and except as set forth on Schedule 9 "PG&E LITIGATION," PG&E has no Knowledge of:

(i) any action, investigation or request for information by any Governmental Authority or other Third Party which could result, or has resulted, in: (A) the institution of legal proceedings to prohibit or restrain the performance of this Agreement or the consummation of the Transaction contemplated by this Agreement, or (B) a claim for damages as a result of this Agreement or the consummation of the Transaction contemplated by this Agreement; or

(ii) any pending or threatened litigation, claim, investigation or proceeding, private or governmental, against PG&E which, if adversely determined, would have a material adverse effect on (1) PG&E's ability to perform this Agreement or (2) the ownership, use, operation or value of the Subject Pipeline(s).

(f) Compliance with Laws. To PG&E's Knowledge and except as set forth on Schedule 14, "COMPLIANCE EXCEPTIONS," as of the Closing Date PG&E has received no written notice that PG&E's current use and operation of the Subject Pipeline(s) violates in any material respect any applicable laws, orders, ordinances, rules or regulations of any Governmental Authority in existence as of execution of this Agreement.

(g) Brokers. All negotiations relative to this Agreement and the Transaction contemplated by it have been carried on by PG&E without the intervention of any Third Party that would give rise to any valid claim against Buyer (by reason of PG&E's actions) for a brokerage commission, finder's fee or other like payment to any Third Party.

(h) DISCLAIMERS REGARDING THE SUBJECT PIPELINE(S). PG&E EXPRESSLY DISCLAIMS ANY AND ALL REPRESENTATIONS AND WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, AS TO THE CONDITION, VALUE OR QUALITY OF THE SUBJECT PIPELINE(S) OR THE PROSPECTS (FINANCIAL OR OTHERWISE), RISKS AND OTHER INCIDENTS OF THE SUBJECT PIPELINE(S), AND PG&E SPECIFICALLY DISCLAIMS ANY AND ALL REPRESENTATIONS OR WARRANTIES OF MERCHANTABILITY, USAGE, SUITABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO THE SUBJECT PIPELINE(S), OR ANY PART THEREOF, OR AS TO THE WORKMANSHIP OR CONSTRUCTION THEREOF, OR THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EXCEPT AS OTHERWISE

EXPRESSLY PROVIDED HEREIN, PG&E EXPRESSLY DISCLAIMS ANY AND ALL REPRESENTATIONS AND WARRANTIES OF ANY KIND REGARDING THE CONDITION OF THE SUBJECT PIPELINE(S) OR THE SUITABILITY OF THE SUBJECT PIPELINE(S) FOR OPERATION AS GATHERING FACILITIES. THE SUBJECT PIPELINE(S) ARE BEING SOLD "AS IS, WHERE IS, WITH ALL FAULTS" ON THE CLOSING DATE.

NO SCHEDULE OR EXHIBIT TO THIS AGREEMENT, NOR ANY OTHER MATERIAL OR INFORMATION PROVIDED BY OR COMMUNICATIONS MADE BY PG&E, ITS EMPLOYEES, AGENTS, OR CONSULTANTS, SHALL CAUSE OR CREATE ANY WARRANTY, EXPRESS OR IMPLIED, AS TO THE CONDITION, VALUE OR QUALITY OF THE SUBJECT PIPELINE(S). WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, PG&E SPECIFICALLY DISCLAIMS AND BUYER ACKNOWLEDGES THE FOLLOWING:

(i) TITLE AND PROPERTY INTERESTS. PG&E expressly disclaims any and all representations and warranties as to the condition of, or PG&E's rights in, or its title to, the Subject Pipeline(s), or any part thereof, or whether PG&E possesses sufficient real property or personal property interests to own or operate the Subject Pipeline(s) or to convey the Subject Pipeline(s).

(j) HAZARDOUS SUBSTANCES. PG&E disclaims any representation or warranty regarding the absence of Hazardous Substances or liability or potential liability arising under Environmental Laws or as to compliance with Environmental Laws with regard to the Subject Pipeline(s) or any of the Site(s) on which they are located.

(k) RIGHTS-OF-WAY, OTHER PERMITS, LICENSES, ETC. PG&E makes no representation or warranty regarding the transfer or transferability of easements or any other permits or licenses, and PG&E makes no representation or warranty regarding which Rights-of-Way or other permits or licenses must be obtained by Buyer to operate the Subject Pipeline(s).

(l) REAL PROPERTY SITE(S). PG&E makes no representation or warranty as to the physical condition of the Site(s) or as to the uses of the Site(s), or any limitations thereon, including, but not limited to, zoning, Environmental Laws or other laws, regulations or governmental requirements; the conditions of the soils or groundwaters of the Site(s); the presence or absence of Hazardous Substances on or under the Site(s); or any other matter bearing on the use or condition of the Site(s).

(m) NO RECOURSE. Buyer agrees that to the extent the transfer, conveyance, assignment and delivery of the Subject Pipeline(s) or easements to Buyer as provided in this Agreement is accomplished by bills of sale, subleases, subcontracts, or other instruments of transfer, whether executed at the Closing or thereafter, such instruments shall be without representation or warranty by, or recourse against, PG&E, except as expressly provided in this Agreement.

(n) NO SECURED DEBT. There are no liens, mortgages, security interests, deeds of trust or other encumbrances burdening the Subject Pipeline(s) securing debt instruments of PG&E or any of its Affiliates.

4.2 Representations and Warranties of Buyer. Buyer represents and warrants to PG&E as follows:

(a) Organization and Existence. Buyer is a duly organized and validly existing corporation in good standing under the Laws of the State of Delaware. Buyer is qualified to do business in the State of California.

(b) Execution, Delivery and Enforceability. Buyer has the requisite corporate power to enter into and carry out its obligations under this Agreement. The execution and delivery by Buyer of this Agreement and the consummation of the Transaction contemplated hereby have been duly authorized by all necessary corporate action on the part of Buyer. Assuming the due authorization, execution and delivery by PG&E, this Agreement constitutes a legal, valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws of general application relating to or affecting the enforcement of creditors' rights and by general equitable principles.

(c) No Violation. Subject to the Parties satisfying their respective obligations to obtain or process (as applicable) the consents, approvals, permits, licenses, filings and notices described in Section 6.8 “Regulatory Matters and Other Consents,” neither the execution and delivery of this Agreement by Buyer, nor the compliance with any provision hereof, nor the consummation of the Transaction contemplated hereby will: (i) violate or conflict with, or result in a breach of any provisions of the organizational documents of Buyer; or (ii) violate any material law or regulation applicable to Buyer.

(d) No Consents. Subject to the Parties satisfying their respective obligations to obtain or process (as applicable) the consents, approvals, permits, licenses, filings and notices described in Section 6.8 “Regulatory Matters and Other Consents,” no consent or approval of, filing with or notice to any Person is required to be obtained or made by Buyer in connection with Buyer’s execution, delivery and performance of this Agreement, or the consummation of the Transaction contemplated hereby, which, if not obtained or made will prevent Buyer from performing its obligations hereunder or thereunder.

(e) Litigation. As of the Closing Date and except as set forth on Schedule 2 “BUYER LITIGATION,” Buyer has no Knowledge of:

(i) any action, investigation or request for information by any Governmental Authority or other Third Party which could result, or has resulted, in: (A) the institution of legal proceedings to prohibit or restrain the performance of this Agreement or the consummation of the Transaction contemplated by this Agreement, or (B) a claim for damages as a result of this Agreement or the consummation of the Transaction contemplated by this Agreement; or

(ii) any pending or threatened litigation, claim, investigation or proceeding, private or governmental, against Buyer which, if adversely determined, would have a material adverse effect on Buyer’s ownership or acquisition of the Subject Pipeline(s) or Buyer’s ability to perform this Agreement.

(f) Financial Statements. Buyer has delivered to PG&E true and complete copies of the audited balance sheet of Buyer and of Guarantor as of the last day of Buyer’s most recently completed fiscal year, and the related audited statements of operations, stockholders’ equity and cash flows for the year then ended (collectively, “Audited Financial Statements”), together with the related auditors’ opinion letter, Buyer’s and Guarantor’s quarterly financial statements for each of the fiscal quarters ended after the date of its most recent Audited Financial Statements. Except as may otherwise be indicated in the auditor’s opinion letter, the Audited Financial Statements have been prepared in conformity with generally accepted accounting principles, consistently applied, and present fairly the financial position and results of Buyer’s operations and its cash flows on the dates and for the periods stated.

(g) Brokers. All negotiations relating to this Agreement and the Transaction contemplated hereby have been carried on by Buyer without the intervention of any Third Party that would give rise to any valid claim against PG&E (by reason of Buyer’s actions) for a brokerage commission, finder’s fee, or other like payment to any Third Party.

4.3 Certain Acknowledgments and Risk Allocations.

(a) Buyer’s Responsibility. Buyer is an experienced gas producer/gas well operator and investor, and is represented by counsel in connection with this Transaction. Buyer has the responsibility under this Agreement to inspect the Subject Pipeline(s) and Site(s) in sufficient detail to fully satisfy itself with respect to the environmental conditions and the physical conditions affecting the Subject Pipeline(s) and Site(s). As of the Closing Date, Buyer will have reached its conclusions based upon its own analysis and without relying upon representations by PG&E, its employees, agents, consultants or other representatives, except for the representations expressly set forth in Section 4.1, “Representations, Warranties and Disclaimers of PG&E.”

(b) Acknowledgment by Buyer. In making its decision to execute this Agreement and to purchase the Subject Pipeline(s), Buyer has relied and will rely upon the results of its own independent investigation and verification of the Subject Pipeline(s). THE REPRESENTATIONS AND WARRANTIES SET FORTH IN SECTION 4.1

“REPRESENTATIONS, WARRANTIES AND DISCLAIMERS OF PG&E” OF THIS AGREEMENT CONSTITUTE THE SOLE AND EXCLUSIVE REPRESENTATIONS AND WARRANTIES OF PG&E IN CONNECTION WITH THE TRANSACTION CONTEMPLATED HEREBY. There are no representations, warranties, covenants, understandings, or agreements among the Parties regarding the Subject Pipeline(s) or their transfer other than those incorporated in this Agreement. Except for the representations and warranties expressly set forth in Section 4.1 “Representations, Warranties and Disclaimers of PG&E” of this Agreement, Buyer disclaims reliance on any representations, warranties, or guarantees, either express or implied, by PG&E, its officers, directors, counsel, representatives or agents.

(c) **“AS IS” SALE. BUYER ACKNOWLEDGES AND AGREES THAT THE SUBJECT PIPELINE(S) ARE BEING ACQUIRED “AS IS, WHERE IS” ON THE CLOSING DATE, AND IN THEIR CONDITION ON THE CLOSING DATE, AS SET FORTH IN SECTION 4.1(h) “DISCLAIMERS REGARDING THE SUBJECT PIPELINE(S),” AND THAT BUYER IS RELYING ON ITS OWN EXAMINATION OF THE SUBJECT PIPELINE(S).**

(d) Buyer acknowledges and agrees that any easement rights in or to the Site(s) that may be assigned to and accepted by Buyer will apply to the Site(s) in its/their present condition, “AS IS, WITH ALL FAULTS;” and subject to the obligations of PG&E in Sections 9.1 and 8.2, Buyer hereby assumes the risk that adverse physical characteristics and existing conditions, including, without limitation, Hazardous Substances, may not have been revealed by its investigation.

(e) Buyer acknowledges that portions of the Site(s), or adjacent or neighboring lands, were or may have been used by present or prior owners or operators for the disposal of wastes, substances, and materials of unknown type, nature or origin, some of which may have been or may now be Hazardous Substances. As a result of such uses and activities and the seepage and leaching of materials, physical, chemical, or other changes may have occurred in, on, or under the Site(s), including, without limitation, the release of Hazardous Substances. By completing the Transaction, as of the Closing, Buyer shall be deemed to acknowledge that Buyer had the opportunity to inspect the Site(s) and observe its/their physical characteristics and existing conditions and had the opportunity to conduct such investigation and study on and of the Site(s) as it deems necessary. Consequently, as of the Closing Date, Buyer shall be deemed to have waived any and all objections to or complaints about any and all Hazardous Substances, subject to PG&E discharging its obligations under Sections 8.2, 9.1, and 9.2.

4.4 Survival of the Parties’ Representations, Warranties, Disclaimers, and Acknowledgments.

(a) Survival Period of Certain Representations and Warranties. The representations and warranties of PG&E contained in Section 4.1 “Representations, Warranties and Disclaimers of PG&E” will survive until the first anniversary of the Closing Date, at which time these representations and warranties will terminate; provided that the representations and warranties of PG&E contained in paragraphs (e) and (f) of Section 4.1 shall terminate upon the Closing. The representations and warranties of Buyer contained in Section 4.2 “Representations and Warranties of Buyer” will survive until the first anniversary of the Closing Date, at which time these representations and warranties will terminate.

(b) Survival of Disclaimers. All disclaimers of PG&E contained in Article 4 or in any other provision of this Agreement shall survive the Closing or termination of this Agreement without a time limitation.

(c) Survival of Buyer’s Acknowledgments. All provisions of Section 4.3 “Certain Acknowledgments and Risk Allocations” shall survive the Closing or termination of this Agreement without a time limitation.

5. DUE DILIGENCE; PRE-CLOSING INSPECTIONS

5.1 Due Diligence.

(a) For a time period not to exceed seventy-five (75) calendar days following the Effective Date of this Agreement (“Due Diligence Period”), during normal business hours and subject to any rights of Third Parties and the conditions stated below, PG&E shall make available as may be requested by Buyer from time to time for inspection by Buyer (i) the Subject Pipeline(s), at their location, and (ii) documents in PG&E’s Possession to the extent that they are

reasonably available and relate materially to ownership or operation of the Subject Pipeline(s), including easement records; Related Contracts; "as-built" drawings; alignment drawings (pipeline survey sheets); engineering drawings or pipeline plat sheets; leak records; CPUC required maintenance records; environmental investigation and remediation reports relating to hazardous substances in soil or groundwater; closure reports for environmental remediation and "No Further Action" letters. Buyer acknowledges and agrees that PG&E shall have no obligation to and shall incur no liability as a result of refusing to provide access to any information which PG&E determines is either (i) subject to privilege in accordance with the California Evidence Code, or (ii) proprietary or confidential and not related exclusively to the Subject Pipeline(s), or (iii) not material or relevant to Buyer's due diligence investigation. Nothing contained in this Section 5.1 requires PG&E to develop or provide to Buyer any information or material that is not in PG&E's Possession. For purposes of this Article 5, "PG&E's Possession" shall mean the possession by employees of PG&E's Land Department and the following work groups located in PG&E's System Maintenance & Technical Support Department offices: "Pipeline Engineering & Estimating"; "Environmental, Health & Safety"; and "Operations Support," whose functional duties are directly related to the operation, maintenance or ownership of the Subject Pipeline(s). For the purposes of this Section 5.1, "reasonably available" shall mean a reasonable search of the PG&E files of documents that relate to the operation and maintenance of the Subject Pipelines. The Due Diligence Period may be extended or reduced subject to mutual agreement of the Parties, by a number of calendar days not to exceed thirty (30) calendar days.

(b) Notwithstanding any other provision of this Section 5.1 and its subparagraphs, Buyer shall be solely responsible for conducting an independent investigation and verification of the Subject Pipeline(s) and the Site(s). Buyer shall inspect, review and otherwise perform whatever acts Buyer deems necessary to determine the condition of the Subject Pipeline(s) and the Site(s), so as to ensure that, after the Closing Date, Buyer may use, operate, repair and maintain the Subject Pipeline(s) in their present location and condition; provided that, the activities of Buyer at the Site(s) are subject to Buyer obtaining any approvals of landowners (or lessees) that may be required; and provided further that, Buyer shall not test, collect or make environmental investigation of Site(s), or remove any soil, groundwater or other materials, until Buyer's testing plans and procedures have been approved in writing by PG&E, which approval shall not be unreasonably withheld; however, reasonable grounds for withholding such approval shall include, but not be limited to, potential exacerbation of site conditions or interference with PG&E's operations. PG&E's failure to approve, or request modification of Buyer's submittal within ten (10) business days, shall be construed as a rejection. If PG&E withholds such approval or Buyer reasonably disagrees with the conditions of approval imposed by PG&E, or if the landowner withholds an approval required for Buyer's due diligence or investigation, Buyer may terminate this Agreement pursuant to Section 5.3 "Buyer's Right to Terminate" below. Such termination rights shall constitute Buyer's sole and exclusive remedy in the event that PG&E withholds such approval.

(c) Buyer's investigation or inspection of the Site(s) or the Subject Pipeline(s) shall not unreasonably interfere with any of the business or operations of the Subject Pipeline(s) or of the owner (or the lessee or tenant) of the real property comprising the Site(s).

(d) Buyer shall bear all of its own costs, expenses, liabilities and charges incurred in connection with its access to the Subject Pipeline(s), the Site(s), or in connection with any reviews, inspections or investigations, pursuant to this Section 5.1.

(e) Buyer shall notify PG&E by telephone or facsimile, at the numbers provided for that purpose in Section 12.1 "Notices," no later than two (2) business days prior to any inspection of the Subject Pipeline(s), Site(s), or information, in each instance. PG&E shall have the right to have a representative accompany Buyer on each such inspection.

(f) Buyer shall, promptly upon receipt by Buyer, provide to PG&E copies of all reports and studies, and with respect to environmental investigations also raw data, collected or prepared by or on behalf of Buyer in connection with Buyer's due diligence or the matters addressed in this Article 5.

5.2 Indemnification. Buyer shall indemnify, defend (with competent independent counsel), protect and hold PG&E, its officers, directors, employees, agents and contractors harmless from and against any and all Losses arising out of or in any way connected with the Subject Pipeline(s) or Site(s) and occurring as a result of any inspection of the Subject Pipeline(s) or entry upon the Site(s) or activities conducted thereon prior to the Closing by Buyer, its agents, contractors,

employees, consultants, or other representatives of Buyer. Buyer shall return the Subject Pipeline(s) and Site(s) as nearly as possible to the same condition as they were in prior to such entries or activities, or shall pay PG&E all costs of doing so.

5.3 Buyer's Right to Terminate. Buyer shall have the right to terminate this Agreement by written notice to PG&E given prior to the expiration of the Due Diligence Period or no later than five (5) business days thereafter ("Due Diligence Related Termination Period") if any of the following events occur: (i) Buyer is not satisfied with the results of its inspections, or (ii) Buyer is unable to obtain the necessary Rights-of-Way or any other consents, permits, or licenses which are necessary to own, operate, or maintain the Subject Pipeline(s), or (iii) PG&E withholds approval of or imposes conditions unacceptable to Buyer with respect to Buyer's environmental investigations regarding Hazardous Substances; or (iv) the landowner withholds an approval required for Buyer's due diligence investigation, or (v) PG&E fails or refuses to provide access to information in its possession which is reasonably deemed material by Buyer.

5.4 Buyer's Election and Obligation to Notify PG&E. Before the end of the Due Diligence Period or the end of the Due Diligence Related Termination Period, as applicable, Buyer shall either:

(a) notify PG&E in writing of the completion of Buyer's due diligence investigations and review, approval of the results thereof, and Buyer's intention to complete the Transaction on Buyer's part; or

(b) notify PG&E in writing of Buyer's intention to exercise its right to terminate this Agreement pursuant to Section 5.3 "Buyer's Right to Terminate," if applicable.

Buyer's notice of termination shall specify in detail the basis for Buyer's termination of this Agreement. If Buyer elects not to terminate this Agreement, in addition to all other claims waived by Buyer hereunder, Buyer shall be deemed to have waived any and all rights or claims against PG&E with respect to matters discovered during the Due Diligence Period, except with regard to PG&E's obligations under Sections 3.3, 8.2, 9.1 and 9.2. If Buyer elects to terminate this Agreement, Buyer shall promptly provide PG&E with copies of any and all inspection reports and other items, as provided in Section 5.1(f). If Buyer fails to notify PG&E pursuant to the provisions of this Section 5.4, Buyer shall be deemed to have given notice to PG&E pursuant to subparagraph (a) of this Section.

6. CERTAIN AGREEMENTS

6.1 Confidentiality.

(a) Each Party shall treat information furnished or made available to it by the other Party, pursuant to this Agreement, as confidential and use it solely for purposes of evaluation and consummation of the Transaction (i) if the document in which the information is presented is clearly marked as confidential, or (ii) if information provided orally is identified as confidential at the time of the disclosure and in a letter transmitted within two (2) weeks of the disclosure, or (iii) if the information is obtained during the course of the negotiations leading to the execution of this Agreement, or as part of due diligence (including documents and material of the type provided for in Section 5.1 "Due Diligence"), or as a result of due diligence inspections or investigations, or as a result of investigation of the other Party, the Subject Pipeline(s), or Site(s), or in the preparation of agreements, schedules or other documents relating to the consummation of the Transaction. All information referred to above in this Section 6.1 is defined as "Confidential Information" for purposes of this Agreement. The term Confidential Information will not, however, include information that (i) is or becomes publicly available other than as a result of a disclosure by the receiving Party or its representatives, (ii) is or becomes available to the receiving Party without confidentiality restrictions from a source other than the other Party or its representatives, which source, to the receiving Party's knowledge after due inquiry, is not prohibited by any legal obligation or fiduciary duty to the other Party from disclosing such information to the receiving Party, or (iii) is used by the Buyer after the Closing in the operation of the Subject Pipeline(s). If this Agreement is terminated (i) neither Party will use any Confidential Information furnished by the other Party in its own or any of its Affiliate's business or for any other purpose, and (ii) each of the Parties will return to the other all originals and copies of Confidential Information, including documents and material of the type provided for in Section 5.1 "Due Diligence" or referred to in this Section 6.1, that have been furnished in connection with

this Agreement, and (iii) each Party will destroy, and certify through its corporate secretary or responsible officer, the destruction of all records containing Confidential Information of the other Party that the receiving Party may have prepared.

(b) Upon written notice to the other Party, either Party may provide the other Party's Confidential Information to the CPUC or any other Governmental Authority with jurisdiction, as required (by such Governmental Authority) to obtain any necessary regulatory approvals related to the Transaction. The disclosing Party shall seek confidential treatment for the other Party's Confidential Information so provided to a Governmental Authority unless this requirement is waived in writing by the other Party. To the extent possible, the disclosing Party shall notify the other Party within a reasonable time in advance of its intention to release to a Governmental Authority any Confidential Information that such Party has obtained from the other Party pursuant to this Agreement. Nothing in this Agreement shall preclude either Party from providing a Governmental Authority with Confidential Information that such Party is required to provide pursuant to any law, or any decree, order or regulation of any Governmental Authority.

(c) The provisions of this Section 6.1 shall survive termination of this Agreement or the Closing of the Transaction.

6.2 Taxes, Prorations and Closing Costs.

(a) Taxes.

(i) In General. Buyer shall pay all Taxes, including sales, use and transfer Taxes, arising in connection with the transfer of the Subject Pipeline(s), except that PG&E and Buyer shall each pay their own net income Taxes. State and local real and personal property Taxes relating to the Subject Pipeline(s) for the Tax year of the Closing shall be prorated between Buyer and PG&E on the following basis: PG&E shall be responsible for the payment of all such Taxes for the period up to the Closing; and Buyer shall be responsible for payment of all such Taxes for the period on and after the Closing. All such Taxes assessed on an annual basis shall be prorated on the assumption that an equal amount of Tax applies to each day of the year, regardless of how any installment payments are billed or made, except that any supplemental property Taxes or assessments which arise out of a revaluation of the Subject Pipeline(s), which revaluation would not have occurred except for the change in ownership, shall be paid by Buyer. Any payments due one Party from the other pursuant to this Section 6.2 shall be paid at the Closing. If the Closing year's Taxes and assessments are not available as of the Closing, for purposes of apportionment between Buyer and PG&E and payment pursuant to this Section 6.2, the amount thereof shall be estimated on the basis of the final Tax statements; but, within forty-five (45) calendar days after such statements are provided by one Party to the other, the Party owing any amount to the other hereunder shall pay that amount.

(ii) Assessment and Payment of Property Taxes. Buyer acknowledges that the property Tax on the Subject Pipeline(s) is assessed by the California State Board of Equalization as of January 1 of each year, and PG&E must pay real property Taxes on the Subject Pipeline(s) for the subsequent fiscal year. If the Closing occurs between January 1, and June 30, Buyer shall deposit with PG&E the full amount to pay real property Taxes allocable to the Subject Pipeline(s) for the tax year beginning on July 1, in addition to the prorated amount of real property Taxes allocable to the Subject Pipeline(s) for the tax year (ending June 30). PG&E shall pay the Taxes for the subsequent tax year before they become delinquent; provided, however, that PG&E shall have the right to pay such Taxes in installments as permitted by law.

(iii) Refunds and Credits. PG&E will be entitled to any and all refunds or credits of Taxes relating to the Subject Pipeline(s) for the period prior to the Closing Date. Buyer will promptly notify PG&E and forward to PG&E the amounts of any such refunds or credits within fifteen (15) calendar days after receipt thereof.

(iv) Notices Regarding Taxes. After the Closing, Buyer will notify PG&E in writing, within fifteen (15) calendar days after Buyer's receipt of any correspondence, notice or other communication from a taxing authority or any representative thereof, of any pending or threatened tax audit, or any pending or threatened judicial or administrative proceeding that involves Taxes relating to the Subject Pipeline(s) for the period prior to the Closing; and

Buyer will furnish PG&E with copies of all correspondence received from any taxing authority in connection with any audit or information request, with respect to any such Taxes relating to the Subject Pipeline(s) for the period prior to the Closing.

(b) Rents and Fees. Any rents and fees due or payable by PG&E under any Rights-of-Way, or other permits, licenses or other agreements relating to the Subject Pipeline(s) shall be prorated as of the Closing Date. The amount due PG&E at the Closing shall be adjusted by the prorations calculated pursuant to this Section 6.2(b).

(c) Buyer's Closing Costs. Buyer will pay (i) all costs of (1) any title policy and all endorsements thereto that Buyer elects to obtain, and any other costs for title-related work charged by the title company issuing the title policy; (2) all necessary filings required of Buyer under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR Act"); (3) compliance with CEQA requirements; (4) Buyer's Due Diligence Inspections, investigations and reviews; (5) obtaining the authorizations, consents, licenses, permits and approvals pursuant to Section 6.8(b) "Buyer Responsibility;" (ii) all document recordation costs; (iii) all documentary transfer taxes due in connection with the transfer of the Subject Pipeline(s) to Buyer; and (iv) all other closing costs as may be necessary to complete the Transaction, except to the extent that any such cost is specifically allocated to PG&E in this Agreement.

(d) PG&E's Closing Costs. PG&E will pay (i) all costs of PG&E's filing for CPUC Approval of the Transaction; (ii) all costs of necessary filings required of PG&E under the HSR Act; and (iii) all costs of any other approval or authorization that PG&E deems appropriate to seek and is not stated as one of Buyer's responsibilities under this Agreement.

6.3 Operation of the Subject Pipeline(s). Except as set forth in Schedule 6, "MODIFICATIONS OF PG&E'S SYSTEM AND/OR THE SUBJECT PIPELINE(S) AND OPERATIONAL ACTIONS," in Sections 6.4 "Modifications of PG&E's System and/or the Subject Pipeline(s) and Operational Actions" and 6.5 "Capital Expenditures" below, and as contemplated herein or otherwise consented to by Buyer in writing, from the date of this Agreement through the Closing, PG&E will use reasonable efforts under the circumstances not to do or permit to be done anything in respect of the Subject Pipeline(s) other than in the ordinary course of business as presently conducted, or as provided in this Agreement.

6.4 Modifications of PG&E's System and/or the Subject Pipeline(s) and Operational Actions. PG&E will make modifications in or to PG&E's gas plant, gas transmission system and/or the Subject Pipeline(s), and take other operational actions, as specifically set forth in Schedule 6 "MODIFICATIONS OF PG&E'S SYSTEM AND/OR THE SUBJECT PIPELINE(S) AND OPERATIONAL ACTIONS," for the purpose of separating the Subject Pipeline(s) from PG&E's gas plant physically and operationally ("Transition Modifications and Operational Actions"). All such Transition Modifications and Operational Actions, as specifically set forth in Schedule 6 hereof, will be performed by PG&E after the Closing. Buyer shall pay to PG&E the total sum of **Thirteen Thousand Nine-hundred Sixty-five Dollars and Seventy Eight Cents (\$13,965.78)** ("Transition Modifications and Operational Costs") at the Closing as consideration for PG&E's performance of the Transition Modifications and Operational Actions after the Closing. Buyer shall pay the Transition Modifications and Operation Costs by wire transfer of immediately available funds to such account as will have been designated by PG&E and such funds shall be identified in the wire transfer as the "Transition Modifications and Operational Costs". Full payment of the Transition Modifications and Operational Costs shall cover all Transition Modifications and Operational Actions specifically set forth in Schedule 6 "MODIFICATIONS OF PG&E'S SYSTEM AND/OR THE SUBJECT PIPELINE(S) AND OPERATIONAL ACTIONS," on the Effective Date, but no other modifications or operational actions.

6.5 Capital Expenditures. No less than thirty (30) calendar days prior to the end of the Due Diligence Period, PG&E shall provide to Buyer a high-level summary of the Capital Expenditures that PG&E anticipates making between the Effective Date through the Closing pursuant to the Existing CPIOA. Notwithstanding the foregoing and anything to the contrary contained in this Agreement, from the Effective Date through the Closing, PG&E may make Capital Expenditures in accordance with the Existing CPIOA. Buyer shall pay to PG&E the amount expended by PG&E on account of all Capital Expenditures made between the Effective Date and the Closing in accordance with the Existing CPIOA. If Buyer fails to authorize PG&E to make such Capital Expenditures, then PG&E shall have the right to retire the affected Facilities, and all obligations of PG&E to Buyer with respect to the affected Facilities shall be automatically extinguished and PG&E shall be released from any and all liabilities relating thereto.

6.6 Risk of Loss. If, prior to the Closing Date, the Subject Pipeline(s) are totally or partially damaged or destroyed, and the cost of repair is reasonably estimated to exceed fifty percent (50%) of the Purchase Price specified in Section 3.1 (a “Major Loss”), Buyer and PG&E shall each have the right to terminate this Agreement by giving to the other Party written notice of termination within ten (10) calendar days of PG&E’s notice to Buyer of such destruction or damage. In the event that neither Party elects to terminate this Agreement following such damage or destruction, or in the event of any other damage to the Subject Pipeline(s) the repair cost of which is less than a Major Loss, Buyer shall remain obligated to perform all of its obligations under this Agreement, and the provisions of Section 6.5 “Capital Expenditures” shall apply to the affected Facilities. If PG&E performs such repairs Buyer shall, within thirty (30) calendar days of the date of PG&E’s invoice, pay to PG&E the actual cost of such repairs. The Closing Deadline, as defined in Section 7.6(b), will be extended by the estimated time period for completion of such repair or replacement plus thirty (30) calendar days. All other costs of repair to the Subject Pipeline(s) shall be deemed to be Capital Expenditures, with the exception of Ordinary Maintenance Expenditures, which shall be borne by PG&E.

6.7 Buyer’s Insurance Requirements. From and after the Closing, Buyer or Guarantor shall maintain insurance coverage with respect to the acquired Subject Pipeline(s) against liabilities of the kinds customarily insured against by companies in the same or similar businesses of comparable types and scale (including self-insurance).

6.8 Regulatory Matters and Other Consents.

(a) **PG&E Responsibility.** PG&E will use Commercially Reasonable Efforts to obtain the CPUC Approval of the Transaction and any other authorization, consent, or approval that PG&E, in its sole discretion, deems necessary or appropriate regarding the Transaction.

(b) **Buyer Responsibility.** Except as provided in Section 6.8(a) “PG&E Responsibility,” it is Buyer’s responsibility to obtain the following (collectively, the “Required Consents”):

(i) all authorizations, consents, licenses, permits and approvals of Governmental Authorities and Third Parties required by applicable law or by Third Parties in connection with the consummation of the Transaction or Buyer’s operation of the Subject Pipeline(s); and

(ii) without limiting the generality of clause (i) above, the specific consents to the assignment from PG&E to Buyer of (or, as applicable, the reissuance of) easements pursuant to Section 2.3.1 “Easements.”

With respect to Required Consents of Third Parties, Buyer will promptly use Commercially Reasonable Efforts to obtain all Required Consents. Upon PG&E’s request, Buyer will promptly provide a detailed report as to the status of each Required Consent and Buyer’s efforts to obtain the same. After the Closing, Buyer will promptly notify all relevant Governmental Authorities and all Third Parties of the change in ownership of the Subject Pipeline(s) resulting from the Transaction to the extent required by applicable law or the specific underlying agreements.

(c) **Hart-Scott-Rodino.** The Parties will comply with the provisions of the HSR Act to the extent applicable to the Transaction. If applicable, the Parties will make the required filings under the HSR Act, and it will be a condition precedent to Closing for both PG&E and Buyer that all waiting periods under the HSR Act expire prior to Closing, and that no order, decree, judgment or injunction enjoining or prohibiting the consummation of the Transaction has been issued. If any Governmental Authority having jurisdiction under the HSR Act requires the filing of any additional information, each Party will provide that information in a prompt and diligent manner. Buyer and PG&E will pay their respective filing fees under the HSR Act, and each Party will bear its own costs of the preparation of any filing.

(d) **CEQA Compliance.** Buyer will pay for compliance with all CEQA requirements, to the extent applicable to the Transaction.

(e) **Cooperation.** Each Party will use Commercially Reasonable Efforts to assist the other Party in its efforts to obtain the consents, approvals, permits and licenses required pursuant to this Section 6.8 and will cooperate with

the other Party in executing the applications and other documents that are reasonably required. Each Party will bear its own costs for these applications and proceedings except as otherwise provided in Section 6.2 “Taxes, Prorations and Closing Costs.”

(f) No Transfer if Consent or Approval Not Obtained. PG&E is not obligated to assign or transfer any interest in the Subject Pipeline(s) or any claim, right or benefit arising under or resulting from the Subject Pipeline(s), if an assignment or transfer or an attempt to make such an assignment or transfer without the consent of a Third Party would breach a contractual or equitable obligation owed to a Third Party, or violate any law, decree, order or regulation of any Governmental Authority.

(g) Buyer Status. Buyer does not intend to become or operate as a “Public utility” as defined under the California Public Utilities Code as a result of the Transaction. Buyer acknowledges that its deliveries of gas to PG&E and the provision of equal access and non-discriminatory gas gathering services to producers connected to the Subject Pipeline(s) following the Closing should not cause Buyer to be subject to regulation by the CPUC as a “Public utility” so long as Buyer’s deliveries remain outside the scope of services performed by a “Public utility” as defined under the California Public Utilities Code.

7. THE CLOSING

7.1 Conditions Precedent to the Closing. The obligations of each Party under this Agreement to complete the purchase and sale of the Subject Pipeline(s) as contemplated hereby shall be subject to the satisfaction, on or prior to the Closing, of each of the following conditions precedent:

(a) Approval of Governmental Authority. CPUC Approval as determined by PG&E shall have been obtained no later than twelve (12) months following the Effective Date of this Agreement and shall be in full force and effect. All approvals from the other Governmental Authorities listed on Schedule 11 “REQUIRED GOVERNMENTAL APPROVALS,” as such Schedule may be amended prior to the Closing by mutual agreement of the Parties, shall have been received and been approved by both Parties no later than twelve (12) months following the Effective Date of this Agreement and shall be final and not subject to rehearing appeal or judicial review, and in full force and effect on the Closing Date.

(b) Due Diligence. Buyer shall have completed and approved the results of its due diligence inspections and review, in connection with the purchase of the Subject Pipeline(s) within the Due Diligence Period, and Buyer shall have notified PG&E in accordance with Section 5.4(a).

(c) CEQA Compliance. Any environmental review required under CEQA with respect to the Transaction contemplated hereby shall have been undertaken and completed, and the applicable statute of limitations for filing a judicial challenge to such review shall have expired without any challenge of this kind.

(d) Equal Access and Non-Discriminatory Service. Buyer shall have provided to PG&E, in a form and substance acceptable to PG&E, as Exhibit D herein, Buyer’s assurance that Buyer will provide equal access and non-discriminatory services to producers, connected to the Subject Pipeline(s) at the time of Closing, and their successors, desiring to delivery their gas to the PG&E gas pipeline system.

7.2 Additional Conditions Precedent to Obligations of Buyer. In addition to the conditions set forth in Section 7.1 “Conditions Precedent to the Closing,” the obligations of Buyer under this Agreement to complete the Transaction contemplated hereby will be subject to the satisfaction, at or prior to the Closing, of each of the conditions precedent set forth in this Section 7.2, any one or more of which may be waived by Buyer at its option:

(a) Compliance with Provisions. PG&E has performed or complied in all material respects with all covenants, agreements and conditions contained in this Agreement required to be performed or complied with by PG&E at or prior to the Closing.

(b) Approvals. Buyer has received and approved all authorizations, consents, licenses, permits and approvals of Governmental Authorities and Third Parties required by applicable law or required by any such Third Parties

in connection with the consummation of the Transaction contemplated by this Agreement and with Buyer's operation of the Subject Pipeline(s). At PG&E's option, Buyer will be deemed to have received and approved all of such authorizations, consents, licenses, permits and approvals of Governmental Authorities and of Third Parties unless Buyer has notified PG&E in writing of the failure of this condition on or before the first anniversary of the Effective Date. PG&E may extend the aforesaid time period at PG&E's discretion.

(c) No Adverse Proceedings or Events. No suit, action or other proceeding against any Party or its Affiliates is pending before any court or Governmental Authority which seeks to restrain or prohibit the Transaction contemplated by this Agreement or to obtain material damages or other material relief in connection with this Agreement or the Transaction contemplated hereby.

(d) Transfer Documents. PG&E has delivered or caused to be delivered to Buyer at the Closing the documents referenced in Schedule 4 "CLOSING DELIVERIES BY PG&E."

(e) Interconnection Agreement. PG&E has executed and delivered to Buyer (or Buyer's Affiliate) the Interconnection Agreement.

(f) Balancing Agreement. PG&E has executed and delivered to Buyer (or Buyer's Affiliate) the Balancing Agreement.

(g) PG&E's Certificate of Incumbency. PG&E has delivered to Buyer PG&E's Certificate of Incumbency, or an acceptable document demonstrating that PG&E's officer signing this Agreement has been duly authorized to sign and execute this Agreement on behalf of PG&E.

(h) Hart-Scott-Rodino. The condition precedent set forth in Section 6.8(c) "Hart-Scott-Rodino" is satisfied.

(i) No Termination. Neither Party has exercised any termination right such Party is entitled to exercise pursuant to Section 7.6 "Termination."

(j) PG&E's Certificate of Compliance. PG&E shall have delivered to Buyer a certificate signed by an officer of PG&E stating that, to PG&E's Knowledge, PG&E has complied with all of its obligations and covenants under this Agreement necessary for Closing, and that all of its representations and warranties made herein are true and correct as of the Closing Date.

7.3 Additional Conditions Precedent to Obligations of PG&E. In addition to the conditions set forth in Section 7.1 "Conditions Precedent to the Closing," the obligations of PG&E under this Agreement to complete the Transaction contemplated hereby will be subject to the satisfaction, at or prior to the Closing, of each of the conditions precedent set forth in this Section 7.3, any one or more of which may be waived by PG&E at its option:

(a) Compliance with Provisions: Buyer has performed or complied in all material respects with all covenants, agreements and conditions contained in this Agreement required to be performed or complied with by Buyer at or prior to the Closing.

(b) PG&E's Receipt of Approvals of Governmental Authorities: PG&E has received and approved in form and content satisfactory to PG&E (in its sole discretion) the CPUC Approval, and each specific approval and decision requested by PG&E as part of the CPUC Approval, any other authorization, consent and approval that PG&E deems necessary or appropriate for the completion of the Transaction, and any and all other approvals from the other Governmental Authorities listed on Schedule 11 "REQUIRED GOVERNMENTAL APPROVALS," as such Schedule may be amended prior to Closing by mutual agreement of the Parties, and which approvals are in full force and effect on the Closing Date. This Agreement may be voided by PG&E, by written notice delivered to Buyer, at any time within thirty (30) calendar days after (i) the effective date of a CPUC decision disapproving, in whole or in part, either (A) this Agreement or the Transaction

contemplated hereby, including, but not limited to, a request for approval under Section 851 of the Cal. Pub. Util. Code or (B) any other filing made by PG&E relating to cost or rate recovery related to this Agreement or the transaction contemplated hereby; or (ii) the failure of any condition set forth in this Section 7.2(b) "Approvals".

(c) Other Approvals: Buyer has received and approved, in form and content, satisfactory to PG&E in its sole discretion, all authorizations, consents, licenses, permits and approvals of Governmental Authorities and Third Parties required by applicable law or required by any such Third Parties in connection with the consummation of the Transaction contemplated by this Agreement and Buyer's ownership and operation of the Subject Pipeline(s). No adverse effect on PG&E's pre-existing rights and interest has resulted or is likely to result, in PG&E's sole judgment, from Buyer's acquisition of such authorizations, consents, licenses, permits or approvals. At PG&E's option, Buyer will be deemed to have received and approved all of such authorizations, consents, licenses, permits and approvals of Governmental Authorities and of Third Parties unless Buyer has notified PG&E in writing of the failure of this condition on or before the first anniversary of the Effective Date. PG&E may extend the aforesaid time period at PG&E's discretion.

(d) No Adverse Proceedings or Events: No suit, action or other proceeding against any Party or its Affiliates is pending before any court or Governmental Authority which seeks to restrain or prohibit the Transaction contemplated by this Agreement or to obtain material damages or other material relief in connection with this Agreement or the Transaction contemplated hereby.

(e) No Material Adverse Change: No material adverse change in Buyer's or Guarantor's financial condition, as determined by PG&E in its sole discretion, has occurred since the Effective Date.

(f) No Adverse Effect: No adverse effect on PG&E's permits, licenses, franchises, easements or other rights or approvals has resulted or is likely to result from the sale of the Subject Pipeline(s), or the completion of the Transaction contemplated hereunder, as determined in PG&E's sole judgment.

(g) Purchase Price Payment: Buyer has delivered and paid to PG&E the Purchase Price as required by Section 3.1 "Purchase Price."

(h) Closing Deliveries and Other Payments: Buyer has delivered to PG&E (i) the documents referenced in Schedule 3 "CLOSING DELIVERIES BY BUYER;" and (ii) the payments in the form and manner, as applicable, specified in Section 6.2 "Taxes, Prorations and Closing Costs", Section 6.4 "Modifications of PG&E's System and/or the Subject Pipeline(s) and Operational Actions," Section 6.5 "Capital Expenditures," and Section 6.6 "Risk of Loss."

(i) Interconnection Agreement: Buyer (or Buyer's Affiliate) has executed and delivered to PG&E the Interconnection Agreement.

(j) Balancing Agreement: Buyer (or Buyer's Affiliate) has executed and delivered to PG&E the Balancing Agreement.

(k) Board Resolutions: Buyer has delivered to PG&E certified copies of resolutions adopted by the Board of Directors of Buyer, or an acceptable document demonstrating authority in authorizing the Transaction contemplated by this Agreement.

(l) Creditworthiness Requirements: Buyer has met the Creditworthiness Requirements as set forth in Section 12.9; and, if requested by PG&E, has delivered security in a form and amount acceptable to PG&E in accordance with Section 12.9.

(m) Guaranty: If requested by PG&E, Buyer has delivered to PG&E: (i) the Guaranty executed by Guarantor, and (ii) evidence demonstrating that Guarantor continues to meet the Creditworthiness Requirements (as set forth in Section 12.9) as of the Closing Date.

(n) Hart-Scott-Rodino: The condition precedent set forth in Section 6.8(c) “Hart-Scott-Rodino” is satisfied.

(o) Buyer’s Certificate of Incumbency: Buyer has delivered to PG&E Buyer’s Certificate of Incumbency, or an acceptable document demonstrating that Buyer’s officer signing this Agreement has been duly authorized to sign and execute this Agreement on behalf of Buyer.

(p) Buyer’s Certificate of Compliance: Buyer shall have delivered to PG&E a certificate signed by an officer of Buyer stating that, to Buyer’s Knowledge, Buyer has complied with all of its obligations and covenants under this Agreement necessary for Closing, and that all of its representations and warranties made herein are true and correct as of the Closing Date.

(q) No Termination: Neither Party has exercised any termination right such Party is entitled to exercise pursuant to Section 7.6 “Termination.”

7.4 The Closing. The closing of the sale of the Subject Pipeline(s) to Buyer (the “Closing”) shall take place at the date and time determined by the Parties, which date shall be as soon as reasonably practicable following the date on which all of the conditions set forth in this Article 7 have been satisfied or waived by the Parties. The day and time of the Closing is herein also referred to as the “Closing Date.”

(a) At the Closing, PG&E will deliver to Buyer the following, at the expense of PG&E:

(i) Appropriate transfer documents consisting of Bill(s) of Sale with respect to the Subject Pipeline(s), substantially in the form of Exhibit B;

(ii) Any other documents required to be delivered on or prior to the Closing, if such delivery has not already occurred.

(b) At the Closing, Buyer will deliver to PG&E, at the expense of Buyer:

(i) An amount equal to the purchase price as specified in Section 3.1 “Purchase Price,” and the amounts required pursuant to Sections 6.2 “Taxes, Prorations and Closing Costs”, 6.4 “Modifications of PG&E’s System and/or the Subject Pipeline(s) and Operational Actions,” Section 6.5 “Capital Expenditures,” and Section 6.6 “Risk of Loss.

(ii) Any other documents required to be delivered on or prior to the Closing, if such delivery has not already occurred.

7.5 Passage of Title. Legal title with respect to the Subject Pipeline(s) shall not pass to Buyer until the Subject Pipeline(s) are transferred at the Closing.

7.6 Termination. Notwithstanding any provision of this Agreement to the contrary, this Agreement may be terminated at any time prior to or on the Closing Date:

(a) By the mutual written consent of the Parties; or

(b) By either Party, upon ten (10) calendar days written notice delivered to the other Party, if the Closing shall not have occurred within three hundred sixty-five (365) calendar days from the execution of this Agreement by PG&E, (the “Closing Deadline”), and either Party may exercise this right at any time after the Closing Deadline but before the Closing Date has been determined by the Parties in accordance with Section 7.4; or

(c) By either Party, immediately upon written notice delivered to the other Party, if there has been any material misrepresentation, or any material breach of any covenant or warranty contained in this Agreement on the part of

the other Party which that Party has not cured by the earlier of the Closing Date or the date thirty (30) calendar days after receipt of a written notice specifying such breach or misrepresentations; or

(d) By either Party in accordance with Section 6.7 “Risk of Loss;” or

(e) By either Party, immediately upon notice delivered to the other, if there has been entered a final, nonappealable order or injunction of any Governmental Authority restraining or prohibiting the consummation of the Transaction contemplated by this Agreement or any material part hereof; or

(f) By Buyer, prior to the expiration of the Due Diligence Period, under the conditions set forth in Section 5.3 “Buyer’s Right to Terminate;” or

(g) By PG&E on thirty (30) calendar days’ written notice any time after a CPUC decision approving this Agreement and the consummation of the Transaction contemplated hereby, or approving any other request related hereto filed separately by PG&E, if PG&E in its sole discretion does not accept one or more of the terms or conditions of the CPUC decision, including, without limitation, terms and conditions relating to PG&E’s ability to recover its costs of Remediation, or relating to the purchase price (as set forth in Section 3.1 “Purchase Price”), or to any matter for which PG&E may request specific approval of the CPUC.

8. INDEMNIFICATION

8.1 Indemnification by Buyer.

(a) **PG&E Claims.** From and after the Closing Date, Buyer shall assume the entire responsibility and liability for and will indemnify, defend and hold harmless PG&E, its Affiliates, successors and assigns (collectively, the “PG&E Group”) from and against all Losses which arise out of or relate to the following (collectively, the “PG&E Claims”):

(1) any Third Party Claims for personal injury or property damage (other than the Third Party Claims described in subsections (2), (4), (6) and (7) below) resulting from or arising out of the ownership, maintenance or operation of the Subject Pipeline(s), regardless of any prior active or passive negligence of PG&E in the construction, maintenance or operation of the Subject Pipeline(s), but only where the alleged personal injury or property damage giving rise to the claim occurs after the Closing Date;

(2) any Third Party Claims: (i) for personal injury caused by any Post-Closing Environmental Condition; (ii) for personal injury caused by any Pre-Closing Environmental Condition for exposure occurring after the Closing; (iii) for property damage caused by any Post-Closing Environmental Condition; or (iv) for property damage resulting from or arising out of any Pre-Closing Environmental Condition where the alleged property damage occurred after the Closing or after Buyer or its transferees, or their successors, assignees, or respective employees, agents or contractors took an action that exacerbated such Pre-Closing Environmental Condition, as described in Section 9.3 (d) (1).

(3) beginning on the first anniversary of the Closing Date, any and all Environmental Costs regardless of when the release occurred or whether the injury, damage, claim, demand or cost is caused by or results from Pre-Closing Environmental Conditions or Post-Closing Environmental Conditions, subject to PG&E’s obligations under Section 9.1 (c).

(4) any and all Environmental Costs for which PG&E is not expressly liable.

(5) the failure, after the Closing Date, of Buyer to pay or otherwise discharge when due the Assumed Liabilities or Buyer’s obligations under Article 9 “ENVIRONMENTAL MATTERS;”

(6) any loss or damages resulting from or arising out of the ownership or operation of the Subject Pipeline(s) after the Closing (other than the Third Party Claims described in subsections (1), (2) (3) and (4) above); provided that loss or damages resulting from PG&E's failure to comply with its obligations under Section 3.3 shall not be included in this provision; and

(7) any assignment of easements or other land rights by PG&E to Buyer including, but not limited to, obligations to remove pipelines or other Facilities, or to restore the Site(s), or any claims of landowners against PG&E or the PG&E Group or against Buyer or the Buyer Group, arising out of or in connection with any such assignment by PG&E to Buyer.

(b) **Buyer Exceptions.** PG&E Claims will not include Losses, for which PG&E has agreed to provide indemnification pursuant to Section 8.2 "Indemnification by PG&E," or those which PG&E has agreed to retain pursuant to other provisions of this Agreement. PG&E Claims will not include any Losses arising out of property damage or injury to person caused by PG&E's operations after the Closing Date at or adjacent to the Site(s).

(c) **Buyer Limitations.** The PG&E Group will not in any event be entitled to any punitive or consequential damages resulting from or arising out of any PG&E Claim.

8.2 Indemnification by PG&E.

(a) **Buyer Claims.** PG&E will indemnify, defend and hold harmless Buyer, its successors and assigns (collectively, the "Buyer Group"), from and against all Losses, which arise out of or relate to the following (collectively, "Buyer Claims"):

(1) any Third Party Claims for personal injury or property damage (other than the Third Party Claims described in subsections (2) or (3) below) resulting from or arising out of the ownership, maintenance or operation of the Subject Pipeline(s) by PG&E prior to the Closing, but only if the alleged personal injury or property damage giving rise to the claim occurred before the Closing Date;

(2) any Third Party Claims (i) for personal injury caused by Pre-Closing Environmental Conditions or (ii) for property damage caused by Pre-Closing Environmental Conditions, but only if the personal injury or property damage occurred prior to the Closing; and

(3) any Third Party Claims resulting from or arising out of the disposal, by PG&E or at PG&E's direction at an Offsite Disposal Facility, before the Closing Date, of Hazardous Substances generated by PG&E at a Facility.

(b) **PG&E Exceptions.** Buyer Claims will not include any Losses, with respect to which Buyer has agreed to provide indemnification pursuant to Section 8.1 "Indemnification by Buyer" or which Buyer has agreed to assume pursuant to other Sections of this Agreement, or which (i) relate, are associated with, or arise in any manner out of a Volunteered Line or Volunteered Lines or the operation thereof, or (ii) relate to Hazardous Substances which are present at any time on Site(s) where a Volunteered Line is located; and for clarity of intention, it is expressly agreed that PG&E's liability for Remediation related to Third Party Claims for property damage under this Section 8.2 shall be subject to and limited by the provisions of Section 9.3 and the same PG&E Remediation Time Limit and PG&E Remediation Liability Cap as provided in Section 9.1.

(c) **PG&E Limitations.** The Buyer Group will not in any event be entitled to any punitive or consequential damages resulting from or arising out of any Buyer Claims, including damages for lost revenues, income, or profits, diminution in value of the Site or the Subject Pipeline(s) or any other damage or loss resulting from the disruption to or loss of operation of the Subject Pipeline(s).

(d) **BUYER'S RELEASE OF PG&E. BUYER, FOR ITSELF AND ON BEHALF OF THE BUYER GROUP, DOES HEREBY RELEASE, HOLD HARMLESS AND FOREVER DISCHARGE EACH**

MEMBER OF THE PG&E GROUP FROM ANY AND ALL CLAIMS, DEMANDS, LIABILITIES (INCLUDING FINES AND CIVIL PENALTIES) OR CAUSES OF ACTION AT LAW OR IN EQUITY (INCLUDING ANY ACTIONS ARISING UNDER ENVIRONMENTAL LAWS), DESTRUCTION, LOSS OR DAMAGE OF ANY KIND OR CHARACTER, WHETHER KNOWN OR UNKNOWN, HIDDEN OR CONCEALED, TO THE PERSON OR PROPERTY OF ANY MEMBER OF THE BUYER GROUP INCLUDING THOSE RESULTING FROM OR ARISING OUT OF ANY HAZARDOUS SUBSTANCE, AT, ON, UNDER, IN OR ABOUT THE SITE, AND FROM ALL ENVIRONMENTAL COSTS, EXCEPT AS TO PG&E'S OBLIGATIONS UNDER SECTION 9.1 "PG&E'S RIGHTS AND RESPONSIBILITIES," SECTION 9.2 "PG&E'S REMEDIATION OBLIGATION," SECTION 8.2 "INDEMNIFICATION BY PG&E," AND SECTION 3.3 "RETENTION OF LIABILITIES." BUYER'S RELEASE DOES NOT INCLUDE ENVIRONMENTAL COSTS FOR WHICH BUYER IS NOT RESPONSIBLE UNDER PARAGRAPH 9.3(g). BUYER HEREBY WAIVES ANY AND ALL RIGHTS AND BENEFITS THAT IT NOW HAS, OR IN THE FUTURE MAY HAVE CONFERRED UPON IT BY VIRTUE OF THE PROVISIONS OF SECTION 1542 OF THE CIVIL CODE OF THE STATE OF CALIFORNIA (OR ANY OTHER STATUTE OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT), WHICH PROVIDES AS FOLLOWS:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

IN THIS CONNECTION, BUYER HEREBY AGREES, REPRESENTS, AND WARRANTS THAT IT REALIZES AND ACKNOWLEDGES THAT FACTUAL MATTERS NOW UNKNOWN TO IT MAY HAVE GIVEN OR MAY HEREAFTER GIVE RISE TO CLAIMS THAT ARE PRESENTLY UNKNOWN, UNANTICIPATED AND UNSUSPECTED, AND IT FURTHER AGREES, REPRESENTS, AND WARRANTS THAT THIS RELEASE HAS BEEN NEGOTIATED AND AGREED UPON IN LIGHT OF THAT REALIZATION AND IT NEVERTHELESS HEREBY INTENDS TO RELEASE EACH MEMBER OF THE PG&E GROUP FROM THE CLAIMS, DEMANDS AND LIABILITIES DESCRIBED IN THE FIRST SENTENCE OF THIS SECTION 8.2(d).

Initials of Buyer's authorized representative

CAF

Initials of PG&E's authorized representative



8.3 Notice of Claim. Subject to the terms of this Agreement and upon obtaining knowledge of a claim for which it is entitled to indemnify under this Article 8, the Party seeking indemnification hereunder (the "Indemnitee") will promptly notify the Party against whom indemnification is sought (the "Indemnitor") in writing of any damage, claim, loss, liability or expense which the Indemnitee has determined has given or could give rise to a claim under Section 8.2 "Indemnification by PG&E" or Section 8.1 "Indemnification by Buyer." (The written notice is referred to as a "Notice of Claim.") A Notice of Claim will specify, in reasonable detail, the facts known to the Indemnitee regarding the claim. Subject to the terms of this Agreement, the failure to provide (or timely provide) a Notice of Claim will not affect the Indemnitee's rights to indemnification, except as otherwise provided by the specific time frames set forth in Section 8.2 "Indemnification by PG&E" and Section 8.1 "Indemnification by Buyer;" provided, however, that the Indemnitor is not obligated to indemnify the Indemnitee for the increased amount of any claim which would otherwise have been payable, to the extent that the increase resulted from the failure to deliver a timely Notice of Claim.

8.4 Defense of Third Party Claims. The Indemnitor will defend, in good faith and at its expense, any claim or demand set forth in a Notice of Claim relating to a Third Party Claim for which the Indemnitee is entitled to indemnify pursuant to this Article 8; and the Indemnitee, at its expense, may participate in the defense with counsel of its choice. The Indemnitee shall not settle or compromise any Third Party Claim so long as the Indemnitor is defending it in good faith. If the Indemnitor elects not to contest a Third Party Claim, the Indemnitee may undertake its defense, and the Indemnitor will

be bound by the result obtained by the Indemnitee. If the Indemnitor confirms its indemnity obligation with respect to the claim or claims, then the Indemnitor may at any time request the Indemnitee to agree to the abandonment of the contest of the Third Party Claim or to the payment or compromise by the Indemnitor of the asserted claim or demand. If the Indemnitee does not object in writing within fifteen (15) calendar days of the Indemnitor's request, the Indemnitor may proceed with the action stated in the request. If within that fifteen (15) day period the Indemnitee notifies the Indemnitor in writing that it has determined that the contest should be continued, the Indemnitor will be liable under this Article 8 only for an amount up to the amount which the Third Party to the contested Third Party Claim had agreed to accept in payment or compromise as of the time the Indemnitor made its request. This Section 8.4 is subject to the rights of any Indemnitee's insurance carrier that is defending the Third Party Claim.

8.5 Cooperation. The Party defending the Third Party Claim will (a) consult with the other Party throughout the pendency of the Third Party Claim regarding the investigation, defense, settlement, trial, appeal or other resolution of the Third Party Claim; and (b) afford the other Party the opportunity to be associated in the defense of the Third Party Claim. The Parties will cooperate in the defense of the Third Party Claim. The Indemnitee will make available to the Indemnitor or its representatives all records and other materials reasonably required by them for use in contesting any Third Party Claim (subject to obtaining an agreement to maintain the confidentiality of confidential or proprietary materials in a form reasonably acceptable to Indemnitor and Indemnitee). If requested by the Indemnitor, the Indemnitee will cooperate with the Indemnitor and its counsel in contesting any Third Party Claim that the Indemnitor elects to contest or, if appropriate, in making any counterclaim against the Person asserting the claim or demand, or any cross-complaint against any Person. The Indemnitor will reimburse the Indemnitee for any expenses incurred by the Indemnitee in cooperating with or acting at the request of the Indemnitor.

8.6 Mitigation and Limitations on Claims. As used in this Agreement, the term "Indemnifiable Claim" means any Buyer Claims or PG&E Claims. Notwithstanding anything to the contrary contained herein:

(a) **Reasonable Steps to Mitigate.** The Indemnitee will take all reasonable steps to mitigate all losses, damages and the like relating to an Indemnifiable Claim, including availing itself of any defenses, limitations, rights of contribution, claims against third Persons and other rights at law or equity, and will provide such evidence and documentation of the nature and extent of the Indemnifiable Claim as may be reasonably requested by the Indemnitor. The Indemnitee's reasonable steps include the reasonable expenditure of money to mitigate or otherwise reduce or eliminate any loss or expense for which indemnification would otherwise be due under this Article 8, and the Indemnitor will reimburse the Indemnitee for the Indemnitee's reasonable expenditures in undertaking the mitigation.

(b) **Net of Benefits.** Any Indemnifiable Claim is limited to the amount of actual damages or Losses sustained by the Indemnitee, net of the dollar amount of any insurance proceeds receivable by the Indemnitee (or any member of the PG&E Group or Buyer Group indemnified hereunder, as applicable) with respect to the Indemnifiable Claim.

9. ENVIRONMENTAL MATTERS

9.1 PG&E's Rights and Responsibilities

(a) From the Closing Date until the expiration of "the PG&E Remediation Time Limit" or until a total aggregate cost to PG&E of an amount equal to the "PG&E Remediation Liability Cap", whichever of these limits is reached first, PG&E agrees to pay for Remediation of any Pre-Closing Environmental Condition to the extent it is required by a Governmental Authority with jurisdiction to require Remediation under Environmental Laws and subject to the following conditions:

(i) Buyer has provided PG&E with a Notice, either during the Due Diligence Period or during the PG&E Remediation Time Limit;

(ii) Buyer shall pay for Remediation of Pre-Closing Environmental Conditions up to and including an aggregate limit of Ten Thousand Dollars (\$10,000.00) as escalated by the CPI, ("the PG&E Remediation

Liability Floor”), and Buyer shall not be entitled to assert any rights under this Article 9 unless and until the aggregate of all such Remediation costs paid by Buyer is equal to or exceeds the PG&E Remediation Liability Floor.

(iii) For purposes of this Section 9.1 (a), “Notice” shall mean a notice of the existence of Pre-Closing Environmental Conditions, which notice shall include the results of laboratory tests evidencing the presence of Hazardous Substances.

(b) PG&E has the right, but not the obligation, at its sole option, to undertake: (1) the Remediation described in Section 9.1(a) above; (2) any Remediation that PG&E reasonably determines is required under Environmental Laws; and (3) any additional Remediation relating to Pre-Closing Environmental Conditions as PG&E reasonably deems necessary or appropriate.

(c) PG&E has no obligation to pay for or undertake Remediation of: (1) any Post-Closing Environmental Condition; or (2) any Pre-Closing Environmental Condition of which PG&E does not receive Notice during the Due Diligence Period or the PG&E Remediation Time Limit, or to the extent that it causes PG&E’s total aggregate Remediation costs to exceed the PG&E Remediation Liability Cap; or (3) any environmental condition beneath, about, around, or resulting from operation of a Volunteered Line or Volunteered Lines; however, for a Pre-Closing Environmental Conditions where Remediation was commenced or as to which a Notice (including laboratory test results) was provided by Buyer to PG&E during the PG&E Remediation Time Limit, solely with respect to such Pre-Closing Environmental Condition, PG&E’s obligation shall extend until the PG&E Remediation Liability Cap has been reached.

(d) PG&E shall have no obligation with respect to any Environmental Costs or environmental conditions for which PG&E is not expressly liable pursuant to this Agreement.

9.2 PG&E’s Remediation Obligation. PG&E’s agreement under Section 9.1 “PG&E’s Rights and Responsibilities” to pay for certain Remediation is subject to the terms and conditions set forth in Schedule 5 “ENVIRONMENTAL REMEDIATION.”

9.3 Buyer’s Responsibilities.

(a) Buyer will comply with all Environmental Laws and Environmental Requirements and directives of all Governmental Authorities, including those concerning the presence of Hazardous Substances in, on, at, near or about the Subject Pipeline(s) or the Site(s), including Hazardous Substances in soil or groundwater, and including all Governmental Authorities’ directives requiring Remediation. Should PG&E opt to undertake (instead of to pay for) Remediation related to a Facility in accordance with Section 9.1, Buyer’s obligation under this Section is excused only to the extent of the Remediation undertaken by PG&E.

(b) Buyer agrees that it will not develop the Site(s) or any adjacent land or any portion thereof for use as a permanent or temporary lodging (including hotels, motels, and the like), hospital or other health-care facility, school, day care center for children, park, playground or other recreational use, or other use that: (1) could cause a Governmental Authority with jurisdiction over the Subject Pipeline(s) or Site(s) under Environmental Laws to require more extensive or additional Remediation of any Pre-Closing Environmental Condition than the Remediation appropriate for the Facility under its current use; or (2) could enhance the risks of human exposure to or movement of Hazardous Substances. Buyer will indemnify, defend and hold harmless each member of the PG&E Group from and against all damages, claims, losses, liabilities and expenses, including reasonable legal, accounting and other expenses, which arise out of or relate to any breach of this Section. Any defense of PG&E under this provision shall be by attorneys satisfactory to PG&E. Buyer will incorporate its obligations under this Section into any sales or lease agreement hereafter executed by Buyer for the Subject Pipeline(s) or the Site(s) (or any portion thereof) and any tenant, operator, or subsequent purchaser or transferee will be required to comply with all obligations of Buyer relating to use of the Subject Pipeline(s) and Site(s) set forth in this Section.

(c) Buyer agrees to assume and pay for all costs of Remediation relating to the Subject Pipeline(s) or Site(s) that (i) are incurred by anyone after the PG&E Remediation Time Limit (except as set forth in the last sentence of Section 9.1(c); or (ii) exceed the PG&E Remediation Liability Cap (as defined in Section 9.1 (a)); or (iii) are costs of Remediation,

or a portion of such costs, up to the PG&E Remediation Liability Floor specified in that Section 9.1(a); or (iv) relate to or result from or in connection with any Post-Closing Environmental Condition(s); or (v) for which PG&E is not expressly liable.

(d) Buyer agrees to pay for all losses, damages, and costs incurred by PG&E due to or arising out of the Pre-Closing Environmental Conditions or Post-Closing Environmental Conditions to the extent such loss, damage, or cost results from or arises out of any of the following:

(1) the exacerbation of a Pre-Closing Environmental Condition due to any acts or omissions of Buyer or its transferees, or their successors, assignees, or respective employees, agents or contractors;

(2) the relocation at Buyer's request of the equipment used by PG&E for the Remediation of any Pre-Closing Environmental Condition, including the relocation costs and any increased costs or expenses in conducting such Remediation; or

(3) any Post-Closing Environmental Conditions.

(e) Buyer shall also have the obligations specified in Schedule 5 "ENVIRONMENTAL REMEDIATION."

(f) Except for PG&E's obligations under Section 8.2 with respect to personal injury occurring prior to the Closing, Buyer expressly agrees that beginning on the first anniversary of the Closing Date, Buyer will be liable for and shall indemnify, defend and hold PG&E harmless against all Environmental Costs, regardless of when the release of Hazardous Substances occurred and whether they constitute Post-Closing Environmental Conditions or Pre-Closing Environmental Conditions, except as set forth in the last clause of Section 9.1 (c). Any defense of PG&E under this provision shall be by attorneys satisfactory to PG&E.

(g) Buyer's responsibilities under this Section 9.3 shall not include costs of Remediation or Environmental Costs to the extent caused by PG&E's operation of pipelines or other facilities after the Closing at Sites to which Buyer received a shared easement pursuant to Section 2.3.1(a) hereof.

10. LIMITATION OF LIABILITY

10.1 The total aggregate liability of PG&E, if any, arising out of or in connection with this Agreement, whether based on contract, tort (including negligence) warranty or otherwise, shall in no event exceed: (i) ten percent (10%) of the Purchase Price paid by Buyer pursuant to Section 3.1, or (ii) if PG&E has not received the Purchase Price when its liability arises then the lesser of Ten Thousand Dollars (\$10,000.00) or ten percent (10%) of the Purchase Price (the "Contract Liability Cap"), excepting solely PG&E's liability as specifically set forth in Article 8 "INDEMNIFICATION" and in Article 9 "ENVIRONMENTAL MATTERS;" provided that, PG&E's total aggregate liability under Article 9, "ENVIRONMENTAL MATTERS," shall in no event exceed the PG&E Remediation Liability Cap as defined in Section 1.1.

10.2 IN NO EVENT SHALL PG&E OR BUYER BE LIABLE FOR ANY SPECIAL, INDIRECT, PUNITIVE, OR CONSEQUENTIAL DAMAGES OF ANY KIND, INCLUDING BUT NOT LIMITED TO LOST REVENUES, LOST PROFITS, COST OF CAPITAL AND DAMAGES ARISING OUT OF CLAIMS BY THIRD PARTIES INCLUDING BUT NOT LIMITED TO CLAIMS BY ANY TRANSFEREES, ASSIGNEES, OR SUCCESSORS IN INTEREST OF BUYER, REGARDLESS OF WHETHER SUCH DAMAGES ARE FORESEEABLE, AND REGARDLESS OF ANY NEGLIGENCE OF PG&E WHETHER ACTIVE OR PASSIVE.

NOTHING IN THIS SECTION 10.2 SHALL LIMIT OR AFFECT THE OBLIGATIONS OF THE PARTIES AS SET FORTH IN THIS AGREEMENT.

11. CERTAIN POST-CLOSING COVENANTS

11.1 Transfer or Disposition of Subject Pipeline(s) by Buyer. Any transfer or other disposition by Buyer, or by its assignee or transferee, or by any subsequent assignee or transferee, of all or any portion of the Subject Pipeline(s) after the Closing shall not in any way alter or affect the applicability of this Agreement or release Buyer from any of its obligations under this Agreement and Buyer shall continue to be subject to its obligations hereunder and under this Agreement regardless of any action or omission of any future transferee(s).

12. MISCELLANEOUS AGREEMENTS AND ACKNOWLEDGMENTS

12.1 Notices. All notices and other communications required or permitted under this Agreement shall be in writing and, unless otherwise provided in this Agreement, shall be deemed to have been duly given (i) when delivered in person, or (ii) when dispatched by telegram or electronic mail transfer (confirmed in writing by mail simultaneously dispatched), or (iii) one (1) business day after dispatch by a nationally recognized overnight courier service, to the appropriate Party at the address specified below:

- (a) If to Buyer, to: California Resources Production Corporation
Attn: Jason Lim
Contract and Commercial Analyst
111 W. Ocean Blvd. Suite 800
Long Beach, CA 90802
Email: Jason.Lim@crc.com
- with a copy to: California Resources Production Corporation
Attn: Zabi Nowaid
Managing Counsel
111 W. Ocean Blvd. Suite 800
Long Beach, CA 90802
Email: Zabi.Nowaid@crc.com
- (b) If to PG&E, to: David R. Lewis, Director,
Wholesale Marketing & Business Development
6121 Bollinger Canyon Road, 4th Floor, Mail Code: BR1Z4A
San Ramon, CA 94583
Email: David.R.Lewis@pge.com
- with a copy to: Kenneth J. Brennan
Supervisor, Gas Transmission
6121 Bollinger Canyon Road, 4th Floor, Mail Code: BR1Z4A
San Ramon, CA 94583
Email: Kenneth.Brennan@pge.com

Notices to PG&E regarding due diligence investigations, pursuant to Section 5.1(c):

Kenneth J. Brennan
Supervisor, Gas Transmission
6121 Bollinger Canyon Road, 4th Floor, Mail Code: BR1Z4A
San Ramon, CA 94583
Telephone: (925) 244-3542
Email: Kenneth.Brennan@pge.com

or to such other address or addresses as a Party may designate from time to time.

12.2 Successors and Assigns. This Agreement is binding upon and inures to the benefit of the Parties hereto and their respective successors and permitted assigns, but neither Party may assign or delegate its rights or its obligations hereunder without the prior written consent of the other Party in its sole discretion; provided that, PG&E may, upon notice to Buyer, assign its rights concurrently with a delegation of its obligations under this Agreement to an Affiliate of PG&E or to another Person in conjunction with the transfer of the Subject Pipeline(s) or the business function to which this Agreement pertains.

In the event of an assignment or delegation of Buyer's rights or obligations under this Agreement, Buyer shall remain liable for all of Buyer's obligations hereunder and for the performance of those obligations, regardless of any such assignment or delegation or of PG&E's consent thereto. Any assignment or delegation by Buyer of Buyer's rights or obligations under this Agreement is expressly conditioned on (i) execution by a guarantor acceptable to PG&E and delivery to PG&E of the Guaranty attached hereto as Exhibit A and (ii) compliance with the Creditworthiness Requirements (as stated in Section 12.9). Any assignment or delegation without the execution and delivery of the Guaranty by Buyer to PG&E shall be void and of no force or effect.

In the event of an assignment of PG&E's rights or obligations under this Agreement, PG&E shall remain liable for all of PG&E's obligations hereunder and for the performance of those obligations, regardless of Buyer's consent thereto.

12.3 Entire Agreement. This Agreement (including the Schedules and Exhibits hereto) and the Guaranty, constitute the entire agreement between the Parties with respect to the Transaction contemplated hereby, and supersede any other agreements, negotiations, representations, warranties, commitments, offers, or contracts, whether written or oral, that may have been made or entered into by either Party hereto or any of its respective Affiliates (or by any director, officer, employee, or representative of such Party or Affiliate) relating to the matters contemplated hereby.

12.4 Amendments and Waivers. No waiver, modification, or amendment of any provision of this Agreement shall be effective unless specifically made in writing and signed by authorized representatives of the Parties.

12.5 No Third Party Beneficiaries. Nothing expressed or implied in this Agreement is intended or will be construed to confer upon or give any Person, other than the Parties hereto, any rights or remedies under or by reason of this Agreement or any transaction contemplated hereby.

12.6 Dispute Resolution.

(a) Applicable Law. This Agreement and the legal relations between the Parties hereto will be governed by and construed in accordance with the substantive laws of the State of California, without giving effect to any principles of conflict of laws.

(b) Venue and Jurisdiction. PG&E and Buyer hereby irrevocably submit to the exclusive jurisdiction of any State of California or federal court sitting in the City of San Francisco over any suit, action or proceeding arising out of or related to this Agreement or any of the documents or instruments referred to herein. Each of PG&E and Buyer hereby waives any objection to jurisdiction or venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based on forum non conveniens.

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

12.8 Certain Interpretive Matters.

(a) Titles and headings to Articles and Sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. Ambiguities or uncertainties

in the wording of this Agreement will not be construed for or against any Party, but will be construed in the manner that most accurately reflects the Parties' intent as of the date they executed this Agreement.

(b) The inclusion of any matter on any Exhibit attached hereto will not be deemed an admission by PG&E that such listed matter has or would have a material adverse effect.

(c) Nothing contained in this Contract shall be construed as an agreement by the Parties as to whether Buyer should file for public utility status.

(d) Nothing contained in this Agreement shall ever be construed to create an association, trust, partnership, or joint venture, or impose a trust or partnership duty, obligation, or liability on or with regard to any Party.

12.9 Creditworthiness Requirements. In order for PG&E to evaluate Buyer's Credit Worthiness, Buyer shall provide to PG&E's Credit Risk Management Unit the following financial information:

- (1) Buyer's most recent audited annual report, or
- (2) Buyer's most recent U.S. Securities and Exchange Commission (SEC) Form 10-K, or
- (3) Buyer's most recent audited annual financial statement (including a balance sheet, income statement, notes to financial statements and cash flow statement).

(a) **Requirement for Security.** If in PG&E's assessment, Buyer fails to meet the Credit Worthiness Requirements, Buyer agrees to deliver to PG&E collateral to secure its obligations under this Agreement, which Buyer shall maintain in full force and effect for the period posted with PG&E, as follows: Buyer shall furnish to PG&E at Closing security in the amount of One-Hundred Thousand Dollars (\$100,000.00) and in a form that is acceptable to PG&E. Acceptable forms of security are:

- (1) Corporate Guaranty in the form attached hereto as Exhibit A, or
- (2) Irrevocable Standby Letter of Credit, in the form attached hereto as Exhibit A.1 or
- (3) Evidence of Insurance, in the form attached hereto as Exhibit A.2 or
- (4) cash deposit

Said security shall remain in place for two (2) years following Closing.

(b) The corporate Guarantor executing the Guaranty to be provided to PG&E as a condition precedent to the Closing shall as of the Date of Closing have a demonstrable current rating of its long-term unsecured debt by Moody's, Investor Service, Inc. (Moody's), Standard and Poor's Rating Service ("S & P"), or an equivalent rating service, of Baa2 or higher by Moody's, or BBB or higher by S & P, or an equivalent credit rating by an equivalent rating service. In the event of an assignment of this agreement by the Buyer, the Buyer's assignee shall as of the Date of Closing or of the assignment, whichever is the later date, meet the same Creditworthiness Requirements as stated in this paragraph.

The issuing bank of the Irrevocable Standby Letter of Credit shall, as of the Date of Closing, have a demonstrable current rating of its long-term unsecured debt by Moody's Investor Service, Inc. (Moody's), Standard and Poor's Rating Service ("S&P"), or an equivalent rating service, of A2 or higher by Moody's, or A or higher by S&P, or an equivalent credit rating by an equivalent rating service.

The insurance company issuing the Insurance Policy shall, as of the Date of Closing, have a demonstrable current rating of its long-term unsecured debt by Moody's Investor Service, Inc. (Moody's), Standard and

Poor's Rating Service ("S&P"), or an equivalent rating service, of A2 or higher by Moody's or A or higher by S&P, or an equivalent credit rating by an equivalent rating service.

12.10 Survival. The representations and warranties of PG&E contained in Section 4.1 "Representations, Warranties and Disclaimers of PG&E" of this Agreement, and the representations and warranties of Buyer contained in Section 4.2 "Representations and Warranties of Buyer" of this Agreement, shall (except as otherwise stated in this Agreement) survive the Closing and continue for a period of twelve (12) months thereafter and shall thereupon expire and be of no further force and effect. Any claim for breach of any such surviving representations or warranties must be made within such twelve month period or shall be waived. The following Articles and Sections shall survive the Closing: Sections 2.3.1, 2.3.2, 3.2, 4.1, 4.2, 4.3, 4.4, 5.2, 6.1, 6.2, 6.4, 6.5, 6.7, 6.8, Articles 8, 9 and 10 in their entirety, and Sections 11.1, 11.2, 12.2, 12.3, 12.4, 12.5, 12.6, 12.8, 12.9, 12.10, and 12.11, as applicable. The following Articles and Sections shall survive the termination of this Agreement: Sections 4.3, 4.4(b) and (c), 5.1(d) and (f), 5.2, 5.4, 6.1, and Article 10 in its entirety. In addition, all provisions of this Agreement which by their purpose or nature are intended to survive the Closing or the termination of this Agreement shall survive the Closing and/or the termination of this Agreement.

12.11 Effect of Closing On Known Unsatisfied Conditions or Breached Representations, Warranties or Covenants. If PG&E or Buyer elects to proceed with the Closing knowing of any failure of any condition in its favor to be satisfied by the other Party, or of the breach of any representation, warranty or covenant by the other Party, the condition that is unsatisfied or the representation, warranty or covenant which is breached will be deemed waived by such Party on the Closing Date, and such Party will be deemed to fully release and forever discharge the other Party on account of any and all claims, demands or charges, known or unknown, with respect to the same.

12.12 Schedules and Exhibits. The following Schedules and Exhibits, as may be updated from time to time by PG&E and incorporated into this Agreement with notice to Buyer, are attached hereto and incorporated by reference into this Agreement:

SCHEDULES

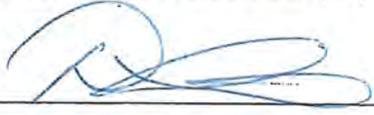
Schedule 1	"DESCRIPTION OF PIPELINE(S) TO BE SOLD"
Schedule 1.1	"PIPELINE MAPS AND SURVEY SHEETS"
Schedule 2	"BUYER LITIGATION"
Schedule 3	"CLOSING DELIVERIES BY BUYER"
Schedule 4	"CLOSING DELIVERIES BY PG&E"
Schedule 5	"ENVIRONMENTAL REMEDIATION"
Schedule 6	"MODIFICATIONS OF PG&E'S SYSTEM AND/OR THE SUBJECT PIPELINE(S) AND OPERATIONAL ACTIONS"
Schedule 7	"LIST OF EASEMENTS TO BE ASSIGNED"
Schedule 7.1	"LIST OF EASEMENTS TO BE PARTIALLY ASSIGNED"
Schedule 8	"PG&E AUTHORIZATION AND ENFORCEABILITY"
Schedule 9	"PG&E LITIGATION"
Schedule 10	"RELATED CONTRACTS"

Schedule 11	“REQUIRED GOVERNMENTAL APPROVALS”
Schedule 12	“SCHEDULE OF PG&E OFFICERS AND EMPLOYEES”
Schedule 13	“SCHEDULE OF BUYER OFFICERS AND EMPLOYEES”
Schedule 14	“COMPLIANCE EXCEPTIONS”
Schedule 15	“VOLUNTEERED PIPELINE(S)”
<u>EXHIBITS</u>	
EXHIBIT A	“FORM OF GUARANTY”
EXHIBIT A.1	“FORM OF LETTER OF CREDIT”
EXHIBIT A.2	“FORM OF EVIDENCE OF INSURANCE”
EXHIBIT B	“FORM OF BILL OF SALE”
EXHIBIT C	“FORM OF FIRPTA CERTIFICATE”
EXHIBIT D	“EQUAL ACCESS AND NON-DISCRIMINATORY SERVICE”
EXHIBIT E	“CALIFORNIA PRODUCTION INTERCONNECTION AND OPERATING AGREEMENT” (“CPIOA”)
EXHIBIT F	“CALIFORNIA PRODUCTION BALANCING AGREEMENT”
EXHIBIT G	“FORM OF ASSIGNMENT OF EASEMENT”
EXHIBIT H	“FORM OF ASSIGNMENT AND APPORTIONMENT OF RIGHTS”
EXHIBIT H.1	“LIST OF ASSIGNED AND APPORTIONED LAND RIGHTS”

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the last date set forth below.

PG&E: Pacific Gas and Electric Company

BUYER: California Resources Production Corporation

By: 

By: 

Name: DAVID LEWIS

Name: Carrie M. Fox

Title: DIRECTOR

Title: VP Business Development

Date: 1/25/19

Date: 01/23/2019

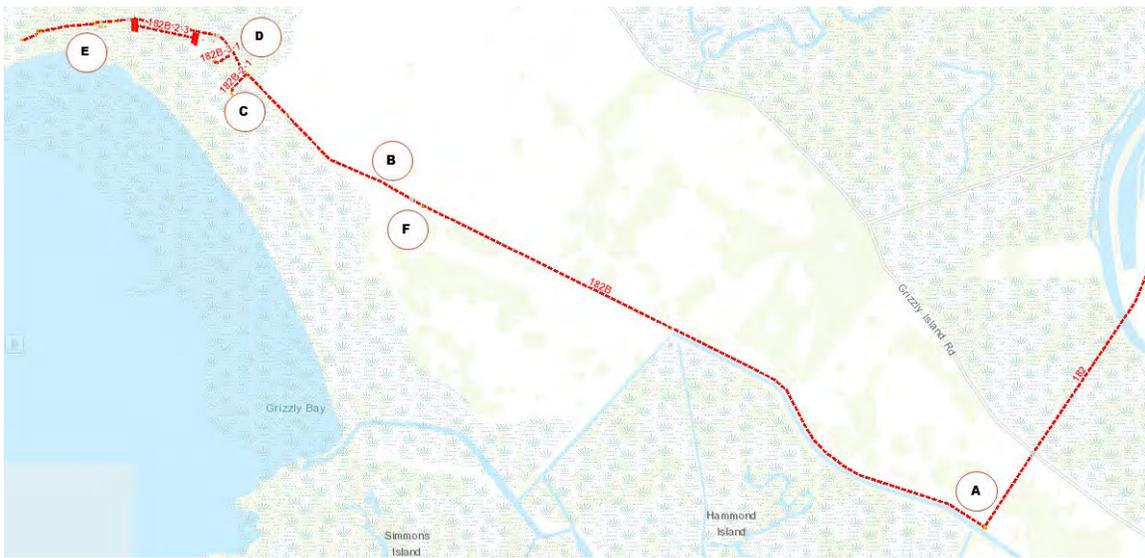
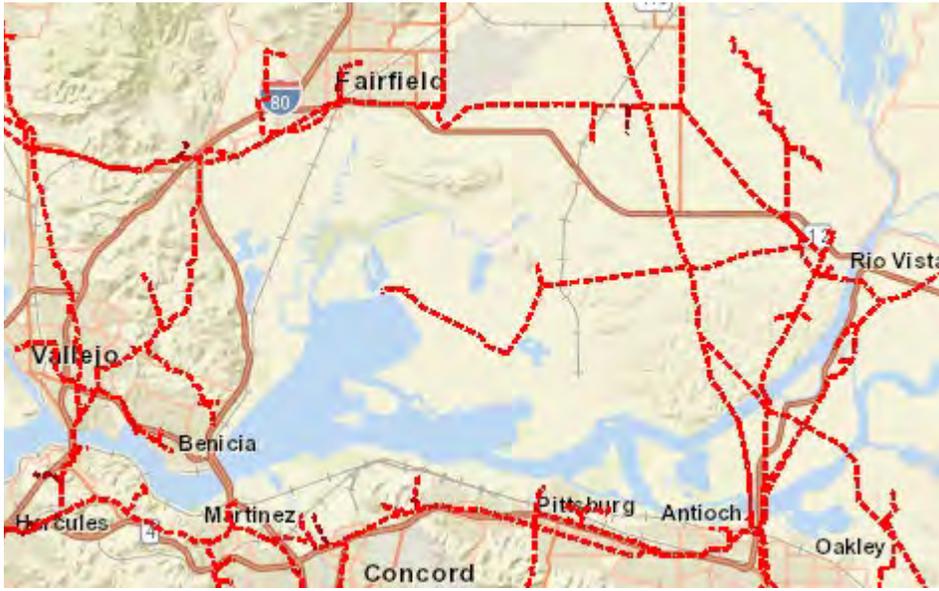
Schedule 1
Description of Pipeline(s) to be Sold
CRPC Pipeline Purchase and Sale Agreement – Line 182B System

Listing of Pipeline Routes and Segments to be Sold
(as shown in Schedule 1.1 Pipeline Maps)

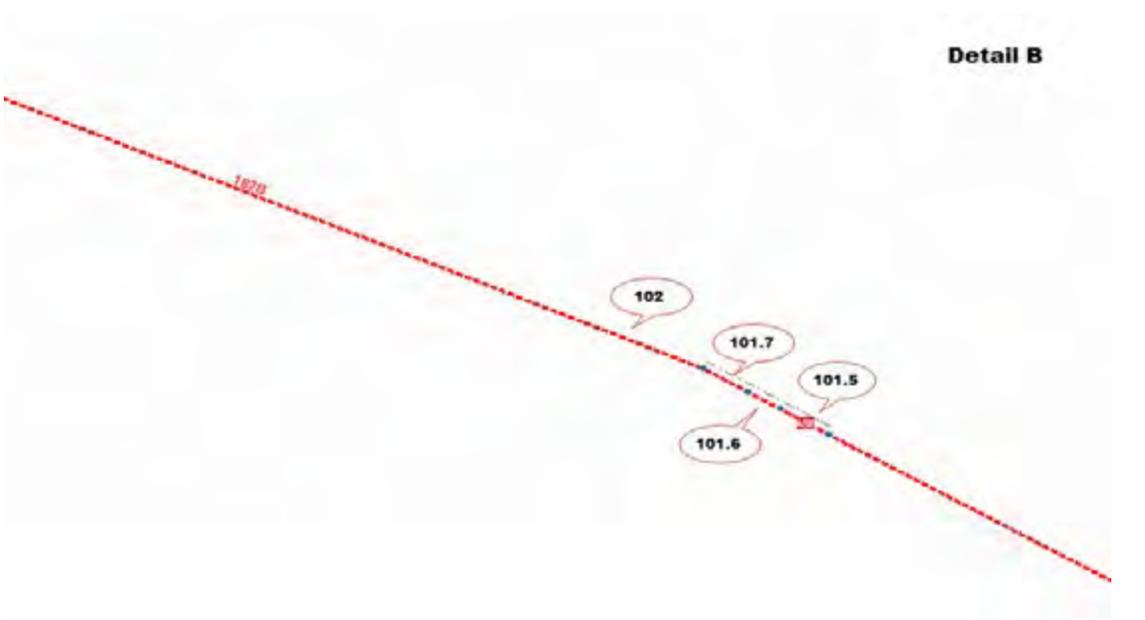
Local Transmission Pipe

<u>Route No.</u>	<u>Segment No.</u>		<u>Route No.</u>	<u>Segment No.</u>
182B	101.3		182B-2-1	101
182B	101.35		182B-2-3	101
182B	101.4		182B-3-1	100.3
182B	101.5		182B-3-1	100.6
182B	101.5		BD7802	101
182B	101.6		BD9943	103
182B	101.7		BD9943	104
182B	102		BD9943	105
182B	102.1		BD8160	100
182B	102.2		BD8160	101
182B	103		BD8160	102
182B	104		STUB7798	101
182B	104.1		STUB19617	N/A
182B	104.2		STUB19616	N/A
182B	105		U_STUB_182B_201202071701	N/A
182B	105.1		STUB19614	N/A
182B	106		STUB19584	N/A
182B	106.1		STUB19583	N/A
182B	106.3		U_STUB_182B_201112021706	N/A
182B	107		U_STUB_182B_201112021708	N/A
182B	108		U_STUB_182B_201202071700	N/A
182B	109		U_STUB_182B_201112021702	N/A
			U_STUB_182B_201112021703	N/A

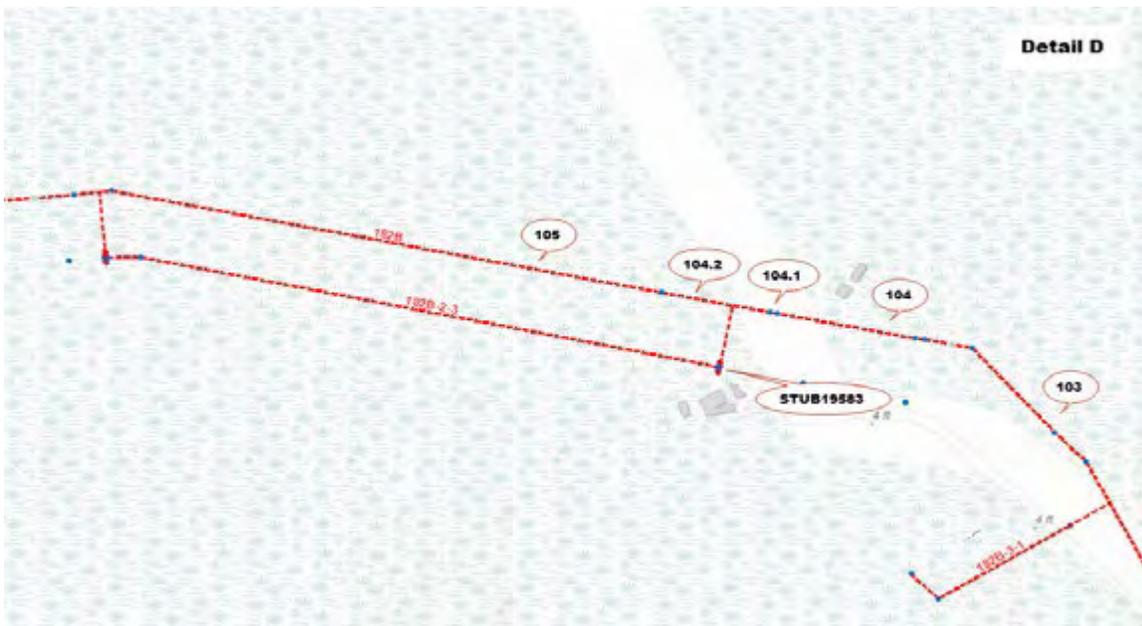
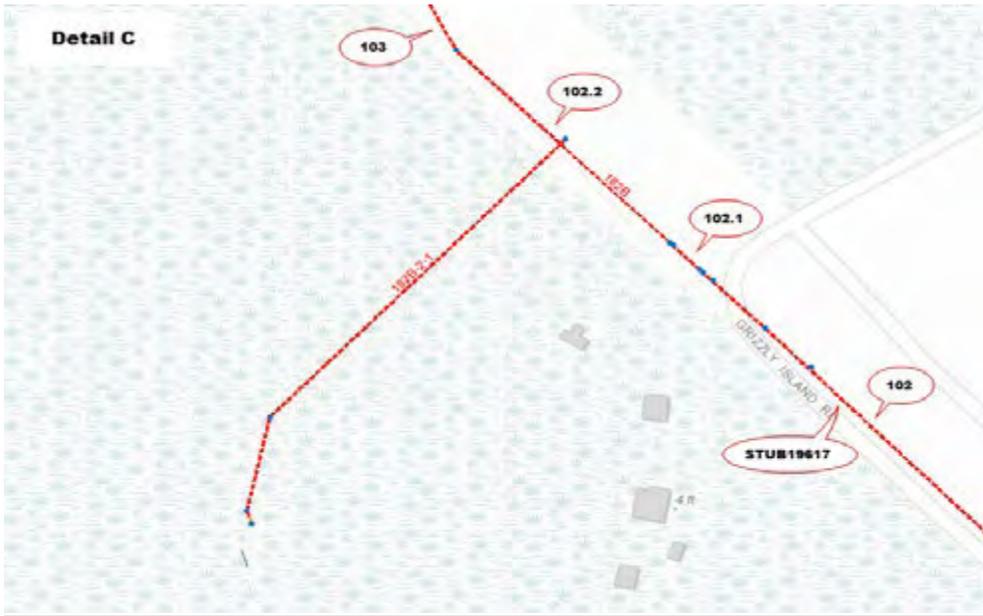
Schedule 1.1
Pipeline Maps and Survey Sheets
CRPC Pipeline Purchase and Sale Agreement – Line 182B System



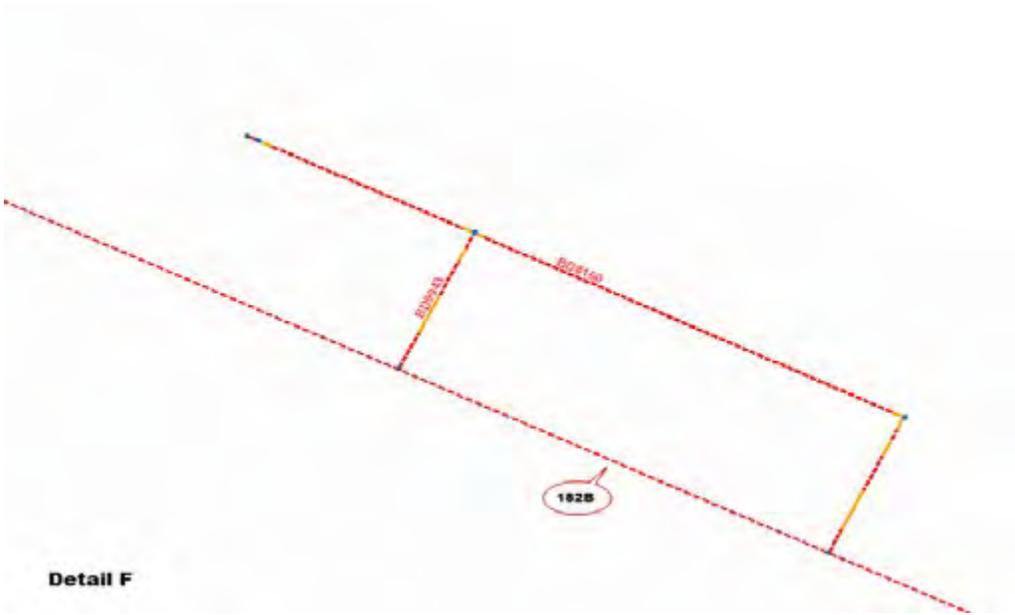
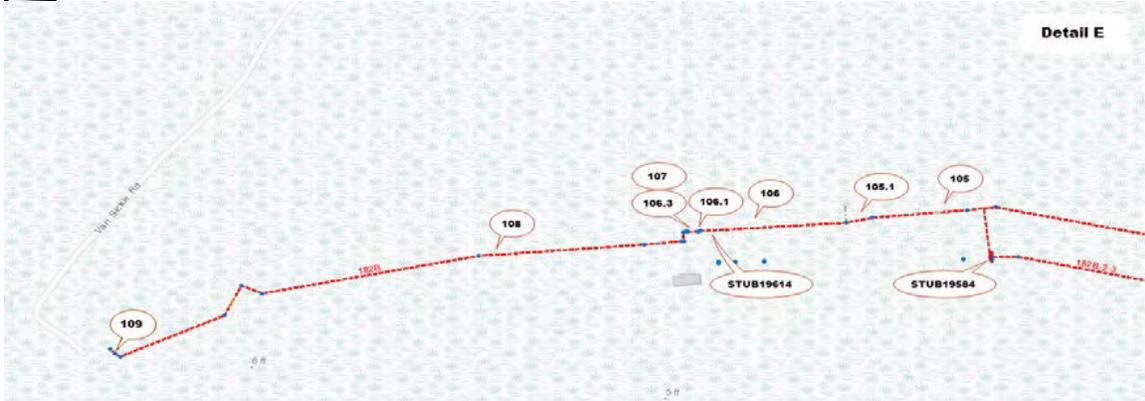
Schedule 1.1
Pipeline Maps and Survey Sheets
CRPC Pipeline Purchase and Sale Agreement – Line 182B System



Schedule 1.1
Pipeline Maps and Survey Sheets
CRPC Pipeline Purchase and Sale Agreement – Line 182B System



Schedule 1.1
Pipeline Maps and Survey Sheets
CRPC Pipeline Purchase and Sale Agreement – Line 182B System



Schedule 2
Buyer Litigation

CRPC Pipeline Purchase and Sale Agreement – Line 182B System

California Resources Production Corporation has no knowledge of any litigation involving the subject transaction or the subject matter thereof.

Schedule 3
Closing Deliveries by Buyer
CRPC Pipeline Purchase and Sale Agreement – Line 182B System

Upon execution of the Closing by Pacific Gas and Electric Company (PG&E), California Resources Production Corporation will pay the costs for Transition Modifications and Operational Actions and the Purchase Price to PG&E in accordance with PG&E's instructions per Sections 3.1 and 6.4.

Schedule 4
Closing Deliveries by PG&E
CRPC Pipeline Purchase and Sale Agreement – Line 182B System

All documentation pertaining to the sections of pipeline involved in this transaction will be provided to the Buyer, California Resources Production Corporation.

Schedule 5
Environmental Remediation
CRPC Pipeline Purchase and Sale Agreement – Line 182B System

ENVIRONMENTAL REMEDIATION

1. PG&E'S REMEDIATION OBLIGATION

(a) PG&E shall have the exclusive right to negotiate and enter into agreements with any Person regarding the nature, technical remediation approach, scope, cleanup objectives or any other aspect of any Remediation undertaken by PG&E.

(b) PG&E agrees that prior to proposing any work plan for Remediation to a Governmental Authority with jurisdiction over the Facility or Site(s) under Environmental Laws, PG&E will provide Buyer with a copy of the work plan. The work plan will set forth the type and nature of the Remediation, the specific locations at the Site(s) where the Remediation will be conducted, and the type and nature of any equipment that will be used on or installed for purposes of conducting the Remediation.

(c) PG&E will consult in good faith with Buyer regarding the nature, technical Remediation approach, scope, and cleanup objectives of any Remediation and the placement of and the location of PG&E's remediation and testing equipment. PG&E will avoid, to the extent reasonably practicable and consistent with sound Remediation practices, proposing a method for Remediation that: (i) is materially inconsistent with any planned expansion of the Facility that has been disclosed in writing by Buyer to PG&E; or (ii) will materially decrease the economic value of the Facility.

(d) If PG&E is undertaking the Remediation under the supervision of a Governmental Authority, PG&E will use Commercially Reasonable Efforts to obtain written evidence of such Governmental Authority's approval of such work plan and, if and when obtained, will provide Buyer with such evidence.

(e) PG&E will use reasonable efforts to inform Buyer orally at least twenty-four (24) hours in advance of all material actions to be taken near the Facility, which notice may be in the form of a schedule of activities. No notice will be required for any action taken in connection with an emergency.

(f) Buyer understands that the Remediation may interfere with the use of the Facility after the Closing. PG&E will, to the extent reasonably practicable and consistent with sound Remediation practices, undertake the Remediation in a manner that will not unreasonably disrupt Buyer's operations of the Facility. All Remediation work will be done in substantial compliance with Environmental Laws.

2. BUYER'S RESPONSIBILITIES

(a) Should PG&E opt to perform Remediation near a Facility, Buyer will grant to PG&E a non-exclusive license for the purpose of conducting Remediation, subject to the terms and conditions of this Agreement, and Buyer agrees to cooperate to enable Remediation work to be performed, to assist PG&E in obtaining access to the Facility and the Site(s), and to off-site property

if necessary (including consents of the respective landowners), for the implementation of the Remediation work, and support PG&E in its negotiations with any Governmental Authority with respect to the Remediation. Buyer agrees that it will comply, and will cause other Persons (other than any member of the PG&E Group) at the Facility and Site(s) to comply, with any requirements, directives, instructions, or plans issued by any Governmental Authority or PG&E for the purpose of protecting the health and safety of Persons during Remediation activities conducted on or in the vicinity of the Facility or Site(s).

(b) Buyer acknowledges that PG&E will have the right, but not the obligation, to undertake the Remediation of the Pre-Closing Environmental Conditions and therefore Buyer will not initiate or permit the initiation of any Remediation of the Pre-Closing Environmental Conditions, or submit, or cause to be submitted, orally or in writing, any information or comments to any Governmental Authority concerning the Pre-Closing Environmental Conditions or Remediation thereof (other than documents or information routinely and customarily submitted to such Governmental Authority) without the prior consent of PG&E, unless in the reasonable judgment of Buyer such actions are required by Environmental Laws or Environmental Requirements or to protect the immediate health and safety of individuals or the environment. Buyer will notify PG&E as soon as reasonably possible of any information developed by Buyer or received by Buyer from any Person other than PG&E regarding the presence or suspected presence of Hazardous Substances that Buyer believes to be a Pre-Closing Environmental Condition. Buyer may submit such information to a Governmental Authority, if in the reasonable judgment of Buyer such submission is required by Environmental Laws or Environmental Requirements, or to protect the immediate health and safety of individuals or the environment.

(c) Buyer will not relocate, disturb or interfere with, or permit the relocation, disturbance, or interference with, the equipment used by PG&E or PG&E's agent for any Remediation without obtaining PG&E's prior written consent. Upon written request from Buyer, PG&E will relocate such equipment to accommodate Buyer's operations of the Facility, to the extent such relocation can be accomplished without materially delaying or disrupting the Remediation.

(d) Buyer will notify PG&E at least ten (10) business days in advance, and will consult in good faith with PG&E, before commencing any planned extraction, excavation or removal of any soil or groundwater near the Facility, or commencing any other action that could disrupt or disturb any soil or groundwater near the Facility. Without derogating from or otherwise modifying Buyer's obligations in Section 8.1 "Indemnification by Buyer" and Section 9.3 "Buyer's Responsibilities," Buyer will make Commercially Reasonable Efforts to avoid taking any action, and to cause other Persons (other than any member of the PG&E Group) to avoid taking any action, that could: (1) increase the risk that a Governmental Authority would require any Remediation relating to any Pre-Closing Environmental Condition; (2) increase the cost of any such Remediation; (3) increase the risk of human exposure to or movement of Hazardous Substances; or (4) increase the risk that a Third Party Claim with respect to a Pre-Existing Environmental Condition, or the Remediation thereof, could arise.

(e) With respect to a Pre-Closing Environmental Condition, PG&E and Buyer will, upon the written request of the other Party, provide to the requesting Party copies of all material reports, correspondence, notices and communications regarding any Pre-Closing Environmental Condition or the Remediation thereof sent to or received from any Governmental Authority with jurisdiction under Environmental Laws over such Remediation.

Schedule 6

**Modifications of PG&E’s System and/or the Subject Pipeline(s) and Operational Actions
CRPC Pipeline Purchase and Sale Agreement – Line 182B System**

Line 182 Sale to California Resources Production Corporation (CRPC)		
Bundled Active Gas Gathering Pipeline (and Appurtenances) Sale and Easement Assignment		
Transition Modifications and Operational Actions Costs		
Category	Amount	Description
Land and Environmental Services	\$2,365.20	Land rights survey, easement research, review and summary, easement assignments and preparation of exhibits, material disposition, bill of sale preparation, and required revisions to reflect the new party of record.
Gas Engineering Services	\$11,600.58	Pipeline Services records research and review, physical engineering, drafting and design, site walk-downs with Buyer or Buyer’s agent, mapping (preparation of sale maps, GIS, mapping close-out), and estimating (development, review and approval of capital and expense estimates, data room preparation and administration, compilation of job history, M&O records, completion of required revisions, and job processing).
Grand Total*	\$13,965.78	
<p>* The Grand Total above represents expenses incurred by PG&E to prepare and execute the sale of the subject pipeline facilities to CRPC. This amount includes a \$2,500 credit for the initial bid offer payment made by CRPC with the submission of its bid.</p> <p>The Grand Total amount excludes the following costs, which PG&E has elected to cover: 1) capital and administrative costs associated with separating the relevant sale pipelines from PG&E’s local system(s) after the closing; 2) costs for legal review; 3) submission of the Section 851 approval filing with the California Public Utilities Commission; and 4) administrative costs for contract management, credit services and other labor needed to manage and process the sale through the closing, as defined in the Pipeline Purchase and Sale Agreement. The transactional and operational costs listed in the table above reimburse PG&E for the Engineering- and Land Services- related closing costs necessary to complete the transaction pursuant to Sections 6.2(c)(iv) and 6.4 of the Pipeline Purchase and Sale Agreement.</p>		

Schedule 7
List of Easements
CRPC Pipeline Purchase and Sale Agreement – Line 182B System

See attached list of easements in Solano County pertaining to the segments of gas gathering pipe included as part of this sale.

PG&E LD#	GRANTOR	TYPE	DATE	RECORDING INFO			Notes
				County	Book	Page	
2104-01-0112	Fontana Farms Company	E	10/9/1946	Solano	356	193	Route 3 and a portion of Route 1 only, in easement doc
2404-01-0057	Ross & Elaine Berglund	E	11/28/1948	Solano	455	339	
2404-01-0076	Harold & Iola Vennink	E	8/25/1966	Solano	1461	194	

Schedule 7.1
List of Easements to be Partially Assigned
CRPC Pipeline Purchase and Sale Agreement – Line 182B System

NONE

Schedule 8
PG&E Authorization and Enforceability
CRPC Pipeline Purchase and Sale Agreement – Line 182B System

NONE

Schedule 9
PG&E Litigation

CRPC Pipeline Purchase and Sale Agreement – Line 182B System

PG&E has no knowledge of any litigation involving the subject transaction or the subject matter thereof.

Schedule 10
Related Contracts
CRPC Pipeline Purchase and Sale Agreement – Line 182B System

NONE

Schedule 11
Required Governmental Approvals
CRPC Pipeline Purchase and Sale Agreement – Line 182B System

Approval from the California Public Utilities Commission (CPUC) through a Section 851 filing covering the sale of the subject pipeline in this Agreement is required.

Schedule 12
Schedule of PG&E Officers and Employees
CRPC Pipeline Purchase and Sale Agreement – Line 182B System

Jesus Soto, Jr.
Senior Vice President
Gas Operations

Christine Cowsert
Senior Director
Asset Management and System Operations

David Lewis
Director
Wholesale Marketing and Business Development

Schedule 13
Schedule of Buyer Officers and Employees
CRPC Pipeline Purchase and Sale Agreement – Line 182B System

Todd A. Stevens
President

Marshall D. Smith
Senior Executive Vice President and Chief Financial Officer

Shawn M. Kerns
Executive Vice President, Operations and Engineering

Francisco Leon
Executive Vice President, Corporate Development and Strategic Planning

Roy Pineci
Executive Vice President, Finance

Michael L. Preston
Executive Vice President, General Counsel and Corporate Secretary

Darren Williams
Executive Vice President, Operations and Geoscience

Noelle M. Repetti
Vice President, Tax

Ivan Gaydarov
Vice President and Treasurer

D. Adam Smith
Vice President, Regulatory Affairs

Jody L. Johnson
Assistant Secretary

Ulrik Damborg
Assistant Secretary

Schedule 14
Compliance Exceptions
CRPC Pipeline Purchase and Sale Agreement – Line 182B System

NONE

Schedule 15
Volunteered Line(s)
CRPC Pipeline Purchase and Sale Agreement – Line 182B System

NONE

Exhibit A

(Completed at closing)

Exhibit A
Form of Guaranty
CRPC Pipeline Purchase and Sale Agreement for Line 182B

GUARANTY AGREEMENT

CALIFORNIA RESOURCES PRODUCTION CORPORATION, a corporation organized under the laws of the State of Delaware (referred to herein as “Counterparty”) and **PACIFIC GAS AND ELECTRIC COMPANY** (referred to herein as “PG&E”) are entering into a Pipeline Purchase and Sale Agreement (referred to herein as “the Contract”). **The Counterparty** is a **[corporation]** organized under the laws of _____ (referred to herein as “Guarantor”). To induce PG&E to enter into the Contract with the Counterparty, or to comply with a Counterparty obligation under the Contract, and for valuable consideration, the Guarantor is entering into this Guaranty Agreement (referred to herein also as the “Guaranty”) and hereby agrees as follows:

(a) **Guaranty and Obligations.** The Guarantor irrevocably and unconditionally guarantees to PG&E, its successors, endorsees and assigns, the due and punctual performance and payment in full of all obligations and amounts owed by the Counterparty to PG&E under the Contract, whether due or to become due, secured or unsecured, absolute or contingent (all referred to herein as “Obligations”). The liability of the Guarantor hereunder is a continuing guaranty of payment and performance when any Obligation is owing or when the Counterparty is in default or breach under the Contract, without regard to whether recovery may be or has become barred by any statute of limitations or otherwise may be unenforceable. In case of the failure of the Counterparty to pay or perform the Obligations punctually, the Guarantor hereby agrees, upon written demand by PG&E, to perform the Obligations or pay or cause to be paid any such amounts punctually when and as the same shall become due and payable. The Guarantor hereby also agrees to reimburse PG&E for any reasonable attorneys’ fees and all other costs and expenses incurred by PG&E in enforcing this Guaranty. If at any time during the term of this Guaranty PG&E determines that the creditworthiness of the Guarantors has materially changed, PG&E may declare the Guarantor to be in default under this Guaranty.

(b) **Guaranty of Payment.** The Guarantor hereby agrees that its obligations under this Guaranty constitute a guaranty of payment when due and not of collection.

(c) **Nature of Guaranty.** The Guarantor hereby agrees that its obligations under this Guaranty shall be irrevocable and unconditional, irrespective of the validity, or enforceability of the Contract against the Counterparty (other than as a result of the unenforceability thereof against PG&E), the absence of any action or measure to enforce the Counterparty’s obligations under the Contract, any waiver or consent of PG&E with respect to any provisions thereof, the entry by the Counterparty and PG&E into amendments to the Contract for additional services under the Contract or otherwise, or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor (excluding the defense of payment). The Guarantor agrees that the obligations of the Guarantor under this Guaranty will upon the execution of any such amendment by the Counterparty and PG&E extend to all such amendments without the taking of further action by the Guarantor, the Counterparty, or PG&E. The Guarantor agrees that the Counterparty and PG&E may, without prior written consent of the Guarantor, mutually agree to modify the Obligations or the Contract or any agreement between the Counterparty and PG&E, without in any way impairing or affecting this Guaranty.

(d) **Termination.** This Guaranty may not be terminated by the Guarantor and shall remain in full force and effect until all of the Obligations of the Counterparty under or arising out of the Contract have been fully performed.

(e) **Rescinded Payment; Independent Liability.** The Guarantor further agrees that this Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time, payment, or any part thereof, of any Obligation or interest thereon is rescinded or must otherwise be restored or returned for any reason whatsoever, and the Guarantor shall remain liable hereunder in respect of such payments or obligations or interest thereon as if such payment had not been made. PG&E shall not be obligated to file any claim relating to the Obligations owing to it in the event that the Counterparty becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of PG&E to file shall not affect the Guarantor's obligations hereunder. The Guarantor's obligations hereunder are independent of the Obligations of the Counterparty. The liability of the Guarantor hereunder is independent of any security for or other guaranty of payment received by PG&E in connection with the Contract, is not affected or impaired by (a) any voluntary or involuntary liquidation, dissolution, receivership, attachment, injunction, restraint, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of, or other similar proceeding affecting, the Counterparty or any of its assets, including but not limited to any rejection or other discharge of the Counterparty's obligations imposed or asserted by any Court, trustee or custodian or any similar official or imposed by any law, statute or regulation in such event, or (b) the extension of time for the payment of any sum, in whole or in part, owing or payable to PG&E under the Contract or this Guaranty or the extension of the time for the performance of any other obligation under or arising out of or on account of the Contract or this Guaranty, or (c) any failure, omission or delay on the part of PG&E to enforce, assert or exercise any right, power or remedy conferred on PG&E in the Contract or this Guaranty or any action on PG&E's part granting indulgence or extension in any form, or (d) the release, modification, waiver or failure to pursue or seek relief with respect to any other guaranty, pledge or security device whatsoever, or (e) any payment to PG&E by the Counterparty that PG&E subsequently returns to the Counterparty pursuant to court order in any bankruptcy or other debtor-relief proceeding, or (f) any amendment, modification or other alteration of the Contract, or (g) any indemnity agreement the Counterparty may have from any party, or (h) any insurance that may be available to cover any loss. The Guarantor waives any right to the deferral or modification of the Guarantor's obligations hereunder by virtue of any such debtor-relief proceeding involving the Counterparty.

(f) **Guarantor Waivers.** The Guarantor hereby waives (i) promptness, diligence, presentment, demand of payment, protest, order and, except as set forth in paragraph (a) hereof, notice of any kind in connection with the Contract and this Guaranty; (ii) any requirement that PG&E exhaust any right to take any action against the Counterparty or any other person prior to or contemporaneously with proceeding to exercise any right against the Guarantor under this Guaranty; (iii) to the fullest extent permitted by law, the benefit of any statute of limitations affecting its liability under or the enforcement of this Guaranty; (iv) any right to require PG&E to (A) proceed against or exhaust any insurance or security held from the Counterparty or any other party, or (B) pursue any other remedy available to PG&E; (v) any defense based on or arising out of any defense of the Counterparty other than payment in full of the amount(s) owed, including without limitation any defense based on or arising out of the disability of the Counterparty, the unenforceability of the indebtedness from any cause, or the cessation from any cause of the liability of the Counterparty, other than payment in full of the amount(s) owed. The Guarantor agrees that PG&E may, at its election, foreclose on any security held by PG&E, whether or not the means of foreclosure is commercially reasonable, or exercise any other right or remedy available to PG&E without affecting or impairing in any way the liability of the Guarantor under this Guaranty, except

to the extent the amount(s) owed to PG&E by the Counterparty have been paid. The Guarantor further agrees that until all amounts owed by the Counterparty to PG&E are paid in full, even though such amounts may in total exceed the Guarantor's liability hereunder, the Guarantor shall have no right of subrogation, waives any right to enforce any remedy that PG&E has or may have against the Counterparty, and waives any benefit of and any right to participation in any security from the Counterparty now or later held by the Guarantor. The Guarantor assumes all responsibility for keeping itself informed of the Counterparty's financial condition and all other factors affecting the risks and liability assumed by the Guarantor hereunder, and PG&E shall have no duty to advise the Guarantor of information known to it regarding such risks.

(g) **No Assignment of Guaranty Obligations Without Consent.** The Guarantor may not assign or otherwise transfer its obligations under this Guaranty to any other party without the prior written consent of PG&E, the exercise of which shall be in PG&E's sole discretion.

(h) **Governing Law.** This Guaranty shall be governed by and construed in accordance with the laws of the State of New York, without reference to choice of law doctrine.

(i) **Jurisdiction.** With respect to any suit, action or proceedings (collectively "Proceedings") relating to this Guaranty Agreement, Guarantor irrevocably: (i) submits to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City; and (ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, and any claim of inconvenient forum, and any objection to the jurisdiction of any such court.

(j) **Severability.** In the event that any provision of this Guaranty conflicts with the law or if any such provision is held to be invalid, illegal or unenforceable, such provision shall be deemed to be restated to reflect as nearly as possible the original intention of the parties in accordance with applicable law or, if that is not possible, the provision shall be deleted, and the remainder of this Guaranty shall remain in full force and effect.

(k) **Representations and Warranties.** The Guarantor, through its undersigned officer, represents and warrants to PG&E that (i) the Counterparty is a subsidiary or other affiliate of the Guarantor, (ii) the Guarantor is a duly organized and validly existing corporation or other legal entity in good standing under the laws of the jurisdiction of its incorporation or formation, (iii) the Guarantor has the corporate power and legal authority to execute, deliver and perform the terms and provisions of this Guaranty and has taken all necessary corporate and other action to authorize the execution, delivery and performance by it of this Guaranty, (iv) the Guarantor has duly executed and delivered this Guaranty, and (v) this Guaranty constitutes the legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms.

(l) **No Amendment; No PG&E Waiver.** This Guaranty shall not be amended without the prior written consent of PG&E. Any amendment to this Guaranty made in violation of this provision shall be null and void. No right, power, remedy or privilege of PG&E under this Guaranty shall be deemed to have been waived by any act or conduct on the part of PG&E, or by any neglect to exercise any right, power, remedy or privilege, or by any delay in doing so, and every right, power, remedy or privilege of PG&E hereunder shall continue in full force and effect until specifically waived or released in a written document executed by PG&E. Any such written waiver or release of a right, power, remedy or privilege on any one occasion shall not be construed as a bar to any right, power, remedy or privilege which PG&E would otherwise have on any future occasion. No single or partial exercise of any right, power, remedy or privilege by PG&E shall preclude any other or further exercise by PG&E of any other right, power, remedy or privilege.

The rights and remedies provided in this Guaranty are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights or remedies provided by law.

(m) **Notices.** All notices, requests, demands, and other communications required or permitted hereunder shall be in writing and shall be delivered, mailed, or sent by facsimile transmission to the address and to the individuals indicated below. Either party may periodically change any address to which notice is to be given it by providing notice of such change as provided herein.

If to Guarantor:

If to PG&E: Pacific Gas and Electric Company

Any notice provided hereunder shall be effective upon actual receipt, if received during the recipient's normal business hour; or it shall be effective at the beginning of the recipient's next business day after receipt, if received after the recipient's normal business hours. If notice is provided by facsimile, the sender shall be responsible for obtaining facsimile receipt confirmation.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be executed in its name by its duly authorized officer as of the date set forth below.

By: _____

Name: _____

Title: _____

Date _____

Exhibit A.1

(Completed at closing)

Exhibit A.1
Form of Letter of Credit
CRPC Pipeline Purchase and Sale Agreement for Line 182B

Issuing Bank Letterhead and Address

STANDBY LETTER OF CREDIT NO. **XXXXXXXXXX**

Date: [insert issue date]

Beneficiary: Pacific Gas and Electric Company

77 Beale Street, Mail Code B28L
San Francisco, CA 94105
Attention: Credit Risk Management

Applicant: [insert name of Applicant
and address]

Letter of Credit Amount: [insert amount]

Expiry Date: [insert expiry date]

Ladies and Gentlemen:

By order of **[insert name of Applicant]** (“Applicant”), we hereby issue in favor of Pacific Gas and Electric Company (the “Beneficiary”) our irrevocable standby letter of credit No. **[insert number of letter of credit]** (“Letter of Credit”), for the account of Applicant, for drawings up to but not to exceed the aggregate sum of U.S. \$ **[insert amount in figures followed by (amount in words)]** (“Letter of Credit Amount”). This Letter of Credit is available with **[insert name of bank, and the city and state in which it is located]** by sight payment, at our offices located at the address stated below, effective immediately, and it will expire at our close of business on **[insert expiry date]** (the “Expiry Date”).

Funds under this Letter of Credit are available to the Beneficiary against presentation of the following documents:

1. Beneficiary’s signed and dated sight draft in the form of Exhibit A hereto, referencing this Letter of Credit No. **[insert number]** and stating the amount of the demand; and
2. One of the following statements signed by an authorized representative or officer of Beneficiary:

A. “Pursuant to the terms of a that certain Pipeline Purchase and Sale Agreement, dated _____ (the “Agreement”) between Beneficiary and **[insert name of Beneficiary’s counterparty under the applicable Agreement]**, Beneficiary is owed the amount stated on the accompanying draft and is therefore entitled to draw under Letter of Credit No. **[insert number]** such amount owed by **[insert name of Beneficiary’s counterparty under the Agreement]**”; or

B. “Letter of Credit No. **[insert number]** will expire in thirty (30) days or less and **[insert name of Beneficiary’s counterparty under the applicable Agreement]** has not provided replacement security acceptable to Beneficiary.”

Special Conditions:

1. Partial and multiple drawings under this Letter of Credit are allowed;
2. All banking charges associated with this Letter of Credit are for the account of the Applicant;
3. This Letter of Credit is not transferable;
4. A drawing for an amount greater than the Letter of Credit Amount is allowed, however, payment shall not exceed the Letter of Credit Amount; and
5. The Expiry Date of this Letter of Credit shall be automatically extended (without an amendment hereto) for a period of one (1) year from the Expiry Date or any future Expiry Date, unless at least sixty (60) days before the then current Expiry Date we notify you by courier or registered mail that we elect not to extend the Expiry Date of this Letter of Credit for such an additional period.

We engage with you that drafts drawn under and in compliance with the terms of this Letter of Credit will be duly honored upon presentation, on or before the Expiry Date (or after the Expiry Date as provided below), at our offices at **[insert issuing bank’s address for drawings]**.

All demands for payment shall be made by presentation of originals or copies of documents; or by facsimile transmission of documents to **[insert fax number]**, Attention: **[insert name of issuing bank’s receiving department]**, with originals or copies of documents to follow by overnight mail. If presentation is made by facsimile transmission, you may contact us at **[insert phone number]** to confirm our receipt of the transmission. Your failure to seek such a telephone confirmation does not affect our obligation to honor such a presentation.

Our payments against complying presentations under this Letter of Credit will be made no later than on the sixth (6th) banking day following a complying presentation.

Except as stated herein, this Letter of Credit is not subject to any condition or qualification. It is our individual obligation, which is not contingent upon reimbursement and is not affected by any agreement, document, or instrument between us and the Applicant or between the Beneficiary and the Applicant or any other party.

Except as otherwise specifically stated herein, this Letter of Credit is subject to and governed by the *Uniform Customs and Practice for Documentary Credits, 2007 Revision*, International Chamber of Commerce (ICC) Publication No. 600 (the “UCP 600”); provided that, if this Letter of Credit expires during an interruption of our business as described in Article 36 of the UCP 600, we will honor drafts presented in compliance with this Letter of Credit within thirty (30) days after the resumption of our business and effect payment accordingly.

The law of the State of New York shall apply to any matters not covered by the UCP 600.

For telephone assistance regarding this Letter of Credit, please contact us at **[insert number and any other necessary details]**.

Very truly yours,

[insert name of issuing bank]

By: _____
Authorized Signature

Name: _____ **[print or type name]**

Title: _____

Exhibit A - SIGHT DRAFT

TO
[INSERT NAME AND ADDRESS OF PAYING BANK]

AMOUNT: \$ _____ DATE:

AT SIGHT OF THIS DEMAND PAY TO THE ORDER OF PACIFIC GAS AND
ELECTRIC COMPANY THE AMOUNT OF U.S.\$ _____ (U.S.
DOLLARS)

DRAWN UNDER *[INSERT NAME OF ISSUING BANK]* LETTER OF CREDIT NO.
XXXXXX.

REMIT FUNDS AS FOLLOWS:

[INSERT PAYMENT INSTRUCTIONS]

DRAWER

BY:

NAME AND TITLE

Exhibit A.2

(Completed at closing)

Exhibit A.2
Form of Evidence of Insurance
CRPC Pipeline Purchase and Sale Agreement for Line 182B

See Attached Example of Certificate of Liability Insurance

Exhibit B

(Completed at closing)

Exhibit B
Form of Bill of Sale
CRPC Pipeline Purchase and Sale Agreement for Line 182B

See attached copy of the unexecuted Bill of Sale

Placeholder Page

Exhibit C

Exhibit C
Form of FIRPTA Certificate
CRPC Pipeline Purchase and Sale Agreement for Line 182B

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform the transferee that withholding of tax is not required upon the disposition of a U.S. real property interest by Pacific Gas and Electric Company (PG&E), the undersigned hereby certifies the following on behalf of PG&E: 1. PG&E is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations); 2. PG&E's U.S. employer identification number is 94-0742640; and 3. PG&E's office address is 77 Beale Street, San Francisco, California 94105. PG&E understands that this certification may be disclosed to the Internal Revenue Service by transferee and that any false statement contained herein could be punished by fine, imprisonment, or both. Under penalties of perjury I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of PG&E

PACIFIC GAS AND ELECTRIC COMPANY.

By: _____
(signature)

Mark Caron
(print name)

Title: Vice President, Tax

Date: _____

Exhibit D

Exhibit D

**Equal Access and Non-Discriminatory Service
CRPC Pipeline Purchase and Sale Agreement for Line 182B**

Operations Proposal – PG&E Line 182B
L-182 Pipe Segments, Suisun Gas Field

In connection with its purchase of the subject pipeline segment from Pacific Gas and Electric Company (PG&E), California Resources Production Corporation (“Buyer”) proposes to operate said pipeline segment as a non-regulated pipeline. Buyer also agrees upon request to make any capacity in excess of its actual production requirements available to third party producers of natural gas in the area served by the subject pipeline segment for the gathering of natural gas. Prior to the gathering of any third party natural gas, Buyer and said third party producer shall in good faith enter into a mutually acceptable written gathering agreement that shall provide for the prompt payment of revenues to the third party producer and which shall include among its terms and conditions, provisions that accomplish the following:

- a. Buyer shall use commercially reasonable efforts to market any such third party natural gas and said third party producer shall be responsible for producing the quantities of natural gas he/she/it nominates. Buyer shall not be held liable to said third party producer with respect to marketing decisions under any theory of liability with the exception of any harm which is determined to be the result of the gross negligence or willful misconduct of Buyer.
- b. Should the BTU content of such third party producer natural gas be of such quality that when blended with Buyer natural gas jeopardizes deliveries to the custody transfer point, then prior to the acceptance of such gas for gathering, said third party producer shall be responsible at his/her/its sole risk and expense to make his/her/its gas compatible with the requirements of the custody transfer point. In addition, the third party gas shall not have a sulphur, carbon dioxide, oxygen, water, and other contaminant content more than the natural gas then moving through the subject pipeline segment, such that the transmission, corrosion, and marketability characteristics of the natural gas stream moving through the pipeline segment shall not be degraded.
- c. All third party gas will be gathered on an interruptible service basis. In the event of capacity constraints, the shortages will be allocated on a through put basis among the third party natural gas producers such that Buyer gas shall have a priority right to the pipeline capacity. In the event of any such constraint, Buyer shall not have any obligation to enlarge the lines, install compression, or do any other act to increase capacity. Buyer obligations shall be strictly limited to fairly allocating between the third party producers the gathering capacity remaining after Buyer pipeline capacity requirements have been satisfied.

- d. Gathering services for all third parties will be priced at a value per thousand cubic feet of natural gas gathered at a rate calculated to recover: (i) the direct actual costs of operating and maintaining the pipeline segment; (ii) the purchase price of the initial transaction and any capitalized items installed on or connected to said pipeline, or otherwise reasonably associated with said segment, by way of a depreciation charge in accordance with generally accepted accounting standards; and (iii) a delivery fee not to exceed 12% of the above mentioned costs.
- e. This statement of operation shall have no application to or create any obligation in Buyer with regard to any Buyer owned pipelines that have not been acquired from PG&E pursuant to this transaction to which this statement is a part.
- f. Buyer agrees the obligations undertaken herein shall run with the pipeline segment and bind it and its successors and assigns, if any.

Exhibit E

Exhibit E

**California Production Interconnection and Operating Agreement
CRPC Pipeline Purchase and Sale Agreement for Line 182B**

CRPC is currently interconnected to the PG&E pipeline system, and operates under the terms of California Production Interconnection and Operating Agreement (CPIOA) number 5070.

Exhibit F

Exhibit F
California Production Balancing Agreement
CRPC Pipeline Purchase and Sale Agreement for Line 182B

CRPC currently has an executed California Production Balancing Agreement

Exhibit G

(Completed at closing)

Exhibit G
Form of Assignment of Easement (Example)
CRPC Pipeline Purchase and Sale Agreement for Line 182B

RECORDING REQUESTED BY AND RETURN TO:

Location: City/Uninc _____

Recording Fee \$ _____

Document Transfer Tax \$ _____

- Computed on Full Value of Property Conveyed, or
- Computed on Full Value Less Liens & Encumbrances
Remaining at Time of Sale
- This is a conveyance where the consideration and value
Is less than \$100.00 (R&T 11911).

Signature of declarant or agent determining tax

(SPACE ABOVE FOR RECORDER'S USE ONLY)

LD

ASSIGNMENT

Name of Line
(List of Assessor's Parcel Numbers)

PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, hereinafter called PG&E, hereby assigns to _____ all of PG&E's right, title and interest in and under those certain rights of way and easements for gas transmission facilities granted by and described in the deeds set forth in Exhibit "A" attached hereto and made a part hereof, all of which are recorded in the Office of the County Recorder of the County of _____, State of California.

This deed is executed pursuant to the California Public Utilities Commission (CPUC) Resolution _____ dated _____, authorizing the sale of PG&E's gas transmission facilities described in PG&E's Advice Letter _____ to the CPUC dated _____.

Dated _____, 20__.

PACIFIC GAS AND ELECTRIC COMPANY

By _____

Name _____

Title _____

EXHIBIT G.1
List of Assigned Land Rights

Exhibit H

Exhibit H

Form of Assignment and Apportionment of Rights (Example)
CRPC Pipeline Purchase and Sale Agreement for Line 182B

RECORDING REQUESTED BY AND RETURN TO:

Location: City/Uninc _____

Recording Fee \$ _____

Document Transfer Tax \$ _____

- Computed on Full Value of Property Conveyed, or
- Computed on Full Value Less Liens & Encumbrances
Remaining at Time of Sale
- This is a conveyance where the consideration and value
Is less than \$100.00 (R&T 11911).

Signature of declarant or agent determining tax

(SPACE ABOVE FOR RECORDER'S USE ONLY)

LD

ASSIGNMENT AND APPORTIONMENT OF RIGHTS

Name of Line
(List of Assessor's Parcel Numbers)

On this _____ day of _____, 20__ (the effective date herein), PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, hereinafter called PG&E, hereby apportions and partially assigns to _____, hereinafter called Assignee, PG&E's right to operate, maintain, remove and reconstruct those certain gas transmission facilities specifically referred to and identified in that certain unrecorded Purchase and Sales Agreement between PG&E and _____ dated _____, 20__, incorporated herein by reference, which gas transmission facilities were installed by virtue of those certain rights of way and easements, located within the County of _____, State of California, and more particularly described as follows:

The rights conveyed to PG&E by those certain deeds listed on Exhibit "A" attached hereto and made a part hereof.

In the event Assignee elects to replace its gas transmission pipeline located within said rights of way and easements, Assignee agrees that it shall remove and replace its gas transmission pipe line in the same alignment and same location as existed prior to any such replacement.

This deed is executed pursuant to the California Public Utilities Commission (CPUC) Resolution _____ dated _____, authorizing the sale of

PG&E's gas transmission facilities described in PG&E's Advice Letter _____ to the CPUC dated _____.

PACIFIC GAS AND ELECTRIC COMPANY

ASSIGNEE

By _____
Name _____
Title _____

By _____
Name _____
Title _____

Dated _____

Dated _____

EXHIBIT H.1
List of Assigned and Apportioned Land Rights

Attachment 2

Gain/Loss of Sale

Pacific Gas and Electric
Gas Gathering Pipeline Sales
(DOLLARS)

1 SALES PROCEEDS

Sales Price	C	59,060.28
Less: Transaction Costs ^{Note 1}		(13,965.78)
Net Sale Proceeds		<u>45,094.50</u>

2 ALLOCATION OF SALES PROCEEDS BASED ON THE HISTORICAL COST OF PROPERTY

	Historical Cost	Proportional %
Non-Depreciable Property (Land)	B	0.00%
Depreciable Property	427,850.29	100.00%
CWIP	-	0.00%
	<u>427,850.29</u>	<u>100.00%</u>

3 GROSS GAIN/(LOSS) ON SALE

	Historical Cost	Net Book Value	Sales Proceeds	Pre-Tax Gain/(Loss)	
Non-Depreciable Property (Land)	-	B	-	-	RP/SH
Depreciable Property	427,850	-	45,095	45,095	RP
CWIP	-	-	-	-	RP
	<u>427,850</u>	<u>-</u>	<u>45,095</u>	<u>45,095</u>	

4 TAX GAIN/(LOSS) ON SALE

	Historical Cost	Net Tax Value	Sales Proceeds	Pre-Tax Gain/(Loss)	
Non-Depreciable Property (Land)	-	B1a	-	-	RP/SH
Depreciable Property	427,850	B1a	45,095	34,270	RP
CWIP	-	B	-	-	RP
	<u>427,850</u>	<u>10,825</u>	<u>45,095</u>	<u>34,270</u>	

4 GAIN/(LOSS) ALLOCATION

	Operating System	Other Depreciable Assets	Land (Non-Depreciable)	Pre-Tax Allocation	Taxes 1-27.984%	After Tax Loss
Ratepayers	0%	100%	67%	45,094.50	72.016%	32,475
Shareholder	100%	0%	33%	-	72.016%	-
Total Gain/(Loss) Allocation	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>45,094.50</u>		<u>32,475</u>

	Net	Sales	Before Tax			
	Tax Value	Proceeds	Gain/ (Loss)			
5 TAXES ON PROPERTY						
Non-Depreciable Property (Land)	0	-	-			
Depreciable Property	10,825	45,095	34,270			
CWIP	0	-	-			
Totals	<u>10,825</u>	<u>45,095</u>	<u>34,270</u>			
			Land		Depreciable Property and CWIP	
Taxable Gain/(Loss)			-	a	34,270	a
Distribution to Ratepayer (Tax Deduction to PG&E)			-	b	(34,270)	b
Net Taxable Gain/(Loss)			-	c=a-b	-	c=a-b
Tax Rate			27.984%	d	27.984%	d
Net Federal and State Income Tax			-	e=c*d	-	e=c*d
Net After Tax Gain/(Loss)			-	f=a-e	34,270	f=a-e
Ratepayers Allocation		67%	-	g=f*67%	34,270	g=f*100%
Shareholder Allocation		33%	-	h=f*33%	-	h=f*0%
Taxing Jurisdiction Allocation			-	i=e	-	i=e
Total Gain/(Loss) Allocation			-	j=g+h+i	34,270	j=g+h+i

6 RATE BASE CHANGES

Beginning NBV	-	
Reduction to Gross Plant	(427,850)	
Reduction to Depreciation Reserve (depreciation reserve is reduced by the historical cost of depreciable property)	427,850	Gas Gathering Line - had to modify formula
Reversal of Deferred Tax Liability	0	
Property Sale Proceeds credited to Depreciation Reserve (Sales proceeds benefit to customers)	(45,095)	
Total Rate Base addition / (reduction) due to proceeds received	<u>(45,095)</u>	

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

AT&T	Downey & Brand	Pioneer Community Energy
Albion Power Company	East Bay Community Energy	Praxair
Alcantar & Kahl LLP	Ellison Schneider & Harris LLP	
	Energy Management Service	
Alta Power Group, LLC	Engineers and Scientists of California	Redwood Coast Energy Authority
Anderson & Poole	Evaluation + Strategy for Social Innovation	Regulatory & Cogeneration Service, Inc.
	GenOn Energy, Inc.	SCD Energy Solutions
Atlas ReFuel	Goodin, MacBride, Squeri, Schlotz & Ritchie	
BART	Green Charge Networks	SCE
	Green Power Institute	SDG&E and SoCalGas
Barkovich & Yap, Inc.	Hanna & Morton	
P.C. CalCom Solar	ICF	SPURR
California Cotton Ginners & Growers Assn	International Power Technology	San Francisco Water Power and Sewer
California Energy Commission	Intestate Gas Services, Inc.	Seattle City Light
California Public Utilities Commission	Kelly Group	Sempra Utilities
California State Association of Counties	Ken Bohn Consulting	Southern California Edison Company
Calpine	Keyes & Fox LLP	Southern California Gas Company
	Leviton Manufacturing Co., Inc. Linde	Spark Energy
Cameron-Daniel, P.C.	Los Angeles County Integrated Waste Management Task Force	Sun Light & Power
Casner, Steve	Los Angeles Dept of Water & Power	Sunshine Design
Cenergy Power	MRW & Associates	Tecogen, Inc.
Center for Biological Diversity	Manatt Phelps Phillips	TerraVerde Renewable Partners
City of Palo Alto	Marin Energy Authority	Tiger Natural Gas, Inc.
	McKenzie & Associates	
City of San Jose	Modesto Irrigation District	TransCanada
Clean Power Research	Morgan Stanley	Troutman Sanders LLP
Coast Economic Consulting	NLine Energy, Inc.	Utility Cost Management
Commercial Energy	NRG Solar	Utility Power Solutions
County of Tehama - Department of Public Works		Utility Specialists
Crossborder Energy	Office of Ratepayer Advocates	
Crown Road Energy, LLC	OnGrid Solar	Verizon
Davis Wright Tremaine LLP	Pacific Gas and Electric Company	Water and Energy Consulting Wellhead Electric Company
Day Carter Murphy	Peninsula Clean Energy	Western Manufactured Housing Communities Association (WMA)
		Yep Energy
Dept of General Services		
Don Pickett & Associates, Inc.		
Douglass & Liddell		