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March 19, 2014

**Advice 4375-E**

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

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

**Purpose**

Pursuant to the streamlined procedures adopted by the California Public Utilities Commission (Commission or CPUC) in Decision (D.) 08-11-043 (as modified by D.10-08-004), PG&E requests a disposition letter approving PG&E's donation of fee simple title to the 41-acre Narrows Property to the Regents of University of California, a California corporation, for the benefit of the Sierra Foothill Research and Extension Center (SFREC). This donation is being made in the public interest with the intent to provide for: (1) the preservation of land areas to protect the natural habitat of fish, wildlife and plants; (2) the protection of open space, sustainable forestry, agricultural uses, and historic values; and (3) the prevention of any other uses that will significantly impair or interfere with those values. This donation is in accordance with the terms and conditions specified in the Settlement Agreement and Stipulation that were approved by the Commission in D.03-12-035.

This Advice Letter additionally requests CPUC approval to modify an existing easement between PG&E and the Yuba County Water Agency. The easement modification would allow the Yuba County Water Agency to: widen an existing 60-foot access road to 100-feet; to repair and maintain a trail leading to a PG&E owned gaging station; and to use the gaging station in connection with Yuba County Water Agency's Federal Energy Regulatory Commission (FERC) project in the area.

**Background**

Pursuant to the Settlement Agreement and Stipulation, the Pacific Forest and Watershed Lands Stewardship Council (Stewardship Council) was established in 2004 to develop a plan to permanently protect, for the benefit of the citizens of California, more than 140,000 acres of watershed lands (Watershed Lands) currently owned by PG&E. This effort is known as PG&E's "Land Conservation Commitment." PG&E is fulfilling its commitment through fee donation of certain

Watershed Lands and/or the conveyance of conservation easements, or satisfactory assurance in another form that the parcel will be managed consistent with the purpose of the Land Conservation Commitment, to public agencies and/or qualified conservation organizations. A detailed description of this proposed donation, which addresses the requirements set forth in Section 12(a) of the Stipulation, is provided in the attached Land Conservation and Conveyance Plan (Attachment A) prepared by the Stewardship Council. Land Conservation and Conveyance Plans will be issued serially for all Watershed Lands and together will comprise the Land Conservation Plan Volume III.

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

**(1) Identity of the Conservation Property**

The Stewardship Council recommended 41 acres within one parcel (Parcel ID #916) be donated to the Regents of University of California. PG&E determined no portion of the parcel needs to be retained in fee ownership for existing or future utility operations. PG&E will retain certain rights to allow for the continued operation of hydroelectric and water delivery facilities.

The 41-acre parcel is located in Yuba County about 16 miles west of Grass Valley and 24 miles east of Marysville. A map showing the Narrows Property and the surrounding area is included in Attachment A, page 4. The parcel is largely surrounded by existing Regents of University of California lands; a small portion is adjacent to lands managed by the United States Army Corps of Engineers. Neighboring parcel #917 will be retained by PG&E. The Property is accessible through the adjacent Regents of University of California property. The exposed slopes of the Yuba River Canyon are a dramatic setting for the grey pine-oak forest and grasslands, which sparsely populate the area. The vegetation on the Narrows Property provides wildlife habitat for many species. Over 100 bird species have been recorded in the nearby oak forests.

The State Board of Equalization estimates the value of the Narrows Property is \$52,988 (Attachment B).

**(2) Type of Property Interest Disposition**

PG&E intends to convey fee simple title to the 41-acre Narrows Property to the Regents of University of California (Grant Deed, Attachment A, pages 29). The Regents of University of California will then immediately convey a conservation easement to the Bear Yuba Land Trust, which will permanently protect the beneficial public values on the property (Deed of Conservation Easement, Attachment A, page 34). PG&E will not receive nor claim any monetary proceeds or tax benefits from this transfer.

**A. Property Encumbrances and Uses**

There are two recorded easements on the property. The first is an easement on behalf of Excelsior Water & Mining Company for ditches, canals, flumes, pipelines and all telephone lines in Deed recorded on July 11, 1919 in Book 72 of Deeds at page 422, Yuba County Records and in Book 128 of Deeds at page 451 Nevada County Records) No representation is made as to the current ownership of said easement.

The second is an easement for a 60-foot wide access road and incidental purposes as granted to Yuba County Water Agency in Deed recorded July 12, 1967 in Book 453 page 344, Yuba County Records. CPUC approval of the attached easement modification (Attachment C) will provide Yuba County Water Agency access to and use of a water gaging station in association with their FERC project in the area.

**B. PG&E's Assumption of Liability**

Section 12(f) of the Stipulation approved by the Commission in D.03-12-035 requires that PG&E hold the donee harmless for hazardous waste or substance liability. Fulfillment of that obligation is reflected in the Environmental Agreements, attached hereto as D1 and D2 respectively.

**(3) Legal Name and Location of Receiving Parties**

The Regents of the University of California, a  
California Corporation  
c/o Real Estate Services Group  
1111 Franklin Street, 6<sup>th</sup> Floor  
Oakland, CA 94607-5200  
Attention: Director of Real Estate  
Phone; (510) 987-9632

Bear Yuba Land Trust  
Attention: Executive Director  
12183 Auburn Road  
Grass Valley, CA 95949  
Telephone: (530)-272-5994  
Email: info@bearyubalandtrust.org

**(4) Proposed Uses and Conservation Management Objectives:**

As set forth in the Settlement Agreement and Stipulation, the cornerstone of the Land Conservation Commitment is its requirement that the Watershed Lands be preserved and enhanced for the following broad range of beneficial public values:

- A. Protection of the Natural Habitat of Fish, Wildlife, and Plants
- B. Preservation of Open Space
- C. Outdoor Recreation by the General Public
- D. Sustainable Forestry
- E. Agricultural Uses
- F. Historic Values

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

The conservation easement ensures that the property will be retained in its natural state and preserve habitat values as they exist. The conservation easement will permanently protect habitat by restricting development and limiting the landowner's uses to those that are consistent with the protection of the beneficial public values on the property (Attachment A, page 37 and page 50).

B. Preservation of Open Space

The conservation easement will ensure no further development through subdivision and construction will occur unless specifically authorized by the conservation easement. The property therefore will be maintained as open space, without modifications to the landscape, for the benefit of the public (Attachment A, page 37 and page 50).

C. Outdoor Recreation by the General Public

No recreation opportunities are available on the property due to limited public access, steep and rocky banks, and concerns related to public safety. Outdoor Recreation by the General Public was not identified as a beneficial public value within the Conservation Easement.

D. Sustainable Forestry

The conservation easement will preserve plant, tree and wildlife habitat that supports the health of the Yuba River watershed and well-managed forests, and well-vegetated stream banks, and protects against forest fires (Attachment A, page 50).

E. Agricultural Uses

The conservation easement allows for potential future grazing of the Property (Attachment A, page 50).

## F. Historic Values

The conservation easement will protect historical and cultural resources, including artifacts and plants related to historic Native American uses (Attachment A, page 50).

## (5) Environmental Information

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

### **PG&E's Review & Finding**

PG&E has reviewed the transaction and documents herein, and has determined that the proposed transaction is compliant with requirements of the Settlement Agreement and Stipulation.

### **Protests**

Anyone wishing to protest this filing may do so by letter sent via U.S. mail by facsimile or electronically, any of which must be received no later than April 8, 2014, which is 20 days after the date of this filing. Protests should be mailed to:

CPUC Energy Division  
ED Tariff Unit  
505 Van Ness Avenue, 4<sup>th</sup> Floor  
San Francisco, California 94102

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

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

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

Brian K. Cherry  
Vice President, Regulatory Relations  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B10C

P.O. Box 770000  
San Francisco, California 94177

Facsimile: (415) 973-7226  
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to this advice letter; the requirements for responding to advice letters are set forth in General Order 96-B, Rules 3.11; see also Decision 08-11-043 (as modified by Decision 10-08-004).

### **Effective Date**

Pursuant to the review process outlined in D.08-11-043 (as modified by D.10-08-004), PG&E requests that this **Category 1** advice filing be approved subsequent to PG&E Advice Letter 4337-E approval.

### **Notice**

In accordance with General Order 96-B, Section IV, and D.08-11-043, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list, Service List A.08-04-020, Appendix A and additional parties identified by the Stewardship Council. Address changes to the General Order 96-B service list should be directed to e-mail PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process\_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>.



Vice President, Regulatory Relations

Attachments

### **List of Attachments:**

- A Land Conservation and Conveyance Plan
- B State Board of Equalization Land Appraisal Record
- C Easement Modification Agreement with Yuba County Water Agency
- D1 Environmental Agreement (fee grantee)
- D2 Environmental Agreement (conservation easement grantee)

Note: the Transaction Agreement between PG&E, The Regents of the University of California and Bear Yuba Land Trust is available upon request.

cc: Service List Appendix A - Advice Letter 4375-E  
Service List A.08-04-020  
Additional Parties Identified by the Stewardship Council

\*\*\*\*\* **SERVICE LIST Advice 4375-E** \*\*\*\*\*  
**APPENDIX A**

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\*\*\*\*\* **AGENCIES** \*\*\*\*\*

The Regents of the University of California, a  
California Corporation  
c/o Real Estate Services Group  
1111 Franklin Street, 6<sup>th</sup> Floor  
Oakland, CA 94607-5200  
Attention: Director of Real Estate  
Phone; (510) 987-9632

Bear Yuba Land Trust  
Attention: Executive Director  
12183 Auburn Road  
Grass Valley, CA 95949  
Telephone: (530)-272-5994  
Email: info@bearyubalandtrust.org



# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

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

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

Utility type:

ELC       GAS  
 PLC       HEAT       WATER

Contact Person: Igor Grinberg

Phone #: 415-973-8580

E-mail: ixg8@pge.com and PGETariffs@pge.com

EXPLANATION OF UTILITY TYPE

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

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **4375-E**

Category: **1**

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

Keywords (choose from CPUC listing): Compliance and Agreements

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.08-11-043 (as modified by D.10-08-004)

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: N/A

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: N/A

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

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

Resolution Required?  Yes  No

Requested effective date: PG&E requests that this advice filing be made effective subsequent to PG&E Advice Letter 4337-E approval.

No. of tariff sheets: N/A

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

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

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

Tariff schedules affected: N/A

Service affected and changes proposed: N/A

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

California Public Utilities Commission

Energy Division

EDTariffUnit

505 Van Ness Ave., 4th Flr.

San Francisco, CA 94102

E-mail: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

Pacific Gas and Electric Company

Attn: Brian K. Cherry, Vice President, Regulatory Relations

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)

**Attachment A**

**Land Conservation and Conveyance Plan**



# Final LCCP

November 14, 2013



Stewardship  
Council

## Land Conservation and Conveyance Plan

Narrows





## **Executive Summary**

### **Subject**

LCCP Narrows Planning Unit  
Land Conservation Plan Identification Number (Parcel) 916 as shown on the map attached as Exhibit 1.

### **Type of Property Interest Disposition**

- The Regents of University of California, a California corporation, for the benefit of Sierra Foothill Research and Extension Center (SFREC) to hold fee simple title to 41 acres within one parcel (LCP Parcel ID #916)
- Bear Yuba Land Trust (BYLT) to hold the conservation easement on the entire 41 acres of Parcel 916.

### **Summary**

The 64-acre Narrows planning unit includes 2 legal parcels. The Stewardship Council has recommended that 41 acres within one parcel (Parcel ID #916) be donated to SFREC. Pending CPUC approval, and immediately following PG&E's conveyance of the 41 acres within Parcel 916 to SFREC, SFREC and BYLT will enter into the conservation easement.

Parcel 916 is outside the Narrows FERC Project boundary (FERC #1403) and PG&E has determined no portion of the parcel needs to be retained for existing or future utility operations. Therefore, the entire parcel is available for donation, subject to PG&E's reserved rights. The remaining 23 acres within the planning unit will be retained by PG&E and will be addressed in a future Land Conservation and Conveyance Plan (LCCP).

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

### **Property Location**

At an elevation of 800 feet, the Narrows planning unit is located 16 miles west of Grass Valley and 24 miles east of Marysville in Nevada and Yuba counties. The Narrows planning unit consists of two parcels of open space on the rocky slopes of the lower Yuba River, about 0.25 miles downstream of the Englebright Dam. The property subject to this LCCP consists of 41 acres in Yuba County on the northwesterly side of the Yuba River. The parcel, which is partially bounded by adjacent SFREC lands, consists of steep, rocky-sloped hillside.

### **Economic Uses and Agreements**

There are no existing economic uses or agreements on the acreage for donation at the Narrows planning unit.

PG&E will reserve its rights to maintain and operate existing and future utility facilities on the parcel to be conveyed in fee. The specific reserved rights are set forth in the grant deed and conservation easement, which can be found in Appendices 2 and 3, respectively.

### **Permanent Protection of the Beneficial Public Values**

The Grant Deed transferring fee title to the SFREC includes a recital that SFREC and PG&E acknowledge that the conveyance, together with the conservation easement transaction being entered into by SFREC and BYLT, is being made in the public interest with the intent to ensure the permanent protection of the beneficial public values on the Property as identified in the Land Conservation Plan while allowing the ongoing use of the Property by PG&E for hydroelectric operations, water delivery, and related activities, and acknowledging and honoring the existing third party uses.

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

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

The conservation easement on the Narrows property will ensure the permanent protection and preservation of the following Beneficial Public Values:

- Habitat for plants, trees and wildlife that are native to the area, including: Blue Oak woodland primarily forested with blue oak (*Quercus douglasii*), interior live oak (*Quercus wislizenii*) and also including grey pine (*Pinus sabiniana*) and western redbud (*Cercis occidentalis*); and, wildlife habitat for mountain lion, deer, coyote, fox, small animals and rodents, insects, birds of prey and other bird species.
- Open space characteristics including the scenic character of the Property and viewsheds from adjoining public and private lands including Englebright Reservoir.
- Plant, tree, and wildlife habitat that supports the health of the Yuba River watershed. The Yuba River corridor provides the largest inland spawning grounds in California for salmonid species including Chinook Salmon (*Oncorhynchus tshawytscha*) and Steelhead (*Oncorhynchus mykiss irideus*) which are state-listed, respectively, as endangered and threatened.

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<sup>1</sup> Land Conservation Commitment I.02-04-026, Appendix E, p. 38

- Historical and cultural resources, including artifacts and plants related to historic Native American uses.

### **Tax Neutrality**

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

If Yuba County chooses the lump-sum option, the Stewardship Council would make a one-time payment of \$13,000 to the county. Yuba County would be required to distribute the funds to the general fund and applicable special districts consistent with the Tax Rate Area in effect for the parcel. If Yuba County chooses the annual payment option, the Stewardship Council would deposit \$13,000 with a third party trustee, which would be responsible for making annual payments to Yuba County. Pursuant to the methodology described in the Property Tax Neutrality Methodology adopted on June 27, 2012, the trustee will make annual payments equal to 4% of a rolling 20 quarter average of the principal balance invested for the parcel. Yuba County would, in-turn, be required to distribute the funds to the general fund and applicable special districts consistent with the Tax Rate Area in effect for the parcel.

### **Hazardous Waste Disclosure**

The Narrows Planning Unit Environmental Site Assessment Report dated October 25, 2011, contains a discussion of the hazardous waste, substance contamination, or other such environmental conditions that were identified. PG&E has provided this report to SFREC and BYLT, fulfilling the disclosure requirements of the Land Conservation Commitment. The Environmental Site Assessment did not identify any hazardous waste or substance contamination on this site.

### **Consideration of Parcel Split**

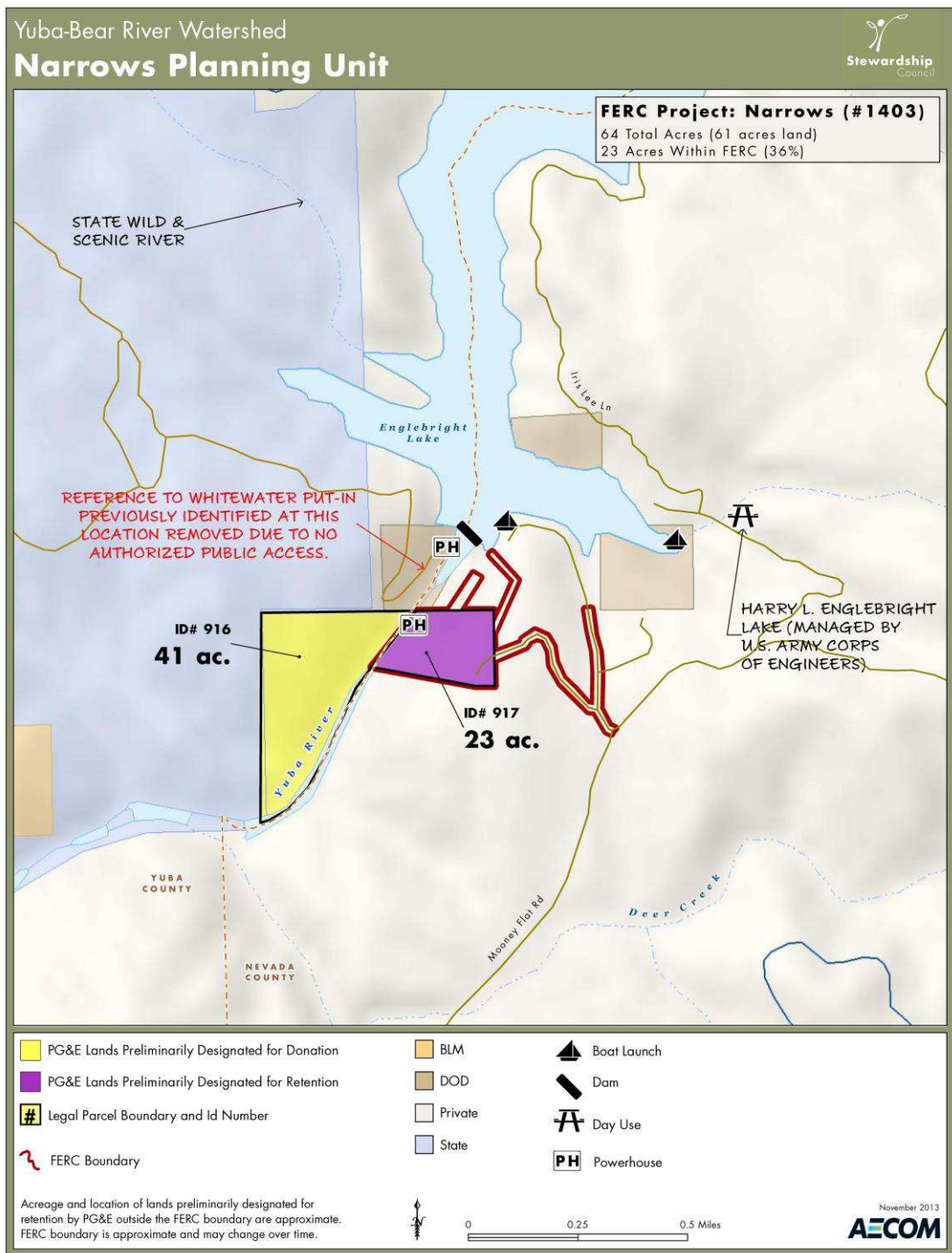
The 41 acres recommended for donation are within one legal parcel that will be transferred to SFREC; therefore, no parcel split is required.

### **Applicable CEQA exemption(s) or reason why transaction is not a “project under CEQA”**

The establishment of a conservation easement is categorically exempt under Section 15325 of the CEQA Guidelines (CFR Title 14, Chapter 3).

The Narrows transaction does not have the potential for a direct physical change or a reasonably foreseeable indirect physical change in the environment; therefore, the Stewardship Council does not believe that the transaction is a project under CEQA.

**Exhibit 1. Map**





## **Table of Contents**

<b>Executive Summary.....</b>	<b>1</b>
<b>Introduction.....</b>	<b>6</b>
<b>1. Acreage, Existing Economic Uses and Agreements .....</b>	<b>9</b>
<b>2. Objectives to Preserve and/or Enhance the BPVs .....</b>	<b>11</b>
<b>3. Recommendations for Conservation Easement and Fee Simple Donation .....</b>	<b>12</b>
<b>4. Finding of Donee Funding and Other Capacity to Maintain Lands to Preserve and/or Enhance the BPVs .....</b>	<b>14</b>
<b>5. Analysis of Tax and Other Economic and Physical Impacts .....</b>	<b>17</b>
<b>6. Hazardous Waste Disclosure .....</b>	<b>19</b>
<b>7. Consideration of Parcel Split .....</b>	<b>20</b>
<b>8. Strategy for Physical Measures to Enhance BPVs .....</b>	<b>21</b>
<b>9. Monitoring Plan for the Economic and Physical Impacts of Disposition and Implementation of Enhancement Measures .....</b>	<b>22</b>
<b>10. Implementation Schedule for Transactions and Measures .....</b>	<b>23</b>
<b>Appendices</b>	
Appendix 1. Summary of Public Outreach .....	24
Appendix 2. Grant Deed .....	29
Appendix 3. Conservation Easement .....	34
Appendix 4. Stewardship Council Funding Agreement .....	57
Appendix 5. Property Tax Neutrality Methodology .....	64
Appendix 6. Map .....	73
Appendix 7. Settlement Agreement, Appendix E .....	74

## Introduction

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

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

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

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

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

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

Volume III, consisting of Land Conservation and Conveyance Plans (LCCPs) to be issued serially and cumulatively, will encompass a series of real estate transaction packages that will detail the specific land conservation and/or disposition requirements

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

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

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

**The Stewardship Council Board of Directors recommends that The Regents of University of California, a California corporation, for the benefit of Sierra Foothill Research and Extension Center (SFREC) receive the entire 41-acre parcel (# 916) available for donation within the Narrows planning unit in fee and that Bear Yuba Land Trust hold the conservation easement over the lands recommended for donation to the University of California in this planning unit.**

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

<p><b>(1) Acreage, Existing Economic Uses and Agreements</b>  <i>“Reasonably exact estimates of acreage, by parcel, within or outside licensed project boundaries, and existing economic uses (including all related agreements);”</i></p>
<p><b>(2) Objectives to Preserve and/or Enhance</b>  <i>“Objectives to preserve and/or enhance the BPVs, as defined in the Settlement Agreement, Appendix E, of each individual parcel;”</i></p>
<p><b>(3) Recommendations for Conservation Easement and Fee Simple Donation</b>  <i>“A recommendation for grant of a conservation easement or fee simple donation for each such parcel;”</i></p>
<p><b>(4) Finding of Donee Funding and Other Capacity to Maintain Lands to Preserve and/or Enhance BPVs</b>  <i>“A finding that the intended donee of such easement or fee simple has the funding and other capacity to maintain that property interest so as to preserve and/or enhance the BPVs thereof;”</i></p>
<p><b>(5) Analysis of Tax and Other Economic and Physical Impacts</b>  <i>“An analysis of tax and other economic and physical impacts of such disposition strategy, and a commitment by an appropriate entity to provide property tax revenue, other equivalent revenue source, or a lump sum payment, so that the totality of dispositions in each affected county under the LCC will be ‘tax neutral’ for that county;”</i></p>
<p><b>(6) Hazardous Waste Disclosure</b>  <i>“A disclosure of all known hazardous waste or substance contamination or other such environmental liabilities associated with each parcel;”</i></p>
<p><b>(7) Consideration of Parcel Split</b>  <i>“Appropriate consideration whether to split any parcel which is partly used or useful for operation of PG&amp;E’s and/or a co-licensee’s hydroelectric facilities, where the beneficial public values of the unused part may be enhanced by such split, provided that it is consistent with Section 12(b)(4) of this Stipulation and that, in the event that governmental approval of a parcel split imposes conditions or restrictions on other PG&amp;E property, the decision to accept or reject such conditions will be at PG&amp;E’s sole discretion;”</i></p>
<p><b>(8) Strategy for Physical Measures to Enhance BPVs</b>  <i>“A strategy to undertake appropriate physical measures to enhance the BPVs of individual parcels; provided that no such measure will be in conflict with the provisions of Settlement Agreement paragraph 17(c) and Appendix E paragraph 1;”</i></p>
<p><b>(9) Monitoring Plan for the Economic and Physical Impacts of Disposition and Implementation of Enhancement Measures</b>  <i>“A plan to monitor the economic and physical impacts of disposition and implementation of enhancement measures on the applicable management objectives;”</i></p>
<p><b>(10) Implementation Schedule for Transactions and Measures</b>  <i>“A schedule for the implementing transactions and measures.”</i></p>

## **1. Acreage, Existing Economic Uses and Agreements**

### **Acreage and Property Description**

The Narrows planning unit contains two legal parcels (Land Conservation Parcel ID #916 and 917) totaling approximately 64 acres. Forty one acres in Parcel 916 will be donated to SFREC and, consistent with the conditions in the Settlement Agreement, the entire parcel will be subject to a perpetual conservation easement granted by SFREC to BYLT. The remaining 23 acres (Parcel 917) will be retained by PG&E and be subject to a conservation easement.

Narrows planning unit is located 16 miles west of Grass Valley and 24 miles east of Marysville in Nevada and Yuba counties. The planning unit consists of two parcels of open space on the rocky slopes of the lower Yuba River, about 0.25 miles downstream of the Englebright Dam.

The planning unit exhibits the natural, open space character of the area. The steep, exposed slopes of the Yuba River Canyon provide a dramatic setting for the grey pine-oak forest and grasslands, which sparsely populate the area around the Narrows planning unit. The planning unit provides scenic views of the lower Yuba River downstream of the Englebright Lake visitor's viewpoint.

The vegetation present on the Property provides wildlife habitat for many species, such as special status raptors. Over 100 bird species have been recorded in the nearby oak forests. In addition, the lower Yuba River provides unique spawning and rearing habitat for one of the last wild runs of chinook salmon and steelhead trout in the Central Valley.

No recreation opportunities are available on the lands available for donation due to steep and rocky banks, sensitive fisheries habitat, and concerns related to public safety. The Property contains one PG&E Timber Management Unit (TMU); however there is no marketable timber.

No agricultural activities take place within the planning unit. However, the SFREC conducts agricultural research on adjacent lands. The SFREC serves as a national and international center for research, extension, and teaching related to agriculture and natural resources management.

The Narrows planning unit lies within the ancestral territory of the Southern Maidu and Washoe people.

### **Adjacent and Nearby Landowners**

The parcel subject to donation to SFREC is surrounded by SFREC lands, with a small portion adjacent to lands managed by the Army Corps as well as Parcel 917 which will be retained by PG&E. The Property is only accessible through the adjacent SFREC property.

The Stewardship Council notified and invited landowners located within one mile of the subject parcel to provide comment during key phases of the land conservation and conveyance planning process. To date, the nearby landowners have not provided any comments concerning their property interests.

### **Existing Economic Uses and Agreements**

There are no unrecorded encumbrances on the property to be donated to SFREC. PG&E's specific reserved rights are set forth in the grant deed and conservation easement, which can be found in Appendices 2 and 3, respectively.

## 2. Objectives to Preserve and/or Enhance the BPVs

The Land Conservation Commitment provides that, “PG&E shall ensure that the Watershed Lands it owns... are conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants, the preservation of open space, outdoor recreation by the general public, sustainable forestry, agricultural uses, and historic values. PG&E will protect these beneficial public values associated with the Watershed Lands... from uses that would conflict with their conservation. PG&E recognizes that such lands are important to maintaining the quality of life of local communities and all the people of California in many ways, and it is PG&E’s intention to protect and preserve the beneficial public values of these lands under the terms of any agreements concerning their future ownership or management.”<sup>2</sup>

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

The conservation easement will protect the BPVs, subject to PG&E’s hydro and other reserved rights as provided in the conservation easement.

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

The SFREC proposes to maintain the property in its natural state and therefore preserve habitat values as they exist. The conservation easement (Appendix 3, page 34) will permanently protect habitat by restricting development and limiting the landowner’s uses to those that are consistent with the protection of the BPVs on the property. In addition, the land will be protected under SFREC’s Natural Resource Management Plan.

*2. Objective: Preserve open space in order to protect natural and cultural resources and viewsheds.*

The conservation easement will ensure that no further development will occur unless specifically authorized by the conservation easement. The SFREC proposes to maintain the property as open space, without modifications to the landscape ensuring that the property will remain as open space for the benefit of the public.

*3. Objective: Identify cultural resources in order to ensure their protection.*

The conservation easement will protect cultural resources.

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<sup>2</sup> Land Conservation Commitment I.02-04-026, Appendix E, p. 38

### **3. Recommendations for Conservation Easement and Fee Simple Donation**

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

#### **Conservation Easement**

The Settlement Agreement states “the conservation easements shall provide for the preservation of land areas for the protection of the natural habitat of fish, wildlife and plants, the preservation of open space, outdoor recreation by the general public, sustainable forestry, agricultural uses, and historic values and, shall prevent any other uses that will significantly impair or interfere with those values. Conservation easements on the Watershed Lands will include an express reservation of a right for continued operation and maintenance of hydroelectric facilities and associated water delivery facilities, including project replacements and improvements required to meet existing and future water delivery requirements for power generation and consumptive water use by existing users, compliance with any FERC license, FERC license renewal or other regulatory requirements. In addition, conservation easements will honor existing agreements for economic uses, including consumptive water deliveries. The conservation easements shall be donated to and managed by one or more non-profit conservation trustees, qualified conservation organizations or public agencies with the experience and expertise to fully and strictly implement the conservation easements” (Land Conservation Commitment I.02-04-026, Appendix E, pp. 38-39).

For the complete text of the conservation easement, see Appendix 3.

Conservation easements must be donated to nonprofit organizations, Native American tribes, or public agencies that meet the requirements of California Civil Code section 815.3 and possess the experience and capacity to fully and strictly implement the terms of the conservation easement. The Bear Yuba Land Trust (BYLT) will hold the conservation easement over the lands to be donated to UC in the Narrows planning unit. The qualifications of the BYLT are described in Chapter 4.

Accordingly, immediately following PG&E's conveyance of the Narrows planning unit to SFREC, SFREC will convey the conservation easement to BYLT.

#### **Retention or Donation of Fee Title**

The Settlement Agreement states that PG&E will not be expected to make fee simple donations of Watershed Lands with hydroelectric project features, and conservation easements and enhancements may not interfere with hydroelectric operations. In general, PG&E will retain fee title to those Watershed Lands within the boundaries of hydroelectric projects licensed by the FERC, as well as other properties required for



continuing and future utility operations. However, these Watershed Lands will be conserved via a conservation easement. See Appendix 7 for a description of PG&E's Land Conservation Commitment.

At the Narrows planning unit, the entire 41 acre parcel to be transferred is outside the Narrows FERC Project boundary. PG&E has determined that it does not need to retain the parcel for existing or future utility operations. Thus, the entire parcel is available for donation, subject to PG&E's reserved rights. The specific reserved rights are set forth in the grant deed and conservation easement, which can be found in Appendices 2 and 3, respectively.

### **Lands to be Donated by PG&E**

The entire 41-acre parcel (LCPID #916; APN #005-300-014) will be donated to SFREC pending CPUC approval of the Section 851 filing for the transaction. The legal description of the parcel is included in the grant deed, which is provided in Appendix 2. The qualifications and capacity of SFREC to manage the Narrows property recommended for donation are described in Chapter 4.

The map attached in Appendix 6 shows that all the land within Parcel 916 in the Narrows planning unit will be donated. The map also shows key features in the planning unit and ownership of adjacent land.

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

##### **Selected Organizations**

At the conclusion of the selection process referenced below, the following organizations were endorsed by the Stewardship Council Board on November 16, 2011:

- Bear Yuba Land Trust to hold a conservation easement over the entire Narrows planning unit.
- The Regents of University of California, a California corporation for the benefit of Sierra Foothill Research and Extension Center (SFREC) to hold fee simple title to 41 acres within Parcel 916.

##### **Capacity of Selected Organizations**

The Stewardship Council Board finds that SFREC and BYLT will have the funding and other capacity to maintain the property interest so as to preserve and/or enhance the BPVs<sup>3</sup>.

###### **A. SFREC:**

- Established in 1960, SFREC is located in Northern California's foothills along the Yuba River, 60 miles northeast of Sacramento and approximately 2 miles from the PG&E lands recommended for donation. SFREC is one of nine agricultural research and extension centers administered by the University of California's Division of Agriculture & Natural Resources. SFREC provides land, labor, facilities, and management for agricultural research and assists in public education in matters relating to agriculture. Its vision is "to serve as a national and international center for research, extension, and teaching related to the supervision, stewardship, and function of Mediterranean woodland ecosystems, particularly as managed to produce a spectrum of benefits to society."
- During the past 50 years, SFREC has been the lead teaching and research facility dedicated to oak woodland rangelands. It is comprised of approximately 5,721 acres, consisting of about 4,945 acres of dry annual rangeland; 160 acres of irrigated pastures; 272 acres of natural areas (un-grazed); and 353 acres developed with infrastructure to support research at the site. The developed area includes a laboratory, a dormitory, meeting rooms, cattle facilities, and over 23 miles of improved roads.
- Research at SFREC focuses on enhancing livestock production with natural resource protection, including pasture development; water and soil quality and management; cattle nutrition and disease control; restoration of oaks and other native species; wildlife habitat improvements; and weed management.
- Six permanent streams and associated watersheds are located within the boundaries of SFREC. These watersheds have been continuously monitored for

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<sup>3</sup> Stipulation, Section 12(a)(4)

- over 30 years and most of the riparian areas along these streams remain in their natural state. In addition, both UC and California Department of Fish and Wildlife are involved in habitat restoration projects along four miles of the Yuba River that borders SFREC.
- SFREC has nine full-time and one part-time staff that manage facilities, natural resources, rangelands, and livestock. In addition to providing a managed setting for field-scale research, center staff is available to provide direct support to approved research projects. About 4,000 labor hours are allocated to research projects each year.
  - SFREC allows limited public access to its property in order to promote agricultural education. To this end, SFREC maintains the wheelchair accessible Porter Creek Nature Trail for public access. The interpretive trail is less than one-mile long with 11 numbered posts that highlight the types of research projects conducted at SFREC, and the history and natural resources of the area. Through educational programs, SFREC serves as “an outdoor classroom for learning how to restore and sustain oak woodlands, as well as how this can be done in the context of a cattle enterprise.” SFREC hosts numerous meetings for federal and state government employees and the public, including school groups, with over 500 people attending these events each year. SFREC also manages the Yuba River Education Center which houses educational materials for public use, including K-6 science-based curriculum.
  - To achieve its mission, the University of California’s Division of Agriculture & Natural Resources has numerous partnerships with public and private entities. SFREC, specifically, collaborates with six universities: three UC campuses, Oregon State University, University of Nevada, Reno, and Iowa State University. SFREC also allows the California State Department of Forestry and Fire to train their employees on-site and partners with them to manage vegetation.

#### B. BYLT:

- Established in 1991, BYLT’s mission is to create a balance between nature and the needs of the people who make a life and a livelihood in Nevada County. BYLT promotes voluntary conservation of natural, historical and agricultural resources through protection and enhancement of natural areas, farms and ranches, trails and parks to provide a lasting community heritage.
- BYLT’s geographic focus is western Nevada County and the Sierra Foothills areas of Yuba and Sierra Counties.
- BYLT currently holds 20 conservation easements over approximately 5,500 acres, and owns 1,000 acres in fee with an additional 2,700 acres in escrow.
- BYLT has nine staff including an executive director, operations manager, stewardship coordinator, treks program coordinator, outreach coordinator and two trail coordinators. BYLT has eleven board members with expertise in wildlife biology, conservation planning, fly fishing, and forestry.

#### **Donee Selection Process**

The Stewardship Council used a formal multi-step process to solicit and select organizations interested in receiving a donation of Watershed Lands or becoming a

conservation easement holder at the Narrows planning unit. The process consisted of the following key steps:

- Organizations were invited to register via the Stewardship Council's Interested Donee Registry and were invited to submit a statement of qualifications (SOQ). The Stewardship Council reviewed the SOQs that were submitted to identify organizations that: (a) were determined to be a qualified nonprofit conservation organization; a federal, state or local governmental entity; or, a recognized tribe; (b) appeared to have sufficient financial and organizational capacity relative to the property interest sought within the planning unit; and, (c) appeared to be capable of satisfying the requirements of the Settlement and Stipulation for receiving a donation of fee title or to hold the conservation easement.
- Organizations interested in a fee title donation were invited to submit a land stewardship proposal ("LSP" or "proposal") describing their capacity and interest in preserving and enhancing the BPVs. The LSPs were posted on the Stewardship Council's website.
- Organizations demonstrating sufficient capacity and determined by the Stewardship Council to be best-suited to receive a donation of property interest (fee or conservation easement) in particular Watershed Lands within a planning unit are being recommended to PG&E to receive fee title and/or conservation easements.

## **5. Analysis of Property Tax and Other Economic and Physical Impacts**

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

Although the matter has not been settled by the CPUC, the Stewardship Council interprets the PG&E Settlement Agreement to include in lieu payments to counties to achieve property tax neutrality as an allowable use of a portion of the \$70 million provided to the Stewardship Council to implement the Land Conservation Commitment. Based on its belief that the Stewardship Council could use a portion of the \$70 million for such purposes, the Stewardship Council Board adopted the property tax neutrality policies and guidelines described below.

The following sections address the Stewardship Council’s plan for achieving tax neutrality for Yuba County, the county in which the Property is located. The transfer of the Narrows Property represents the totality of fee title conveyances within Yuba County.

### ***Stewardship Council Board Policies and Guidelines on Achieving Property Tax Neutrality***

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

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

On June 27, 2012, the Stewardship Council board approved an amendment to the property tax methodology it had adopted on May 2, 2012, after an opportunity for public comment and specific outreach to all potentially affected counties. The methodology

establishes a standard payment process when lands are transferred to organizations that are exempt from paying property taxes. (See Appendix 5.) The methodology outlines two in-lieu payment options: a one-time lump sum payment from the Stewardship Council directly to counties, and the Stewardship Council’s establishment of an endowment account which would be designed to generate enough investment income to make annual in-lieu payments to counties on an ongoing basis. Regardless of the payment option selected by the county, the payment methodology provides that the county will distribute funds related to the special districts as defined in Tax Rate Area upon receipt of the lump-sum payment or the annual installment payment.

**Achieving Property Tax Neutrality for Fee Title Donation of Narrows Parcels**

The 41 acres in Parcel #916 in the Narrows Planning Unit are being donated to SFREC. The Stewardship Council will provide funding to satisfy property tax payments in perpetuity for the Property. After the CPUC has approved the fee title donation of the Property, Yuba County may select the option of either receiving a lump sum payment or an annual payment from a trustee selected by the Stewardship Council.

The transfer of lands to SFREC is expected to result in the reduction of approximately \$530 in annual taxes paid to Yuba County (as shown in Table 2 below).

**Table 2: Property Tax Detail**

Parcel ID	SBE Map Number	Taxes on Acres Transferred
916	005-300-014	\$530

If Yuba County chooses the lump-sum option, the Stewardship Council would make a one-time payment of \$13,000 to the county. Yuba County would, in-turn, be required to distribute the funds to the general fund and applicable special districts consistent with the Tax Rate Area in effect for the parcel.

If Yuba County chooses the annual payment option, the Stewardship Council would deposit \$13,000 with a third party trustee, which would be responsible for making annual payments to Yuba County. Pursuant to the methodology described in the Property Tax Neutrality Methodology adopted on June 27, 2012, the trustee will make annual payments equal to 4% of a rolling 20 quarter average of the principal balance invested for the parcel. Yuba County would, in-turn, be required to distribute the funds to the general fund and applicable special districts consistent with the Tax Rate Area in effect for the parcel.

**Other Economic and Physical Impacts**

The Settlement and Stipulation require an analysis of the physical and economic impacts of each fee title transfer. The transaction agreements for the Narrows planning unit have not mandated any changes to the physical or economic uses of the lands.

## **6. Hazardous Waste Disclosure**

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

The Narrows Planning Unit Environmental Site Assessment Report dated October 25, 2011, did not identify any hazardous waste or substance contamination on this site. PG&E has provided this report to SFREC and BYLT, fulfilling the disclosure requirements of the Land Conservation Commitment. The Environmental Site Assessment did not identify any hazardous waste or substance contamination on this site.

### **Lands to be Retained by PG&E**

There are no lands within Parcel 916 in the Narrows planning unit that will be retained by PG&E.

### **Lands to be Donated by PG&E**

PG&E has prepared an Environmental Site Assessment. No potential environmental issues were found. The report has been provided to the conservation easement holder and recommended fee title donee fulfilling the disclosure requirements of the Land Conservation Commitment.

### **Environmental Agreement**

Pending CPUC approval, PG&E will execute Environmental Agreements with SFREC and BYLT that satisfy the requirements of the Stipulation with regard to liability.

## **7. Consideration of Parcel Split**

Appropriate consideration was given to whether any portion of the Narrows planning unit is needed for operation of PG&E's and/or a co-licensee's hydroelectric facilities.

PG&E determined that retention of fee title within Parcel 916 is not needed for such operations and that reserving rights for certain activities would suffice. Therefore, the entire 41-acre parcel was available for donation, subject to PG&E's reserved rights. The specific reserved rights are referenced in the grant deed and conservation easement, which can be found in Appendices 2 and 3, respectively.



## **8. Strategy for Physical Measures to Enhance the BPVs**

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

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

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

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

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

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

The conservation easement holder is required to monitor every conservation easement that it holds to ensure that the landowner is complying with the terms of the easement. The Stewardship Council will enter into a Conservation Easement Funding Agreement with each conservation easement holder whereby the holder will receive a monitoring and enforcement endowment from the Stewardship Council to fund its monitoring activities.

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

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

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

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

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

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

## **10. Implementation Schedule for Transaction and Measures**

### **Schedule for Transaction**

- CPUC review and approval (2014)
- Close of escrow (2014)
- Stewardship Council release of funds to BYLT per conservation easement funding agreement (2014)

### **Compliance with Local Land Use Planning Requirements**

Future management of the donated property at Narrows planning unit is anticipated to comply with all applicable Yuba County ordinances and/or General Plan policies.

## Appendix 1: Summary of Public Outreach

### SUMMARY OF PUBLIC OUTREACH PROGRAM

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

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

## Appendix 1: Summary of Public Outreach

Agendas are available one week prior to meetings, and meeting minutes are posted on the Stewardship Council public website approximately three weeks following those meetings.

### **NARROWS PLANNING UNIT PUBLIC OUTREACH**

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

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

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

No public comments were submitted concerning the Narrows Planning Unit during public review of Volumes I and II of the LCP.

#### **II. NOTICING OF LANDOWNERS WITHIN ONE MILE**

In the fall of 2006 a postcard was distributed to the approximately 26,000 landowners located within one mile of the exterior boundary of all the parcels to notify and invite comment on Volume I and II of the LCP. A postcard was also sent to notify and invite all landowners located within one mile of the Narrows Planning Unit to a Public Information Meeting that was held in Auburn on April 14, 2011. In addition, simultaneous with the release of the proposed subject LCCP for public comment, adjacent landowners located within one mile of the subject parcel are noticed by mail 30 days before the Watershed Planning Committee considers forwarding the proposed subject LCCP to the board for final approval.

#### **III. PUBLIC INFORMATION MEETING**

A Public Information Meeting workshop for several planning units in the Yuba-Bear Watershed Area was hosted by the Stewardship Council on April 14, 2011, in Auburn, California. The meeting concerned six planning units: Bear River, Chili Bar, Fordyce Lake, Lake Spaulding, Lower Drum, and Narrows. Attendees at the workshop included a total of 58 individuals representing a wide variety of interests including local, state, federal entities, and community organizations. The meeting was advertised via an e-mail sent to contacts in the Stewardship Council's database, an announcement posted on the Stewardship Council's web site, a press release issued to the local newspaper, and a postcard sent to all landowners on record located within one mile of any PG&E parcel associated with the Narrows planning unit.

## Appendix 1: Summary of Public Outreach

The purpose of the workshop was to: (1) provide a review and update on the Stewardship Council's Land Conservation Program; and, (2) solicit additional public input on future stewardship of the six planning units. Stations were set up with maps, other pertinent information, and easels with blank paper. Below is a summary of comments related to the Narrows planning unit that were recorded on the easels and provided on comment cards.

### *Narrows Planning Unit*

- Support for the lands available for donation to be transferred to the University of California.
- Protect anadromous fish habitat.

### *General Comments Concerning the Yuba-Bear Watershed Area*

- Mineral resources should be included as a beneficial public value.
- Lands available for donation should be transferred to an entity that will preserve and enhance public access.
- Understand that all of the parcels have a history of land use and are no longer pristine.
- Provide adequate time for the public to review and provide comments on the land stewardship proposals, proposed donee recommendations, and conservation easements.
- Provide parcel-specific goals to promote public understanding and comment.

## **IV. PUBLIC REVIEW OF LAND STEWARDSHIP PROPOSALS**

On July 8, 2011, the Stewardship Council received one Land Stewardship Proposal from an organization interested in being considered for a donation of fee title to certain lands located within the Narrows planning unit. The University of California, Sierra Foothill Research and Extension Center, prepared and submitted its proposal which was posted on the Stewardship Council's website for public review and comment, and an e-mail was sent to contacts in the Stewardship Council's database to notify them of the postings.

## **V. PUBLIC REVIEW OF LAND CONSERVATION PROGRAM POLICIES & GUIDELINES**

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

### *Land Conservation Program Funding Policy*

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

## Appendix 1: Summary of Public Outreach

comments were received during the 30-day review and comment period. Both comments were reviewed, and it was determined that neither comment necessitated a change in the draft policy. The Stewardship Council's Board of Directors adopted the policy at a public board meeting in Sonora, Calif. on September 17, 2009.

### **VI. WATERSHED PLANNING COMMITTEE RECOMMENDATIONS OF FEE TITLE AND CONSERVATION EASEMENT DONEES**

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

No public comments were received by staff concerning the recommendations of fee and conservation easement holder at the Narrows planning unit for consideration at the November 16, 2011 public board meeting.

### **VII. PUBLIC REVIEW OF THE LAND CONSERVATION AND CONVEYANCE PLANS**

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

### **VIII. STEWARDSHIP COUNCIL BOARD OF DIRECTORS MEETINGS**

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

## Appendix 1: Summary of Public Outreach

in communities that may have an interest in a particular topic on an upcoming meeting agenda. The board action taken is noted in the meeting minutes that are posted on the Stewardship Council's website following the board meeting.

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



RECORDING REQUESTED BY AND RETURN TO: Appendix 2: Grant Deed

**PACIFIC GAS AND ELECTRIC COMPANY**  
**245 Market Street, N10A, Room 1015**  
**P.O. Box 770000**  
**San Francisco, California 94177**

Location: City/Uninc \_\_\_\_\_

No Recording Fee Pursuant to Government Code 27383

THE UNDERSIGNED GRANTOR(S) DECLARE(S) DOCUMENTARY TRANSFER TAX IS \$0

Transfer Tax Exempt due to Revenue & Taxation Code 11922

(SPACE ABOVE FOR RECORDER'S USE ONLY)

\_\_\_\_\_  
Signature of declarant or agent determining tax

LD

DEED

**GRANT DEED, RESERVATION OF RIGHTS AND EASEMENTS, AND ASSIGNMENT OF RIGHTS**

**I. CONVEYANCE OF FEE**

**PACIFIC GAS AND ELECTRIC COMPANY**, a California corporation, hereinafter called Grantor, hereby grants, without warranty express or implied, to **THE REGENTS OF THE UNIVERSITY OF CALIFORNIA**, a California public corporation, hereinafter called Grantee, the real property ("Property"), situated in the unincorporated area of the County of Yuba, State of California, described as follows:

All that certain parcel of land situate in the Northwest one-quarter of Section 23, Township 16 North, Range 6 East, Mount Diablo Base and Meridian, as recorded in Book 468, Page 634 of Official Records of the County of Yuba, State of California, particularly described therein as follows.

Lot 1 and Lot 2 of the Northwest one-quarter of said Section 23, situate in the said County of Yuba.

(APN # 005-300-014)  
(SBE # 135-58-22-2)

In connection with such grant, Grantor and Grantee have agreed, for good and valuable consideration, that Grantor shall reserve certain easements and rights, as more fully described below.

## II. RECITALS

A. Grantor is a party to that certain Settlement Agreement ("**Settlement Agreement**") as modified and approved by the Public Utilities Commission of the State of California ("**CPUC**") in its Opinion and Order of December 18, 2003 (Decision 03-12-035).

B. In furtherance of the Settlement Agreement, and to provide additional detail regarding the implementation of the "Land Conservation Commitment" (defined below), the parties to the Settlement Agreement and other interested parties entered into that certain Stipulation Resolving Issues Regarding the Land Conservation Commitment dated September 25, 2003 ("**Stipulation**").

C. The Settlement Agreement and the Stipulation (collectively, "**Governing Documents**") require Grantor to ensure that approximately 140,000 acres of watershed lands, all owned by Grantor (collectively, "**Watershed Lands**"), including the Property, are conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants; the preservation of open space; outdoor recreation by the general public; sustainable forestry; agricultural uses; and historic values. The obligations of Grantor to convey fee interests and/or conservation easements and protect such beneficial public values on the Watershed Lands, as well as certain other obligations related thereto, are set forth in detail in Appendix E of the Settlement Agreement (as further explicated in Section 12 of the Stipulation), and are defined therein as the "**Land Conservation Commitment.**"

D. Pursuant to the Governing Documents, the Pacific Forest and Watershed Lands Stewardship Council, a California non-profit public benefit corporation ("**Stewardship Council**") was created to oversee and carry out the Land Conservation Commitment. Pursuant to the Governing Documents, the Stewardship Council developed a plan for protection of the Watershed Lands for the benefit of the citizens of California ("**Land Conservation Plan**" or "**LCP**"). The LCP includes, among other things, objectives to preserve and/or enhance the beneficial public values identified on each parcel of Watershed Lands.

E. Grantor has used and continues to use the Property for the purposes of generating and transmitting hydroelectric energy, managing and monitoring the flow of water over the existing waterways for consumptive and non-consumptive uses, conducting various biological and land use studies mandated by the Federal Energy Regulatory Commission ("**FERC**") (collectively, "**Hydroelectric Facilities and associated Water Delivery Facilities**"), and for other purposes as described more fully in the Reservation of Rights contained herein.

F. Consistent with the terms of the Governing Documents, Grantor and Grantee acknowledge this conveyance, together with the conservation easement transaction being entered into by Grantee and Bear Yuba Land Trust concurrently herewith, is being made in the public interest with the intent to ensure the permanent protection of the beneficial public values on the Property as identified in the LCP while allowing the ongoing use of the Property by Grantor for hydroelectric operations, water delivery and other related activities, and acknowledging and honoring the existing third party uses.

### III. RESERVATION OF RIGHTS AND EASEMENTS

Grantor expressly reserves the right to engage in or invite or permit others to engage in the activities and uses set forth below (collectively, the "Reserved Rights") as Grantor may determine in Grantor's sole discretion exercised in good faith is required for Grantor's continued operation and maintenance of Hydroelectric Facilities and associated Water Delivery Facilities. Grantor will use reasonable efforts to notify and consult with Grantee in advance of the exercise of the Reserved Rights, and use reasonable efforts to employ methods and practices that will not significantly impair the beneficial public values.

An exercise of Grantor's Reserved Rights shall be "required" (as used in the preceding paragraph) where Grantor determines in its sole discretion exercised in good faith that such exercise is necessary to fulfill requirements or directives of any one or more of the following: (a) the CPUC or the FERC, (b) other local, state or federal governmental entities, (c) any applicable law, ordinance, rule or regulation of local, state or federal governmental entity, (d) any third party agreement entered into by Grantor in good faith or by which Grantor is bound, or (e) professional engineering and design standards governing the ownership, maintenance, and/or operation of the Hydroelectric Facilities and associated Water Delivery Facilities.

(a) Grantor reserves, for its beneficial uses, all riparian water rights inherent in and part and parcel of the Property; all appropriative surface water rights (including, but not limited to, any appropriative surface water rights having a point of diversion, place of storage, or place of use on the Property); all prescriptive surface water rights; and all other right, title and interest of any nature whatsoever in and to the surface waters (including subsurface flow) which are now or hereafter located or flowing upon or abutting the Property.

(b) Grantor reserves the permanent right to operate, maintain, repair, alter, replace and expand existing and future Hydroelectric Facilities and associated Water Delivery Facilities, including project replacements and improvements required to meet existing and future water delivery and other requirements for power generation and consumptive water use by existing and future users, compliance with any FERC License, FERC License renewal or other regulatory or legal requirements. In furtherance of and without in any way limiting the generality of the foregoing, the following rights will be expressly reserved:

(1) The right to conduct any and all uses and activities now or at any time in the future deemed necessary or appropriate by Grantor in Grantor's sole discretion exercised in good faith in connection with the generation of hydroelectric energy, including, but not limited to the operation, maintenance, repair, alteration, replacement and expansion of existing Hydroelectric Facilities and associated Water Delivery Facilities, and the construction, operation, maintenance, repair, alteration, replacement and expansion of new Hydroelectric Facilities and associated Water Delivery Facilities; and

(2) The right to use, maintain, establish, construct, alter, expand and improve water sources, courses, and bodies within the Property, and to take, divert and appropriate water; provided, however, subject to any and all prior appropriative rights to such waters, Grantee shall

## Appendix 2: Grant Deed

be entitled to use reasonable amounts of water on the Property for domestic non-commercial uses, and to preserve the beneficial public values as identified in the LCP; and

(3) The right to conduct any and all uses and activities currently or in the future deemed necessary or appropriate by Grantor in Grantor's sole discretion exercised in good faith to comply with any applicable FERC License or other regulatory or legal requirements, including any amendments thereto and replacements thereof, and with applicable regulations and orders of the FERC or other regulatory agencies; and

(4) The right to conduct any and all uses and activities now or at any time hereafter deemed necessary or appropriate by Grantor in Grantor's sole discretion exercised in good faith to comply with the Federal Power Act (Title 16 United States Code, Chapter 12) and any successor statute; and

(5) The right to decommission all or any portion of existing and future Hydroelectric Facilities and associated Water Delivery Facilities in accordance with any applicable license issued by the FERC.

(c) Grantor further reserves to itself the following rights with respect to the foregoing reservations:

(1) of ingress to and egress over and across the Property by means of the existing road and/or any replacement or relocation thereof, otherwise by such route or routes as shall occasion the least practicable damage and inconvenience to Grantee and to use said roads, lanes, or routes to provide access to any of Grantor's easements and facilities on lands adjacent to the Property; and

(2) to install, maintain and use gates in all fences which now or shall hereafter cross the Property.

(3) The right to construct and use improvements used to access and maintain the Narrows #2 Powerhouse.

#### IV. TERMS OF GRANT

The conveyance by Grantor to Grantee pursuant to this Grant Deed, Reservation of Rights and Easements, and Assignment of Rights is subject to: (a) a lien securing payment of real estate taxes and assessments; (b) applicable zoning and use laws, ordinances, rules and regulations of any municipality, township, county, state or other governmental agency or authority; (c) all matters that would be disclosed by a physical inspection or survey of the Property or that are actually known to Grantee; and (d) all contracts, leases, licenses, covenants, conditions, easements, restrictions, liens, encumbrances and other exceptions of record or unrecorded.

Appendix 2: Grant Deed

The provisions hereof shall inure to the benefit of and bind the successors and assigns of the respective parties hereto, and all covenants shall apply to and run with the Property. All future conveyances of the fee interest in the Property shall be consistent with the terms of the Governing Documents. In accordance with Section 12 b (4) of the Stipulation, Grantee and its successors and assigns shall not convey all or any portion of the fee interest in the Property to any governmental entity, public agency or any Native American tribe that may currently have, or come to possess, authority to expand Grantor's obligations under Part 1 of the FPA, without the prior written consent of the Grantor, which consent shall be in Grantor's sole discretion exercised in good faith.

VI. MISCELLANEOUS

If any provision of this Grant Deed, Reservation of Rights and Easements, and Assumption of Rights shall be unenforceable or invalid, the same shall not affect the remaining provisions hereof and to this end the provisions hereof are intended to be and shall be severable.

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

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

Dated \_\_\_\_\_, 20\_\_\_\_.

PACIFIC GAS AND ELECTRIC COMPANY,  
a California corporation

By

Attested

Appendix 3. Conservation Easement

RECORDING REQUESTED BY:

Bear Yuba Land Trust

WHEN RECORDED MAIL TO:

Bear Yuba Land Trust  
12183 Auburn Road  
Grass Valley, CA 95949

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(Space above this line reserved for Recorder's use)

No Recording Fees Pursuant to Government Code 27383

The undersigned grantor declares that the documentary transfer tax is \$ NONE (R. AND T. 11930)

GRANT DEED OF CONSERVATION EASEMENT AND VOLUNTARY  
AGREEMENT CREATING ENFORCEABLE RESTRICTIONS IN PERPETUITY  
(Narrows Management Area)

This Grant Deed of Conservation Easement and Voluntary Agreement Creating Enforceable Restrictions in Perpetuity ("Conservation Easement") is made and entered into this \_\_\_ day of \_\_\_\_\_, 2013 by and between The Regents of the University of California, a California corporation, ("Grantor") and Bear Yuba Land Trust, a California nonprofit public benefit corporation, ("Grantee"), with reference to the following facts:

RECITALS

A. Grantor is the owner of approximately 41 acres of real property located in the County of Yuba, State of California, as more particularly described in **Exhibit A** attached hereto and incorporated herein by reference, together with all improvements and appurtenances thereto, ("**Property**"). A map of the Property identifying the improvements existing on the Property as of the date of this Conservation Easement and various other natural features of the Property is attached hereto as **Exhibit B** and incorporated herein by reference ("**Property Map**").

B. Grantee is organized to protect and conserve natural areas and ecologically significant land, forests, agricultural land, and open space for scientific, charitable and educational purposes, and is qualified to acquire and hold conservation easements under California Civil Code Section 815.3. Grantee is a tax-exempt non-profit corporation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

C. The Property possesses natural, historical, scenic, agricultural and open space characteristics, valuable to the people of Yuba County, the State of California, and the public in general.

### Appendix 3. Conservation Easement

D. Pacific Gas and Electric Company, a public utility corporation (“**PG&E**”), transferred to Grantor fee title in the Property in accordance with that certain Grant Deed, recorded in the Official Records of the County of Yuba, on \_\_\_\_\_, 20\_\_, as Instrument Number \_\_\_\_\_ (“**Grant Deed**”), a copy of which is attached hereto as **Exhibit C** and incorporated herein by reference, subject to (i) PG&E’s reservation of certain rights in and to the Property, as set forth in the Grant Deed (“**PG&E Reserved Rights**”), and (ii) those legally-enforceable third-party rights to use the Property in effect as of the recordation date of this Conservation Easement (“**Effective Date**”), as listed on **Exhibit D** attached hereto and incorporated herein by reference, true and complete copies of which have been provided to, and reviewed and accepted by, Grantee (“**Express Third Party Uses**”).

E. PG&E transferred fee title to the Property to Grantor in connection with PG&E’s implementation of the “Land Conservation Commitment,” defined below, provided for in the following documents and described more fully below:

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

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

F. The Settlement Agreement and the Stipulation (collectively, “**Governing Documents**”) require PG&E to ensure that approximately 140,000 acres of watershed lands, all located in California and owned by PG&E as of the date the Governing Documents were entered into (collectively, “**Watershed Lands**”), are conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants; the preservation of open space; outdoor recreation by the general public; sustainable forestry; agricultural uses; and historic values (collectively, “**Beneficial Public Values**” or “**BPVs**”). The Stipulation provides that conservation easements will preserve or enhance reasonable public access. The Property includes the specific Beneficial Public Values identified in **Exhibit E** attached hereto and incorporated herein by reference (collectively, the “**Conservation Values**”). The Property is included in these Watershed Lands. The “**Land Conservation Commitment**” constitutes the obligations of PG&E to convey fee title and conservation easements to Watershed Lands, and to protect the Beneficial Public Values of the Watershed Lands, as well as certain other obligations related thereto, as set forth in detail in the Governing Documents, including the Conservation Values described in Exhibit E attached hereto, as relates to the Property.

### Appendix 3. Conservation Easement

G. In accordance with the Governing Documents, the PG&E Reserved Rights constitute an express reservation in favor of PG&E of certain rights to continue operation and maintenance of hydroelectric facilities and associated water delivery facilities, including, project replacements and improvements required to meet existing and future water delivery requirements for power generation and consumptive water use by existing users, compliance with any Federal Energy Regulatory Commission (“**FERC**”) license, FERC license renewal or other regulatory requirements.

H. The Governing Documents also include a requirement that conservation easements encumbering Watershed Lands honor existing agreements for economic uses, including consumptive water deliveries.

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

J. The Legislature of the State of California, as set forth in California Civil Code section 815 et seq., has found and declared it to be the public policy and in the public interest of this state to encourage the preservation of land predominantly in its natural, scenic, agricultural, historical, forested, or open-space condition. In furtherance of the Land Conservation Commitment and the above-described public policy purposes, Grantor desires to grant a conservation easement over the Property to Grantee.

K. Grantee and Grantor each desires through this Conservation Easement to ensure the permanent protection of the Conservation Values, subject to PG&E’s Reserved Rights and the Express Third Party Uses. Specifically, the parties desire to assure that the Conservation Values will be protected in perpetuity as provided herein, and that uses of the Property that are inconsistent with the protection of the Conservation Values as provided herein will be prevented or corrected.

L. The existing conditions of the Property that are particularly relevant to the Conservation Values are documented in a Baseline Documentation Report (the “**Report**”) of the Property prepared by a qualified professional familiar with the environs, a copy of which has been provided to Grantor, and a copy of which is held by the Grantee. A copy of the Report shall be kept on file with Grantor and Grantee at their respective addresses for notices set forth below. The Report is a material document intended to serve as an objective information baseline for monitoring compliance with the terms of this Easement. The parties acknowledge that the Report is intended to establish the condition of the Property as of the effective date of the Easement, and agree, as stated in a signed statement, a copy of which is attached hereto as **Exhibit F**, that the Report is an accurate representation of the biological and physical condition of the Property at the time of this grant. Notwithstanding the foregoing, if a controversy arises with respect to the nature and extent of the physical or biological condition of the Property, the parties shall not be precluded from



### Appendix 3. Conservation Easement

utilizing any and all other relevant documents, surveys or other evidence or information to assist in the resolution of the controversy.

M. Grantor owns and/or maintains numerous natural California habitats, located on ecologically unique lands known collectively as the University of California Agricultural and Natural Reserve Research and Extension Centers (the “REC”). The mission of Grantor with respect to the REC is to contribute to the understanding and wise management of the Earth and its natural systems by supporting university-level teaching, research, and public service at protected natural areas throughout California. Grantor currently owns approximately 5,726 acres in the Sierra Foothill Range Field Station which are part of the REC.

N. Grantor acquired the Property for the purposes of habitat protection for native plants and wildlife, research and teaching, and public environmental education, all under the auspices of the REC. The Property is included within Grantor’s aforementioned Sierra Foothill Range Field Station which has operated since June 1, 1960 on adjacent land and is a premier research facility for agriculture uses and wildlife management in the Sierra foothills.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, based on the common law and, further, pursuant to Section 815 et seq. of the California Civil Code, Grantor grants, transfers, and conveys to Grantee, its successors and assigns, a perpetual conservation easement in gross, in, on, over and across the Property (the "Conservation Easement"), subject to the terms and conditions hereinafter set forth, restricting forever the uses that may be made of the Property, and Grantee hereby accepts and reserves a conservation easement in perpetuity over the Property of the nature and character and to the extent hereinafter set forth and the parties further agree as follows:

1. Purposes and Permitted Uses.

(a) Conservation Purposes. The purposes of this Conservation Easement are as follows (“**Conservation Purposes**”): subject to the Express Third-Party Uses (subject to Section 1(c)) and the PG&E Reserved Rights, (a) to ensure that the Property will be retained in its natural, historical, scenic, or open space condition; and (b) to prevent any use of the Property that will significantly impair the Conservation Values. Subject to the following terms and conditions, Grantor intends that this Conservation Easement will confine the uses of the Property to such activities that are consistent with the Conservation Purposes. As used in this Conservation Easement, the terms “impair” and “impairment” mean to diminish in quantity, quality, value, strength or viability. As used in this Conservation Easement, the terms “significant” and “significantly”, when used with “impair” and “impairment”, respectively, mean a greater than negligible adverse impact, for more than a transient period.

Grantor and Grantee acknowledge that the Governing Documents reflect the intention of the parties thereto (a) to honor Express Third-Party Uses (subject to Section 1(c)) and PG&E’s Reserved Rights and (b) to continue to permit beneficial uses of the Property that preserve and/or enhance the Conservation Values. It is intended that this

### Appendix 3. Conservation Easement

Conservation Easement shall allow uses on the Property that are consistent with the protection and preservation of each of the Conservation Values in harmony with each other. While permitted actions required or taken to protect and preserve one or more individual Conservation Values may impair, on an individual and stand-alone basis, one or more other Conservation Values, Grantor and Grantee understand that achieving the Conservation Purposes requires the preservation and protection, on balance, of all of the Conservation Values existing on the Property, to the extent possible. It is recognized that in protecting and/or enhancing one or more of the Conservation Values, another Conservation Value may be impaired, but this is not meant to be a permanent occurrence, nor a reason to re-prioritize one Conservation Value over another. All attempts should be made to balance on a collective basis, the Conservation Values on the whole Property whenever possible. Subject to the Express Third-Party Uses and PG&E's Reserved Rights, this Conservation Easement prohibits use of the Property for any purpose that would significantly impair the Conservation Values on a collective, not individual basis, taking into account the relative condition and quality of each of the Conservation Values on the Property as of the Effective Date.

(b) Permitted Uses. Consistent with the Conservation Purposes of this Conservation Easement, the following uses on the Property shall be permitted to the extent such uses do not significantly impair the Conservation Values:

(i) Ecological management practices (including, without limitation, exotic plant or animal removal and prescribed fire or erosion control) and scientific research and teaching (collectively, "**REC Activities**");

(ii) The installation, removal, alteration, and maintenance of such temporary infrastructure directly related to a particular project involving ecological management practices or a particular project involving scientific research and teaching (including, but not limited to, temporary tents, fencing, and research instruments) as may, in Grantor's reasonable judgment, be necessary to conduct said project, but remaining in place for no longer a duration than that of the particular project in conjunction with which said temporary infrastructure is being used;

(iii) The placement on the Property by Grantor of such small instrumentation as a permanent weather station, water gauge, or other types of equipment for long-term environmental monitoring, as well as equipment that will allow transmission and receipt of telecommunication services related to REC Activities; and

(iv) Grantor may maintain and use in their present width roads currently existing on the Property but shall not construct new roads on the Property. The existing roads may be improved to the minimum extent necessary to provide access for the uses permitted by Paragraph 1. For purposes of this Paragraph iv, the term "to the minimum extent necessary" shall mean the least amount of improvements necessary to comply with the Yuba County road and fire standards in effect at the

### Appendix 3. Conservation Easement

time such improvements are made and with any other applicable county, state, and local laws then existing.

On or before August 1 of each year, Grantor shall submit to Grantee a report (“**Annual Report**”) that contains a description of Property uses by Grantor, a summary of Property management carried out by Grantor, and the management and/or restoration activities performed by Grantor during the period commencing on July 1 of the immediately preceding calendar year through June 30 of the then current calendar year. The Annual Report shall also include any and all requests for Grantee’s approval (to the extent such approval is required by the express terms of this Agreement) of any extraordinary activities to be performed on the Property during the following 12-month period. Grantee shall promptly respond to Grantor’s request for approval or otherwise confirm that Grantee’s contemplated use is permitted hereunder.

(c) Express Third Party Uses. Grantor retains the right to maintain, renew, and replace all agreements memorializing the Express Third Party Uses (“**Third Party Use Agreements**”) and to engage in all activities reasonably required to comply with Grantor’s obligations with respect to the Express Third Party Uses, subject to the following conditions:

(i) Increases in Intensity or Expansion of Location or Size or Change in Use. Any (i) increase in the intensity, or (ii) expansion of the location or size, or (iii) a change in the use, of an Express Third Party Use (whether through a new agreement or an amendment to an existing agreement), that Grantor determines in Grantor’s reasonable discretion exercised in good faith are likely to significantly impair the Conservation Values shall be subject to Grantee’s prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed by Grantee. Notwithstanding the foregoing, Grantee’s prior written consent shall not be required in connection with any increase, expansion or change that is contemplated by the express terms of any Third Party Use Agreement.

(ii) Renewal or Replacement of Third Party Use Agreements. All Third Party Use Agreements existing on the Effective Date are identified on **Exhibit D**. As Third Party Use Agreements are renewed or replaced (either with the existing user or a new user), Grantor, in consultation with Grantee, shall include contractual provisions to bring the continuation of the Express Third Party Use and the preservation of the Conservation Values into alignment to the fullest extent reasonably practicable. Notwithstanding the foregoing, new contractual provisions need not be included in any renewal or replacement that is contemplated by the express terms of any Third Party Use Agreement.

## Appendix 3. Conservation Easement

(iii) Enforcement of Third Party Use Agreements. If Grantor or Grantee discovers any default under a Third Party Use Agreement that significantly impairs the Conservation Values (and if Grantee makes such discovery, Grantee gives Grantor written notice thereof), Grantor shall use reasonable efforts to enforce the terms of such Third Party Use Agreement at Grantor's reasonable expense.

2. PG&E Reserved Rights. All rights and obligations of Grantor and Grantee under this Conservation Easement are subject to the PG&E Reserved Rights specified in the Grant Deed attached hereto as **Exhibit C**. In the event PG&E notifies Grantor, in writing, of its intention to exercise any of the PG&E Reserved Rights, Grantor shall notify Grantee, in writing, of said intention within sixty (60) days after receipt of PG&E's written notice.

3. Prohibited Uses. Except for (a) any use expressly permitted in this Conservation Easement, (b) the PG&E Reserved Rights, and (c) the Express Third Party Uses (subject to Section 1(c) above), any of the following uses on the Property shall be prohibited: (i) any of the uses described below in this Section 3, and (ii) any other use that significantly impairs the Conservation Values.

3.1. Without limiting the generality of the foregoing, there shall be no legal or de-facto subdivision of the Property for any purpose, including through the granting of certificates of compliance; provided, however, that boundary line adjustments to clarify boundary lines with adjacent landowners that do not result in a net reduction in the total acreage covered by this Conservation Easement and that do not significantly impair the Conservation Values of the Property shall be permitted, subject to the Grantee's prior written approval of the proposed boundary adjustment, which approval shall not be unreasonably withheld.

3.2. There shall be no placement or construction of any permanent buildings, structures, or other improvements of any kind (including, without limitation, fences, roads, parking lots, residences, dormitories, research buildings, or mobile homes), except to the limited extent expressly permitted by Paragraph 1. The Property or any portion thereof shall not be used for the calculation of building density under zoning laws for any lands not subject to this Conservation Easement.

3.3. There shall be no residential, commercial or industrial use of, or activity on, the Property. As used in this Conservation Easement, the term "**commercial**" shall mean any use or activity that involves the exchange of cash, goods or services, barter, forgiveness of indebtedness, or any other remuneration in exchange for goods, services, lodging, meals, entertainment in any form, or the right to occupy space over a period of time. Grantee and Grantor agree that any fund raising activities performed by Grantor at the Property, such as selling T-shirts, caps, stationery and pamphlets, shall be deemed to be directly related to REC Activities.

3.4. There shall be no filling, dumping, placing, excavating, draining, dredging, mining, drilling, removing or exploring for or extracting of minerals, oil, gas, coal and

## Appendix 3. Conservation Easement

other hydrocarbons, soils, sands, gravels, rocks, land fill or any other material on or below the surface of the Property.

3.5 There shall be no use of any motorized conveyance off of the existing roads. Notwithstanding the foregoing, in the event of an emergency, Grantor may utilize motorized vehicles off-road if reasonably necessary for human or animal safety or care or to prevent material damage to the Property or Adjacent Property.

### 4. Grantee Assignment of Conservation Easement

(a) Voluntary Assignment. In the event that Grantee decides to assign its interest under this Conservation Easement, Grantee shall only assign such interest to an organization that is: (1) qualified to hold a conservation easement under Section 815.3 of the California Civil Code; (2) experienced in holding and monitoring conservation easements on properties similar to the Property; and (3) willing and financially able to assume all of the responsibilities imposed on Grantee under this Conservation Easement. Before assigning its interest under this Conservation Easement, Grantee shall provide Grantor and the Sierra Nevada Conservancy (“SNC”) *[if Sierra Nevada Conservancy and Stewardship Council do not reach written agreement on this role, Sierra Nevada Conservancy will be replaced here with an entity that has]* with written notice of such intention to transfer (“**Transfer Notice**”). The Transfer Notice shall identify the proposed assignee and include a description of how the proposed assignee meets the assignee designation criteria set forth in this section. Grantee shall allow SNC a period of not less than sixty (60) days to approve the proposed assignee, which approval shall not be unreasonably withheld and shall be based on whether the proposed assignee meets the designation criteria specified in this section. If SNC does not approve the proposed assignee, SNC shall provide Grantee with the reasons behind such decision.

(b) Involuntary Assignment. If Grantee ever ceases to exist or no longer qualifies under applicable state law to hold a conservation easement interest, then SNC shall, in consultation with Grantor, select an assignee that meets all the designation criteria specified in subsection (a) above. If SNC is unable to identify an assignee that meets all the designation criteria specified in subsection (a) above that is willing to accept such assignment, then SNC may elect to serve as such assignee. Notwithstanding the foregoing, SNC may elect to exercise the rights of Grantee hereunder during any period that a successor assignee for such Grantee is not yet in place.

(c) Conditions of Assignment. As conditions to any assignment of this Conservation Easement, Grantee and/or the SNC shall: (1) require the assignee to expressly agree in writing to assume Grantee’s obligations hereunder; and (2) ensure that assignee has the resources to fulfill its obligations under the Conservation Easement.

(d) Successor to SNC. Upon any liquidation or dissolution of SNC, SNC or the State of California shall have the right to assign SNC’s rights and obligations under this Section to another entity that has a conservation mission and level of expertise consistent with that of SNC and sufficient resources and capacity to carry out the obligations of SNC.

### Appendix 3. Conservation Easement

5. Corrective Action. The Grantee also shall have the option and right to force the restoration of all or any portion of the Property affected by any breach of the covenants set forth in this Conservation Easement to the condition that existed prior to the breach at Grantor's sole cost and expense, and the right to pursue whatever other remedies are available in law or equity, it being understood that Grantor shall be under no liability or obligation with regard to restoration of any damage to the Property caused by flood, act of God, or any other cause (other than financial) beyond the control of Grantor similar thereto. Forbearance in enforcing any breach of said covenants shall not destroy the covenants and shall not constitute or be construed as a waiver by the Grantee of its rights hereunder in the event of any subsequent breach of the same or another covenant. If Grantee, in its sole discretion, determines that circumstances require immediate action to prevent or mitigate significant impairment to the Conservation Values of the Property, Grantee may pursue its remedies under this paragraph without prior notice to Grantor. Enforcement of the terms and provisions of this Conservation Easement shall be at the discretion of Grantee, and the failure of Grantee to discover a violation or to take action under this paragraph shall not be deemed or construed to be a waiver of Grantee's rights hereunder in the event of any subsequent breach of the same or any other term of this Conservation Easement or of any of Grantee's rights under the same. No delay or omission by Grantee in the exercise of any right or remedy upon any breach by Grantor shall impair such right or remedy or be construed as a waiver. Grantor hereby waives any defense of laches, estoppel, or prescription.

6. Subsequent Transfer by Grantor. Any transfer by Grantor (or by any successor in interest) of all or any interest in the Property or any portion thereof shall be made expressly subject to the terms of this Conservation Easement. Grantor shall notify Grantee in writing not more than thirty (30) days after any such transfer by Grantor to any third party of any interest in any portion of the Property, whether such interest is a fee, easement, lease or other interest. The failure of Grantor to perform any act required by this Section 6 shall not impair the validity of this Conservation Easement or limit its enforcement in any way.

7. Amendment. If circumstances arise under which an amendment to or modification of this Conservation Easement would be appropriate, Grantor and the Grantee may jointly amend this Conservation Easement; provided, however, that no amendment or modification shall be allowed that will adversely affect the qualification of this Conservation Easement or the status of the Grantee under any applicable laws, including Section 815 et seq. of the California Civil Code and any amendment or modification shall be consistent with the Conservation Purposes of this Conservation Easement, and shall not affect its perpetual duration. Any such amendment or modification shall be in a writing signed by both Grantor and Grantee and recorded in the Official Records of Yuba County, California. This Conservation Easement is not otherwise subject to amendment or modification of any sort.

8. Inspection. The Grantee, its successors, assigns and designees may enter upon the Property at any reasonable time upon reasonable notice for the purpose of determining whether the covenants, terms, and conditions of this Conservation Easement are being complied with, and for purposes of enforcing the Grantee's rights hereunder. Nothing contained in this Conservation Easement shall give or grant to the public a right to enter upon or use the Property or any portion thereof where no such right existed in the public immediately prior to the execution of this

### Appendix 3. Conservation Easement

Conservation Easement. Grantor may grant access to the public, either in perpetuity or from time to time as it elects, for recreational activities which do not significantly impair the Conservation Values of the Property. If it chooses to do so, it shall do so by separate document which shall be recorded and may be amended as the parties thereto deem appropriate.

9. Successors and Assigns. This Conservation Easement and all covenants stated herein (a) shall be binding upon and inure to the benefit of Grantor and Grantee and the respective successors and assigns of each, (b) shall continue as a servitude running in perpetuity with the Property herein conveyed, and (c) shall be incorporated by Grantor in any subsequent deed or other legal instrument by which Grantor divests all or any of the interests herein conveyed. The failure of Grantor to perform any act required by this paragraph shall not impair the validity of this Conservation Easement or limit its enforceability in any way. The benefits created by this Conservation Easement are in gross and are transferable in accordance with Section 4 above.

10. Costs, Legal Requirements and Liabilities. Grantor retains all responsibilities and shall bear all costs and liabilities of any kind related to the ownership, operation, use, upkeep and maintenance of the Property and agrees that Grantee shall have no duty or responsibility for the operation or maintenance of the Property, the monitoring of hazardous conditions thereon, or the protection of Grantor, the public, or any third parties from risks relating to conditions on the Property.

Grantor shall keep Grantee's interest in the Property free of any taxes (if any), assessments, and liens including those arising out of any work performed for, materials furnished to or obligations incurred by Grantor. Grantor shall be solely responsible for any costs related to the maintenance of general liability insurance covering acts on the Property. Grantor remains solely responsible for obtaining any applicable governmental permits and approvals for any activity or use permitted by this Conservation Easement, and any activity or use shall be undertaken in accordance with all applicable federal, state, and local laws, regulations, and requirements. If more than one person or entity constitutes Grantor, the obligations of each and all of them under this Conservation Easement shall be joint and several.

11. Insurance and Indemnification by Grantor. Notwithstanding any other provision herein to the contrary, Grantor hereby agrees to indemnify, defend, and hold harmless Grantee, its members, directors, officers, employees, volunteers, agents, and contractors and their heirs, successors and assigns (the "**Indemnified Parties**") from and against any costs, liabilities, penalties, damages, claims or expenses (including reasonable attorney's fees) and litigation costs which the Indemnified Parties may suffer or incur as a result of or arising out of: (a) the activities of Grantor on the Property, any representation or warranty made by Grantor being untrue, or the obligations contained in Section 10, (b) the existence or administration of this Conservation Easement, or (c) any breach of this Conservation Easement by Grantor. Grantee shall not be liable to Grantor for, and Grantor hereby releases Grantee from and waives any such liability for any bodily injury, death or property damage, in or about the Property from any cause whatsoever. Grantor shall indemnify, defend by counsel satisfactory to Grantee, protect, and hold Grantee harmless from and against any claims, loss, liability, cause of action, cost or

### Appendix 3. Conservation Easement

expense (including without limitation attorneys' fees) for bodily injury, death or property damage (i) occurring in or about the Property from any cause whatsoever, except any such claim resulting solely from Grantee's gross negligence, and (ii) resulting from or caused by Grantor's negligence or willful misconduct. From and after the date of a transfer of Grantor's interest under this Conservation Easement, the successor Grantor shall maintain in full force and effect, at its sole cost and expense, commercial general liability insurance, with a minimum combined single limit of liability of \$2,000,000.00, and Workers' Compensation and related insurance as required by applicable law. Grantee shall be named as an additional insured on successor Grantor's liability policy. Any deductible on successor Grantor's insurance, and the carriers issuing successor Grantor's insurance, shall be subject to Grantee's reasonable approval. Successor Grantor's liability insurance shall include a contractual liability endorsement expressly covering Successor Grantor's indemnity obligations set forth in this Paragraph 11. Successor Grantor's insurance policies shall expressly provide that they may not be canceled, reduced or amended until at least twenty (20) days' prior written notice is given to Grantee.

12. Interpretation. This instrument shall be interpreted under the laws of the State of California, resolving any ambiguities and questions of the validity of specific provisions so as to give maximum effect to the Conservation Purposes. If any provision of this Conservation Easement, or the application thereof to any person or circumstances, is found to be invalid, the remainder of the provisions of this Conservation Easement, or the application of such provisions to persons or circumstances other than those as to which it is found to be invalid, as the case may be, shall not be affected. The parties acknowledge that each party and its counsel have reviewed and revised this Conservation Easement and that no rule of construction that ambiguities are to be resolved against the drafting party shall be employed in the interpretation of this Conservation Easement. If any provision in this Conservation Easement is found to be ambiguous, an interpretation consistent with the purpose of this Conservation Easement that would render the provision valid shall be favored over any interpretation that would render it invalid. In the event of any conflict between the provisions of this Conservation Easement and the provisions of any use and zoning restrictions of the State of California, the county in which the Property is located, or any other governmental entity with jurisdiction, the more restrictive provisions shall apply.

13. Notices. Any notice, demand, request, consent, approval or communication that either party desires or is required to give to the other shall be in writing and either served personally or sent by any other common method whereby receipt is confirmed, and addressed as follows or such other address as either party from time to time shall designate by written notice to the other.

To GRANTOR:

The Regents of the University of California,  
a California corporation  
c/o Real Estate Services Group



### Appendix 3. Conservation Easement

1111 Franklin Street, 6<sup>th</sup> Floor  
Oakland, CA 94607-5200  
Attention: Director of Real Estate  
Phone: (510) 987-9632

To GRANTEE: BEAR YUBA LAND TRUST  
12183 Auburn Rd.  
Grass Valley, CA 95949  
Phone: 530-272-5994

To SIERRA NEVADA CONSERVANCY  
(as relates to Section 4):

Sierra Nevada Conservancy  
11521 Blocker Drive, Suite 205  
Auburn, CA 95603  
Attn: Executive Director

14. Condemnation. This Conservation Easement constitutes a real property interest immediately vested in Grantee. If the Property is taken, in whole or in part, by exercise of the power of eminent domain, Grantee shall be entitled to compensation in accordance with applicable law for the value of the Conservation Easement taken, and Grantor shall be entitled to compensation in accordance with applicable law for the value of the underlying fee title taken, subject to the Conservation Easement. Grantee shall use all proceeds received as an award in a condemnation proceeding for a taking of the Conservation Easement in a manner consistent with the Conservation Purposes.

15. Extinguishment. If circumstances arise in the future such as to render the Conservation Purposes impossible to accomplish, this Conservation Easement shall only be terminated or extinguished, whether in whole or in part, by judicial proceedings in a court of competent jurisdiction. Grantor's economic hardship shall not be a reason to extinguish this Conservation Easement.

16. Attorney's Fees. Should proceedings be brought to enforce or interpret any of the terms of this instrument, the prevailing party in any such proceedings shall be entitled to recover from the non-prevailing party its costs, including reasonable attorney's fees.

**SIGNATURES ON FOLLOWING PAGE**

Appendix 3. Conservation Easement

**IN WITNESS WHEREOF**, the parties hereto have executed this GRANT DEED OF CONSERVATION EASEMENT AND VOLUNTARY AGREEMENT CREATING ENFORCEABLE RESTRICTIONS IN PERPETUITY as of the date first set forth above.

GRANTOR:

The Regents of the University of California,  
a California corporation,

BY: \_\_\_\_\_

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

ACCEPTED AND AGREED:

THE BEAR YUBA LAND TRUST,  
a California public benefit corporation.

By \_\_\_\_\_  
President

## Appendix 3. Conservation Easement

### Exhibit A

#### **LEGAL DESCRIPTION**

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

00DR-CFX-00002  
SBE 135-58-22-2  
LCP DD#0916

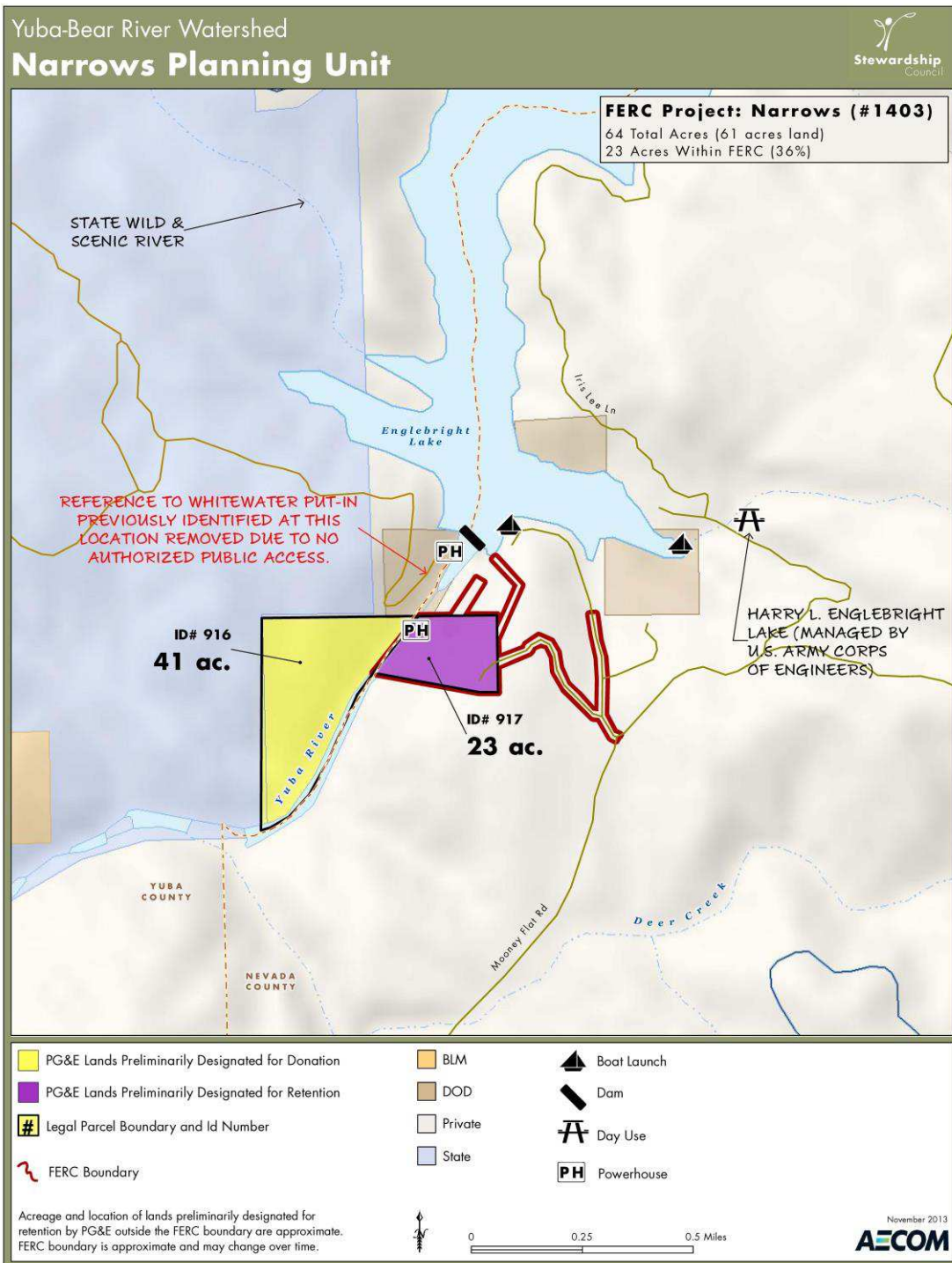
ALL THAT CERTAIN PARCEL OF LAND SITUATE IN THE NORTHWEST ONE-QUARTER OF SECTION 23, TOWNSHIP 16 NORTH, RANGE 6 EAST, MOUNT DIABLO BASE AND MERIDIAN, AS RECORDED IN BOOK 468, PAGE 634 OF OFFICIAL RECORDS OF THE COUNTY OF YUBA, STATE OF CALIFORNIA, PARTICULARLY DESCRIBED THEREIN AS FOLLOWS.

LOT 1 AND LOT 2 OF THE NORTHWEST ONE-QUARTER OF SAID SECTION 23, SITUATE IN THE SAID COUNTY OF YUBA.

A.P.N. 005-300-014

# Appendix 3. Conservation Easement

## Exhibit B



## Appendix 3. Conservation Easement

### Exhibit D

#### EXPRESS THIRD-PARTY USES

- A) An easement over said land for ditches, canals, flumes, pipelines and all telephone lines and incidental purposes, as from Excelsior Water & Mining Company, in deed recorded July 01, 1919, in book 72 of deeds at page 422, Yuba County records. Recorded July 11, 1919, in Book 128 of deeds at page 451 Nevada County Records. Recorded October 27, 1925, in book 85 of deeds at page 63 Yuba County Records. Recorded March 21, 1991, Yuba County Records as instrument no. 1991-3121 RC March 21, 1991 instrument No. 1991-3122, Yuba County Records. No representation is made as to the current ownership of said easement.
- B) An easement over said land for access road 60 feet in width and incidental purposes, as granted to Yuba County Water Agency, in Deed recorded July 12, 1967, in book 453 page 344, Yuba County Records. No representation is made as to the current ownership of said easement.
- C) An easement modification for Yuba County Water Agency to access and operate within their FERC boundary.
- D) The terms, conditions and stipulations as contained in the Federal Energy Regulatory Commission License for Yuba County Water Agency's New Bullards Bar Project No. P-2243.

## Appendix 3. Conservation Easement

### Exhibit E

#### Beneficial Public Values

The Purpose of the Conservation Easement is to protect the Beneficial Public Values of the Property, as summarized below and described in more detail in the Baseline Documentation Report:

- (a) The Property consists of blue oak woodland primarily forested with blue oak (*Quercus douglasii*), interior live oak (*Quercus wislizenii*) and also including grey pine (*Pinus sabiniana*) and western redbud (*Cercis occidentalis*). The Property and surrounding areas provide for extensive wildlife habitat for mountain lion, deer, coyote, fox, small animals and rodents, insects, birds of prey and other bird species. The Yuba River corridor on and downstream from the Property provides the largest inland spawning grounds in California for salmonid species including Chinook Salmon (*Oncorhynchus tshawytscha*) and Steelhead (*Oncorhynchus mykiss irideus*) which are state-listed, respectively, as endangered and threatened. The property and riparian corridor is also the home to many other aquatic species.
- (b) Conserving the scenic character of the Property, including viewsheds from adjoining public and private lands including Englebright Reservoir.
- (c) Preserving plant, tree, and wildlife habitat that supports the health of the Yuba River watershed and well-managed forests, and well-vegetated stream banks, and protects against forest fires.
- (d) Protecting historical and cultural resources, including artifacts and plants related to historic Native American uses.
- (e) Potential for future grazing of the Property.

Appendix 3. Conservation Easement

Exhibit F

Baseline Documentation Report Acknowledgement

STATEMENT CONCERNING BASELINE DOCUMENTATION REPORT

Grantor and Grantee have reviewed the following Baseline Documentation Report and hereby acknowledge that the Report accurately represents the condition of the Property at the time of execution of this Conservation Easement.

Grantor

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Grantee

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**Conservation Easement Funding Agreement  
Narrows Planning Unit (Donated Lands)**

**This Conservation Easement Funding Agreement** (“Agreement”) is entered into as of the Effective Date (defined below) by and between the **Pacific Forest and Watershed Lands Stewardship Council**, a California nonprofit public benefit corporation (the “Stewardship Council”) and **Bear Yuba Land Trust**, a California nonprofit public benefit corporation (“Grantee”) with reference to the following facts:

A. The Stewardship Council was created to oversee the “Land Conservation Commitment” described in (1) that certain Settlement Agreement among Pacific Gas and Electric Company (“PG&E”), PG&E Corporation, and the California Public Utilities Commission (the “Commission”) as modified and approved by the Commission in its Opinion and Order of December 18, 2003 (Decision 03-12-035) (the “Settlement Agreement”); and (2) that certain Stipulation Resolving Issues Regarding the Land Conservation Commitment dated September 25, 2003 (the “Stipulation”).

B. Pursuant to the Settlement and Stipulation, certain lands owned by PG&E at the time of the Settlement (the “PG&E Watershed Lands”) are to be conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants; the preservation of open space; outdoor recreation by the general public; sustainable forestry; agricultural uses; and historic values. The Stewardship Council is charged with developing a Land Conservation Plan for the protection and enhancement of the PG&E Watershed Lands.

C. Grantee is a publicly-supported, tax exempt nonprofit organization, qualified under Section 501 (c)(3) of the Internal Revenue Code (“IRC”), whose primary purpose is to preserve, protect or enhance, land in its natural scenic, historical agricultural, forested or open space condition or use and conserve natural areas for aesthetic, scientific, charitable and educational purposes. Grantee is eligible to hold a conservation easement pursuant to California Civil Code Section 815.3.

D. In connection with the Land Conservation Commitment, Grantee has agreed to accept a perpetual conservation easement created pursuant to California Civil Code Section 815 *et seq.* (the “Conservation Easement”) over a portion of the PG&E Watershed Lands that is being donated to the Regents of California consisting of approximately 41 acres of real property located in Yuba County, State of California, as more particularly described in Exhibit A attached hereto and incorporated herein by reference (the “Property”).

E. In consideration of Grantee’s agreement to accept the Conservation Easement and assume the duties and obligations of the easement holder, the Stewardship Council has agreed to provide funding to Grantee in the amounts and subject to the terms and conditions described below.

**NOW, THEREFORE**, the Stewardship Council and Grantee agree as follows:

1. Effective Date. This Agreement shall become effective upon the recording of the Conservation Easement in favor of Grantee in the Official Records of Yuba County (the





"Effective Date"). It is understood and agreed that if for any reason whatsoever the recording of the Conservation Easement does not occur on or before December 31, 2015, this Agreement shall be of no further force or effect and the parties shall thereupon be released from any obligations under this Agreement.

2. Grant. Effective upon the Effective Date, the Stewardship Council grants SIXTEEN THOUSAND DOLLARS (\$16,000) (the "Grant Funds") to Grantee to be used solely for the following purposes:

- a. Six Thousand Dollars (\$6,000) of the Grant Funds shall be used to implement conservation easement monitoring as described in Section 4 below (the "Monitoring Funds").
- b. Ten Thousand Dollars (\$10,000) of the Grant Funds shall be used for conservation easement defense and enforcement costs as described in Section 5 below (the "Defense and Enforcement Funds").

3. Use of Grant Funds. The Grant Funds shall be payable to Grantee within thirty (30) days of the Effective Date. Grantee will use the Grant Funds for the purposes described in this Agreement and for no other purpose without the prior written consent of the Stewardship Council. The Stewardship Council reserves the right to require the total or partial return of Grant Funds in the event Grantee fails to comply with the terms and conditions of this Agreement.

- a. Within thirty (30) days of receipt of funds, Grantee will provide the Stewardship Council with evidence of deposit of the Monitoring Funds in a separate account which shall be restricted to the monitoring of conservation easements held by the Grantee, including but not limited to the Conservation Easement on the Property.
- b. Within thirty (30) days of receipt of funds, Grantee will provide the Stewardship Council with evidence of deposit of the Defense and Enforcement Funds in a separate account which shall be restricted to the enforcement and/or defense against legal challenge of conservation easements held by the Grantee, including but not limited to the Conservation Easement on the Property.

4. Conservation Easement Monitoring. From and after the Effective Date, Grantee agrees to conduct regular monitoring of the Property to ensure compliance with the terms of the Conservation Easement. Grantee shall conduct on-site monitoring of the Property not less than annually to assess compliance with the terms and conditions of the Conservation Easement and note any material changes to the Property compared to the baseline documentation report and prior monitoring reports. Upon written request, the Stewardship Council or its designee shall be permitted to accompany the Grantee on its monitoring visits and to receive a copy of any monitoring report prepared by Grantee. Permissible uses of Monitoring Funds shall include:

- a. Regular on-site inspection and monitoring to ensure that the terms of Conservation Easement are being met;



b. Recordkeeping and preparation of reports, notices of violation, any written consent to be submitted to the fee title owner of the property which is subject to the easement, and other documentation related to the Conservation Easement and the Property;

c. Communications with the fee title owner of the property which is subject to the easement regarding the provisions of the Conservation Easement and planned or completed activities on the lands to be performed or allowed by the fee title owner or a licensee/lessee;

d. Responding to any inquiries or concerns raised by entities that have leases or licenses on the Property or other stakeholders who have an interest in ensuring the beneficial public values are protected.

5. Defense and Enforcement Funds. Grantee shall be permitted to use the Defense and Enforcement Funds for the following purposes:

a. To make direct expenditures of attorneys' fees, costs and disbursements incurred in connection with proceedings to enforce and/or defend the provisions of the Conservation Easement against legal challenge, including any claims by third parties;

b. To "pool" funds for legal expenses to enforce and/or defend against legal challenge conservation easements held by the Grantee, including without limitation the Conservation Easement on the Property;

c. To pay premiums into a Conservation Defense Insurance Program offered through the Land Trust Alliance, or other nationally-recognized conservation organization of which Grantee is a member for the enforcement and defense of conservation easements held by member organizations, or to cover deductibles related to such insurance.

6. Grant Report. Grantee agrees to submit to the Stewardship Council and/or its designee the following grant Status Reports pursuant to this Agreement. The initial Status Report shall be submitted to the Stewardship Council by the second quarter of the 2016 calendar year and include data up to the date of the initial Status Report. The final Status Report shall be submitted to the Stewardship Council or its designee on or before December 31, 2023. The due dates of the initial and final Status Reports can be changed by the Stewardship Council or its designee with at least 60 days written notice to Grantee. The Stewardship Council or its designee shall notify Grantee in a timely manner of the form and content of each Status Report, which shall include, at a minimum:

a. Copies of annual monitoring reports pertaining to the Conservation Easement for years selected by the Stewardship Council or its designee;

b. A statement as to whether any violations of the Conservation Easement were observed during the reporting period, and the outcome of any action taken to correct such violation;



c. A statement as to whether any amendments to the Conservation Easement were approved during the reporting period, with copies of any such amendments included in the Status Reports;

d. A statement as to whether fee title of the property was conveyed, the date of such conveyance, and the identity of the transferee; and

e. A report providing an accounting of how the Grant Funds have been invested or expended in furtherance of the purposes of this Agreement.

7. Records. Grantee will indicate the Grant Funds separately on its books of account, and maintain such records in accordance with generally accepted accounting principles. Grantee shall additionally maintain written records including the baseline documentation report, the Deed of Conservation Easement, any amendments to the Conservation Easement, other transaction documents, and copies of monitoring reports, notices to the landowner, and other communications pursuant to the Conservation Easement in accordance with the practices generally accepted in the land trust community.

8. Inspection. The Stewardship Council or its designee shall have the right to inspect the books and records of Grantee and evaluate Grantee's use of Grant Funds, so long as (i) such inspection or evaluation occurs during regular business hours; (ii) such inspection or evaluation does not unreasonably interfere with Grantee's regular operations; and (iii) the Stewardship Council or its designee provides at least three (3) days prior notice of any such inspection or evaluation.

9. Assignment and Transfer of Funds. Grantee shall not assign its interest under the Conservation Easement except in accordance with the provisions of the Conservation Easement relating to permitted assignments. In the event that Grantee assigns its interest under the Conservation Easement to a successor conservation easement holder, it is expected that Grantee shall ensure that the assignee has the resources to fulfill its obligations under the Conservation Easement. Assignee's receipt of any funds from Grantee shall be conditioned upon the assignee's agreement in writing to assume all of Grantee's obligations under this Agreement.

10. Publicity. The Stewardship Council may include information regarding this Agreement and Grantee in its periodic public reports, press releases, or other public communications.

11. Representations and Warranties. Grantee warrants and represents that it is a tax exempt organization under Section 501(c)(3) of the IRC, and is not a private foundation as defined in section 509(a) of the IRC or is an exempt operating foundation described in Section 4940(d)(2) of the IRC. Grantee further represents and warrants that it shall not use the Grant Funds to attempt to influence legislation or otherwise carry out lobbying activities within the meaning of Sections 501(h), 4911, 4945(d)(1) or 4945(e) of the IRC. No part of the Grant Funds may be used to attempt to influence the outcome of any specific public election, or to carry on, directly or indirectly, any voter registration drive. No part of the Grant Funds may be used for



purposes other than charitable, scientific, literary, or educational purposes within the meaning of IRC Section 170(c)(2)(B).

12. Indemnification. Grantee hereby agrees to indemnify, defend, and hold harmless the Stewardship Council, and the Stewardship Council's past, present and future officers, directors, and employees, from and against any and all claims, demands, losses, costs, expenses, obligations, liabilities, damages, recoveries, and deficiencies, including interest, penalties, and reasonable attorney fees and costs, that they may incur or suffer and that result from, or are related to, the receipt and use of the Grant Funds by Grantee.

13. Limit of Stewardship Council Obligations. The Stewardship Council's obligations under this Agreement shall under no circumstances exceed the Grant Funds amount set forth in Section 2 above.

14. Assignment. This Agreement may not be assigned by the Grantee in whole or in part except as provided in Section 9 above. The Stewardship Council may assign its rights and delegate its obligations under this Agreement to a third party at the Stewardship Council's sole discretion. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit and burden of the parties and their respective heirs, successors and assigns.

15. Amendment; Entire Agreement. This Agreement may not be amended or modified except by written instrument signed by both parties. This Agreement constitutes the entire understanding of the parties concerning the subject matter hereof, and supersedes any and all previous negotiations, agreements, or understandings, if any, regarding the matters contained herein.

16. Governing Law. This Agreement shall be governed by the laws of the State of California.

17. Counterparts. This Agreement may be executed in counterparts which together shall constitute a single agreement.



**Pacific Forest and Watershed Lands Stewardship Council,**  
a California Nonprofit Public Benefit Corporation

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**Bear Yuba Land Trust,**  
a California nonprofit public benefit corporation

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**Exhibit A**

Property Description

(APN 005-300-014)

All that certain parcel of land situate in the Northwest one-quarter of Section 23, Township 16 North, Range 6 East, Mount Diablo Base and Meridian, as recorded in Book 468, Page 634 of Official Records of the County of Yuba, State of California, particularly described therein as follows.

Lot 1 and Lot 2 of the Northwest one-quarter of said Section 23, situate in the said County of Yuba.



## PROPERTY TAX NEUTRALITY METHODOLOGY

### INTRODUCTION

The Settlement Agreement<sup>1</sup> and Stipulation<sup>2</sup> that established the Land Conservation Commitment require that the Land Conservation Plan being developed by the Stewardship Council provide property tax revenue, other equivalent revenue source, or a lump sum payment, so that the totality of dispositions in each affected county will be “tax neutral” for each county. Section 4.3 of Volume I of the Land Conservation Plan (LCP) adopted by the Stewardship Council in November 2007 described the Stewardship Council’s potential strategies and anticipated approach to achieving property tax neutrality at a programmatic level.

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

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

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

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

[http://www.stewardshipcouncil.org/documents/Settlement\\_Agreement.pdf](http://www.stewardshipcouncil.org/documents/Settlement_Agreement.pdf)

<sup>2</sup> *Stipulation Resolving Issues Regarding the Land Conservation Commitment*, September 25, 2003:

[http://www.stewardshipcouncil.org/documents/Stipulation\\_Agreement.pdf](http://www.stewardshipcouncil.org/documents/Stipulation_Agreement.pdf)



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

## PURPOSE OF PROPOSED METHODOLOGY

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

## DETERMINING TAX NEUTRALITY PAYMENT AMOUNT

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

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





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

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

## **OPTIONS FOR FUNDING PROPERTY TAX NEUTRALITY PAYMENTS**

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

### ***Lump-sum payment***

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

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



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

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

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

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

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

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

**Annual payments**

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

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

Annual payments out of the endowment account will be calculated based upon a rolling 20 quarter average of the account’s ending balance<sup>3</sup>. The practice of calculating payments based

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



upon a rolling average (smoothing) has been shown to reduce the number of significant declines in annual distributions, and increase the total value of payments and invested assets<sup>4</sup>.

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

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

### **Considerations of the Annual Payment Approach**

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

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

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

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

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<sup>4</sup> Smarter Giving for Private Foundations, AllianceBernstein, [https://www.alliancebernstein.com/Research-Publications/Black-Books/Foundations-and-Endowments/Stories/Foundations\\_BlackBook.htm](https://www.alliancebernstein.com/Research-Publications/Black-Books/Foundations-and-Endowments/Stories/Foundations_BlackBook.htm)



## Appendix A Annual Payment Details

### TRUSTEE SELECTION

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

#### **Trustee's Responsibilities:**

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

#### Trust administration

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

#### Investment management

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

### THE ANNUAL PAYMENT STRUCTURE

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

#### **EXAMPLE: Calculation of Contribution to Trust Account**

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



The actual annual payout is dependent upon the following factors:

**Annual Rate of Return:** The annual rate of return will depend upon investment selections and market and economic performance. While past results are not an accurate predictor of future results, the annual return of the S&P 500 has averaged approximately 9%-10% since 1925<sup>1</sup>.

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

As envisioned, the trustee will make annual payments based upon a rolling 20 quarter average of the account balance<sup>2</sup>. The practice of calculating payments based upon a rolling average (smoothing) has been shown to reduce the number of significant declines in annual distributions, and increase the total value of payments and invested assets<sup>3</sup>. However, this does not guarantee against the possibility of losses in investment principal resulting in payments in some years being less than the county would have otherwise received from property taxes.

The following examples illustrate the payment methodology in two theoretical scenarios. Scenario A shows anticipated annual payments to a county with a stable rate of return. While it is unrealistic to expect no volatility in investment returns, Scenario A shows that the growth in annual payments should keep pace with, or exceed annual inflation, when invested in a balanced portfolio<sup>4</sup>.

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

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

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

[http://apps.finra.org/investor\\_information/smart/401k/401104.asp](http://apps.finra.org/investor_information/smart/401k/401104.asp)

Past performance does not guarantee future results.

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

<sup>3</sup> Smarter Giving for Private Foundations, AllianceBernstein, [https://www.alliancebernstein.com/Research-Publications/Black-Books/Foundations-and-Endowments/Stories/Foundations\\_BlackBook.htm](https://www.alliancebernstein.com/Research-Publications/Black-Books/Foundations-and-Endowments/Stories/Foundations_BlackBook.htm)

<sup>4</sup> Bureau of Labor Statistics, CPI Rate: Jan 1913 to Nov 2011 [http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm)

**Scenario A: \$125,000 earning a stable return<sup>5</sup>**

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

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

**Scenario B: \$125,000 at historical S&P 500 returns<sup>6</sup>**

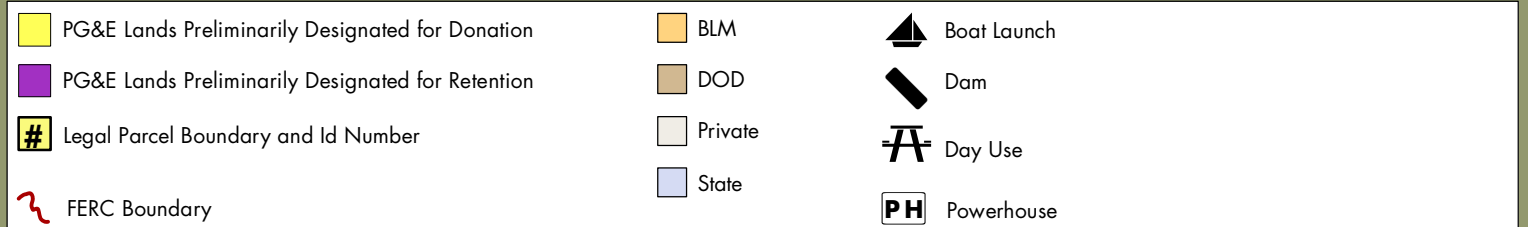
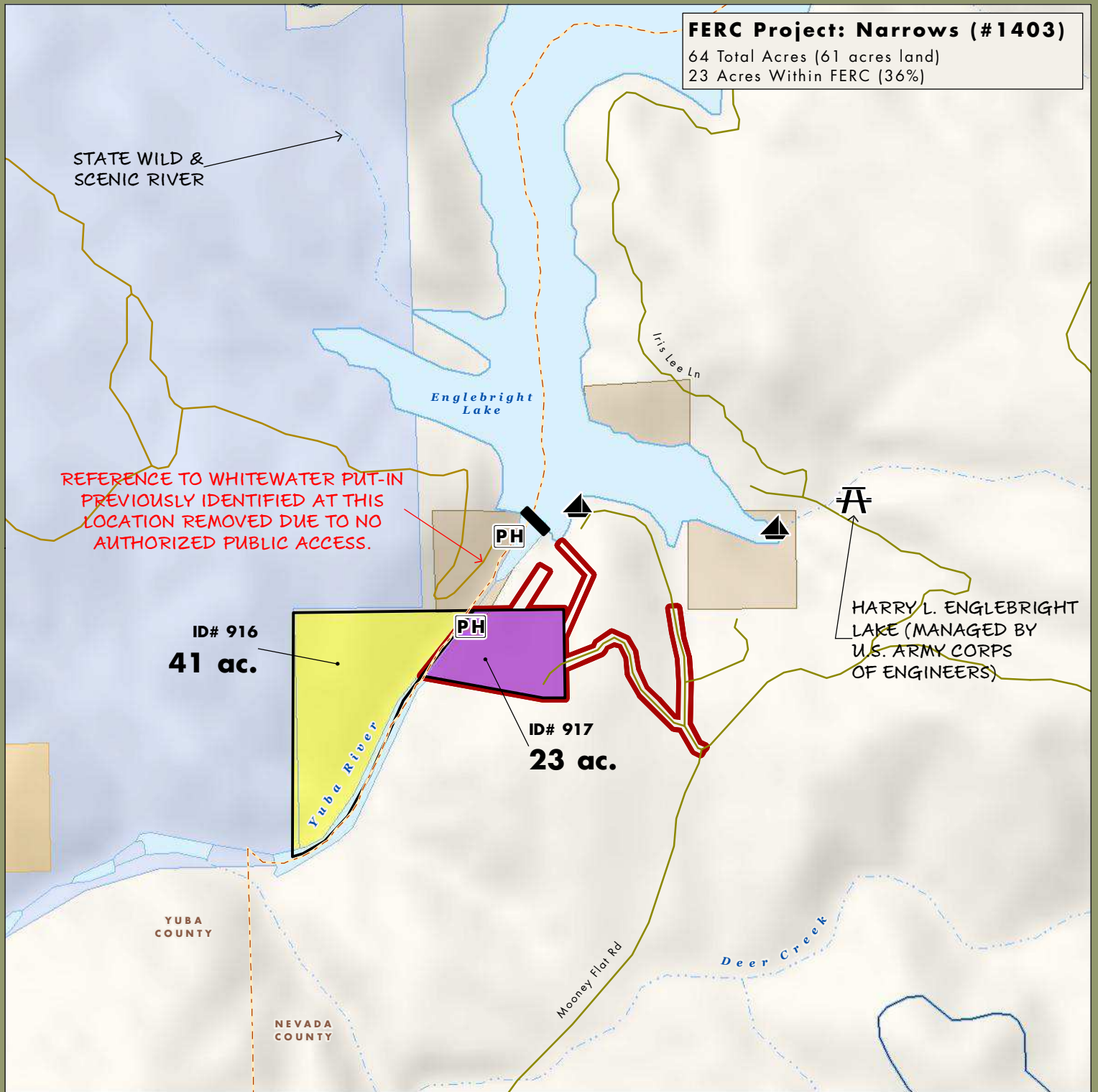
Year	Beginning Balance	Annual Return %	Annual Return \$	Annual Distribution (4%)	Fees (1%)	Ending Balance
1980	125,000	25.8%	32,213	0	(1,250)	155,963
1981	125,000	-9.7%	(12,163)	(6,239)	(1,250)	105,349
1982	105,349	14.8%	15,550	(4,214)	(1,053)	115,631
1983	115,631	17.3%	19,969	(4,420)	(1,156)	130,025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

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

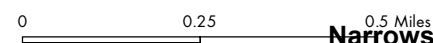


# Narrows Planning Unit

**FERC Project: Narrows (#1403)**  
 64 Total Acres (61 acres land)  
 23 Acres Within FERC (36%)



Acreage and location of lands preliminarily designated for retention by PG&E outside the FERC boundary are approximate. FERC boundary is approximate and may change over time.





I.02-04-026

**APPENDIX E**  
**LAND CONSERVATION COMMITMENT**

**STATEMENT OF PURPOSE**

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

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

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**COMMITMENTS**

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

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

**I.02-04-026**

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

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

**Attachment B**

**State Board of Equalization Land Appraisal Record**

BRLNP700

State Board of Equalization  
Valuation Division - Land Appraisal Record

12/18/13  
8:53 AM

Record Type : Active Last Chg by: JY County: YUBA

Assessee Name : Pacific Gas & Electric Co.

Asse: 0135 Map Asse: 0135 County: 58 Map No.: 022 Parcel: 02

Non-Fee Status:

Map Index	: Type	IND	No.	001	Sheet	2
Tax Rate Area	: 000 - 001				Class Code	: 191
Location Code	:				Imp. Ident. No.:	
APN	: 0005 - 0300 - 0140				Zoning	:
Subject Use	: Vac / watershed				Subject Topo	: Und / steep
Neighborhd Use	: Dry graze				Neighborhd Topo	: Same

Location: On Yuba river, below Englebright Reservoir, Smartville.

Created: 08/17/11 Last Update: 08/17/11 Appraiser: JY Comment Roll Yr: 2012

12/20/07 (WH) The subject is a steep, 41 acre site adjacent to the Yuba River. The best comps. available are Sales 6,7,& 9 which are superior (more level topography and much better access) 20-42 acre parcels that sold for \$7,500-\$19,000/acre. Use \$1,500/acre for 2008.

8/17/11 (JY) - The subject pcl is steep and located next to Yuba Rvr. Sale #39 is the most similar to the subject. It is located behind Collins Lake and is believed to be landlocked with no access and no power. It sold for \$1333/ac. Sales #43 & #44 at \$2400 and \$1950/ac have a superior location and topography. Value subject @ \$1300/ac

Roll Year	: 2014	Gross Area:	40.760
Appraiser	: JY	Deduct	:
Percent Valued	: 100.000 %	Net Area	: 40.760 AC

----- Land Valuation -----

TV	MT	ZN	Units	\$/Unit-TV	TV	MT	ZN	Units	\$/Unit-TV
1		NU	40.760	1300.00	7				
2					8				
3					9				
4					10				
5					11				
6					12				

Mkt Vals:	Right of Way	Op Not R/W	Non-Unitary	Total
			52,988	52,988

**Attachment C**

**Easement Modification Agreement with  
Yuba County Water Agency**

1-13-14 Version 4

LD \_\_\_\_\_  
Easement to Yuba County Water Agency

RECORDING REQUESTED BY, AND  
WHEN RECORDED RETURN TO:

PACIFIC GAS AND ELECTRIC COMPANY  
2730 Gateway Oaks Drive, Suite 220  
Sacramento, CA 95833  
Attention: Land Agent

Location: City/Uninc \_\_\_\_\_  
Recording Fee \$0.00 (Government Code Section 27383)  
Document Transfer Tax \$0.00 (Revenue and Taxation Code Section 11922)

\_\_\_\_\_  
Signature of declarant or agent determining tax

(A portion of APN \_\_\_\_\_)

**EASEMENT AGREEMENT  
(Easement to Yuba County Water Agency)**

This Easement Agreement (“**Agreement**”) is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the “**Effective Date**”) by PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, hereinafter called “**PG&E**”, and the YUBA COUNTY WATER AGENCY, a public body of the State of California, hereinafter called “**Grantee**.”

**RECITALS**

A. PG&E owns certain real property within the County of Yuba, State of California, described in **EXHIBIT “A”**, attached hereto and made a part hereof (hereinafter, the “**Property**”).

B. Grantee is the owner of a 60-foot wide access road easement across the Property as conveyed by Alan J. Michaels (former owner of the Property) to the Yuba County Water Agency by deed dated June 15, 1967 and recorded in Book 453 of Official Records at page 344, Yuba County Records (the “**Access Road Easement**”), and proposes that the Access Road Easement be modified to widen it to 100 feet in connection with its Federal Energy Regulatory Commission (“**FERC**”) Hydroelectric Project (“**FERC Project**”) in the area. Also in connection with its FERC Project, Grantee proposes to construct a trail leading to a PG&E owned gaging station located on the Property and to use the gaging station in connection with its FERC Project. Grantee has requested that PG&E modify the Access Road Easement to widen the width of the road easement and that PG&E grant an easement for the construction, reconstruction, improvement, repair, maintenance and use of such trail and an easement to use PG&E’s gaging station in connection with its FERC Project.

C. PG&E is willing to modify the width of the access road easement and to grant such other easements on the terms and subject to the conditions set forth herein.

Now, therefore, for good and valuable consideration, PG&E and Grantee agree as follows:

1. Grant of Easements: PG&E hereby grants to Grantee, upon the terms and conditions set forth in this Agreement, the following:

Access Road Easement Modification: PG&E agrees to the modification of the Access Road Easement by changing the width of the road easement therein from sixty (60) feet to one hundred (100) feet lying 50 feet on each side of the center line of the line designated as "Centerline New Narrows Access Road" on Exhibit "B" attached to the Access Road Easement, by adding to the existing 60-foot access road easement area a strip of land of the uniform width of twenty (20) feet (hereinafter the "**Additional Access Road Easement Area**") on each side of the existing 60-foot wide access road easement area, and PG&E hereby grants to Grantee the rights necessary to effect such modification.

Trail and Gaging Station Easement. A non-exclusive easement in gross to excavate for, construct, reconstruct, improve, repair, maintain and use a 20-foot wide trail for use by Grantee to access a gaging station owned by PG&E, together with the right for Grantee's existing communication equipment located within the gaging station, and the right to place additional equipment within the gaging station in the future. The route of said trail within the Property shall be as approximately shown on **EXHIBIT "B"** attached hereto and made a part hereof (the "**Trail and Gaging Station Easement Area**").

Collectively, the Additional Access Road Easement Area and the Trail and Gaging Station Easement Area are hereinafter referred to as the "**Easement Areas.**"

2. Limitations on Use.

(a) The Easement Areas and any facilities permitted to be constructed thereon are to be used by Grantee only for those uses permitted in Section 1 above, and for no other purpose.

(b) PG&E reserves the right to restrict access to the Easement Areas or any portion or portions thereof in the event of fire, earthquake, storm, riot, civil disturbance, or other casualty or emergency, or in connection with PG&E's response thereto, or if emergency repairs or maintenance are required to PG&E facilities within or in the vicinity of the Easement Areas, or otherwise when PG&E deems it advisable to do so, including in connection with events and emergencies occurring or affecting PG&E's business operations located elsewhere than in the immediate vicinity of the Property.

(c) Grantee shall not erect or construct any building or other structure other than the road improvements specifically authorized by the Access Road Easement and the trail improvements specifically authorized by this Agreement, nor shall Grantee drill or operate any well, within five (5) feet of any of PG&E's electric or gas facilities.

3. Condition of Easement Areas. Grantee accepts the Easement Areas in their existing physical condition, without warranty by PG&E or any duty or obligation on the part of PG&E to maintain the Easement Areas. Grantee acknowledges that one or more of the following (collectively, “**Potential Environmental Hazards**”) may be located in, on or underlying the Property and/or the Easement Areas:

(a) electric fields, magnetic fields, electromagnetic fields, electromagnetic radiation, power frequency fields, and extremely low frequency fields, however designated, and whether emitted by electric transmission lines, other distribution equipment or otherwise (“**EMFs**”);

(b) Hazardous Substances (as hereinafter defined). For purposes hereof, the term “**Hazardous Substances**” means any hazardous or toxic material or waste which is or becomes regulated by Legal Requirements (as hereinafter defined) relating to the protection of human health or safety, or regulating or relating to industrial hygiene or environmental conditions, or the protection of the environment, or pollution or contamination of the air, soil, surface water or groundwater, including, but not limited to, laws, requirements and regulations pertaining to reporting, licensing, permitting, investigating and remediating emissions, discharges, releases or threatened releases of such substances into the air, surface water, or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of such substances. Without limiting the generality of the foregoing, the term Hazardous Substances includes any material or substance:

(1) now or hereafter defined as a “hazardous substance,” “hazardous waste,” “hazardous material,” “extremely hazardous waste,” “restricted hazardous waste” or “toxic substance” or words of similar import under any applicable local, state or federal law or under the regulations adopted or promulgated pursuant thereto, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §§9601 et seq. (“CERCLA”); the Resource Conservation and Recovery Act of 1976, 42 U.S.C. §§6901 et seq.; the Clean Air Act, 42 U.S.C. §§7401 et seq.; the Clean Water Act, 33 U.S.C. §§1251 et seq.; the Toxic Substance Control Act, 15 U.S.C. §§2601 et seq.; the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. §§136 et seq.; the Atomic Energy Act of 1954, 42 U.S.C. §§2014 et seq.; the Nuclear Waste Policy Act of 1982, 42 U.S.C. §§10101 et seq.; the California Hazardous Waste Control Law, Cal. Health and Safety Code §§25100 et seq.; the Porter-Cologne Water Quality Control Act, Cal. Water Code §§13000 et seq.; the Carpenter-Presley-Tanner Hazardous Substance Account Act (Health and Safety Code §§25300 et seq.); and the Medical Waste Management Act (Health and Safety Code §§25015 et seq.); or

(2) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous, and is now or hereafter regulated as a Hazardous Substance by the United States, the State of California, any local governmental authority or any political subdivision thereof, or which cause, or are listed by the State of California as being known to the State of California to cause, cancer or reproductive toxicity; or

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



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

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

(6) which contains radon gas;

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

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

Grantee shall be solely responsible for the health and safety of, and shall take all necessary precautions to protect, its employees, contractors, consultants, agents and invitees (“**Grantee’s Representatives**”) from risks of harm from Potential Environmental Hazards. Grantee acknowledges that it has previously evaluated the condition of the Easement Areas and all matters affecting the suitability of the Easement Areas for the uses permitted by this Agreement, including, but not limited to, the Potential Environmental Hazards listed herein.

4. Grantee’s Covenants. Grantee hereby covenants and agrees:

(a) Construction of Improvements. Grantee agrees to construct and install, at no cost to PG&E, such facilities and improvements (“**Improvements**”) as may be necessary and appropriate for Grantee’s permitted use, as specified in Section 1. All such construction shall be performed in accordance with detailed plans and specifications (“**Plans**”) approved by PG&E prior to the commencement of construction, and shall comply with all Legal Requirements, as defined below in Section 4(b). Before commencing construction of any Improvements, Grantee shall obtain all permits, authorizations or other approvals, at Grantee’s sole cost and expense as may be necessary for such construction. Without limiting the generality of the foregoing, Grantee shall be responsible for complying with any and all applicable requirements of the National Environmental Policy Act (“**NEPA**”) and the California Environmental Quality Act (“**CEQA**”) and satisfying, at Grantee’s sole expense, any and all mitigation measures under CEQA that may apply to Grantee’s proposed occupancy and use of the Easement Areas, and to the construction, maintenance and use of Grantee’s proposed Improvements and facilities. Grantee shall promptly notify PG&E of any and all proposed mitigation measures that may affect PG&E or the Property. If PG&E determines in good faith that any such mitigation measures may adversely affect PG&E or the Property, or impose limitations on PG&E’s ability to use the Property as specified in Section 8, then PG&E shall have the right, without liability to Grantee, to give notice of termination of this Agreement to Grantee, whereupon this Agreement and the rights granted to Grantee shall terminate and revert in PG&E, unless within ten (10) days following delivery of such notice, Grantee gives notice to PG&E by which Grantee agrees to modify its proposed Project (as that term is defined under CEQA) so as to eliminate the necessity for such mitigation measures. In the event of such termination, PG&E and Grantee shall each be released from all obligations under this Agreement, except those which expressly survive termination. Grantee acknowledges and agrees that PG&E’s review of Grantee’s Plans is solely for the purpose of protecting PG&E’s interests, and shall not be

deemed to create any liability of any kind on the part of PG&E, or to constitute a representation on the part of PG&E or any person consulted by PG&E in connection with such review that the Plans or the Improvements contemplated by such Plans are adequate or appropriate for any purpose, or comply with applicable Legal Requirements. Grantee shall not commence construction or installation of any Improvements without the prior written consent of PG&E, which consent shall not be unreasonably withheld, conditioned or delayed, and the prior consent, to the extent required by applicable law or regulation, of the California Public Utilities Commission (hereinafter, "CPUC").

(b) Compliance with Laws. Grantee shall, at its sole cost and expense, promptly comply with (a) all laws, statutes, ordinances, rules, regulations, requirements or orders of municipal, state, and federal authorities now in force or that may later be in force, including, but not limited to, those relating to the generation, use, storage, handling, treatment, transportation or disposal of Hazardous Substances, as defined herein, or to health, safety, noise, environmental protection, air quality or water quality; (b) the conditions of any permit, occupancy certificate, license or other approval issued by public officers relating to Grantee's use or occupancy of the Easement Areas; and (c) with any liens, encumbrances, easements, covenants, conditions, restrictions and servitudes (if any) of record, or of which Grantee has notice, which may be applicable to the Easement Areas (collectively, "**Legal Requirements**"), regardless of when they become effective, insofar as they relate to the use or occupancy of the Easement Areas by Grantee. Grantee shall furnish satisfactory evidence of such compliance upon request by PG&E. The final judgment of any court of competent jurisdiction (including exhaustion of all appeals), or the admission of Grantee in any action or proceeding against Grantee, whether or not PG&E is a party in such action or proceeding, that Grantee has violated any Legal Requirement relating to the use or occupancy of the Easement Areas, shall be conclusive of that fact as between PG&E and Grantee.

(c) Notice of Enforcement Proceedings. Grantee agrees to notify PG&E in writing within three (3) business days of any investigation, order or enforcement proceeding which in any way relates to the Property, or to any contamination or suspected contamination on, within or underlying the Property. Such notice shall include a complete copy of any order, complaint, agreement, or other document which may have been issued, executed or proposed, whether draft or final;

(d) Non-Interference. Grantee agrees not to interfere in any way or permit any interference with the use of the Property by PG&E and other persons authorized to use the Property. Interference shall include, but not be limited to, any activity by Grantee that places any of PG&E's gas or electric facilities in violation of any of the provisions of General Order Nos. 95 (Overhead Electric), 112E (Gas), and 128 (Underground Electric) of the CPUC or to any other Legal Requirements under which the operations of utility facilities are controlled or regulated. Grantee shall not erect, handle, or operate any tools, machinery, apparatus, equipment, or materials closer to any of PG&E's high-voltage electric conductors than the minimum clearances set forth in the High-Voltage Electrical Safety Orders of the California Division of Industrial Safety; which minimum clearances are incorporated herein by reference; but in no event closer than ten (10) feet to any energized electric conductors or appliances. Grantee shall not drill, bore, or excavate within thirty (30) feet of any of PG&E's underground facilities, including, but not limited to, gas pipelines, valves, regulators, electric conduits, tower footings or foundations. Grantee shall

provide notice to Underground Service Alert at 1-800-227-2600 at least two (2) business days prior to commencing any drilling, boring or excavating permitted hereunder to assist Grantee with locating any and all underground facilities, including, but not limited to, gas pipelines, valves, regulators or electric conduits;

(e) Avoiding Dangerous Activities. Grantee agrees to conduct its activities and operations within and on the Easement Areas in such a manner so as not to endanger the Property, PG&E's utility facilities, the environment and human health and safety. Grantee shall not cause or permit any Hazardous Substances, as defined herein, to be brought upon, produced, stored, used, discharged or disposed of on, or in the vicinity of the Property, except in compliance with all applicable Legal Requirements. Grantee shall be responsible for the cost of remediating any discharge or release of Hazardous Substances resulting from or arising in connection with Grantee's use of the Property, and shall immediately notify PG&E and the appropriate regulatory authorities where required by law, of any such release. If PG&E determines that Grantee's activities in any way endanger the Property, PG&E's utility facilities, the environment, or human health and safety, PG&E may, in PG&E's sole and absolute discretion, require that Grantee halt such activities until appropriate protective measures are taken to PG&E's satisfaction. Grantee shall hold PG&E harmless from any claims resulting from any delay under this paragraph. PG&E's right to halt activities under this paragraph shall not in any way affect or alter Grantee's insurance or indemnity obligations under this Agreement, nor shall it relieve Grantee from any of its obligations hereunder that pertain to health, safety, or the protection of the environment;

(f) Maintenance. Grantee agrees to repair, reconstruct, improve and maintain its facilities and Improvements in good condition and repair, and be responsible for the security of, the facilities installed hereunder.

(g) Repairing Damage. Grantee agrees to repair any damage it may cause to PG&E's facilities and improvements in or around said Easement Areas;

(h) Coordination. Grantee agrees to coordinate all activities regarding the easements granted herein to reasonably minimize any interference and inconvenience with the use by PG&E of the Easement Areas and PG&E's adjoining lands, and;

(i) PG&E Right to Cure. Grantee agrees that if Grantee fails to perform any act or other obligation on its part to be performed hereunder, and such failure is not remedied within fifteen (15) days following notice from PG&E (or in the case of an emergency, following such notice, if any, as may be reasonably practicable under the existing circumstances), PG&E may (but without obligation to do so, and without waiving or releasing Grantee from any of its obligations) perform any such act or satisfy such obligation, or otherwise remedy such emergency or such failure on the part of Grantee. All costs incurred by PG&E in responding to or remedying such failure by Grantee shall be payable by Grantee to PG&E on demand.

## 5. Indemnification; Release.

(a) Grantee shall, to the maximum extent permitted by law, indemnify, protect, defend and hold harmless PG&E, its parent corporation, subsidiaries and affiliates, and their respective officers, managers, directors, representatives, agents, employees, transferees, successors

and assigns (each, an “**Indemnitee**” and collectively, “**Indemnitees**”) from and against all claims, losses (including, but not limited to, diminution in value), actions, demands, damages, costs, expenses (including, but not limited to, experts fees and reasonable attorneys’ fees and costs) and liabilities of whatever kind or nature (collectively, “**Claims**”), which arise from or are in any way connected with the occupancy or use of the Easement Areas by Grantee or Grantee’s Representatives, or the exercise by Grantee of its rights hereunder, or the performance of, or failure to perform, Grantee’s duties under this Agreement, including, but not limited to, such Claims arising out of: (1) injury to or death of persons, including but not limited to employees of PG&E or Grantee (and including, but not limited to, injury due to exposure to EMFs and other Potential Environmental Hazards in, on or about the Property); (2) injury to property or other interest of PG&E, Grantee or any third party; (3) violation of any applicable federal, state, or local laws, statutes, regulations, or ordinances, including all Legal Requirements relating to human health or the environment, and including any liability which may be imposed by law or regulation without regard to fault; excepting only with respect to any Indemnitee, to the extent of any Claim arising from the sole negligence or willful misconduct of such Indemnitee. Without limiting the generality of the foregoing, Grantee shall, to the maximum extent permitted by law, indemnify, protect, defend and hold Indemnitees harmless from and against Claims arising out of or in connection with any work of improvement constructed or installed at or on, labor performed on, or materials delivered to, or incorporated in any improvements constructed on, the Easement Areas by or at the request of Grantee. In the event any action or proceeding is brought against any Indemnitee for any Claim against which Grantee is obligated to indemnify or provide a defense hereunder, Grantee upon written notice from PG&E shall defend such action or proceeding at Grantee’s sole expense by counsel approved by PG&E, which approval shall not be unreasonably withheld, conditioned or delayed.

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

(c) Grantee’s use of the Property shall be at its sole risk and expense. Grantee accepts all risk relating to its occupancy and use of the Easement Areas. PG&E shall not be liable to Grantee for, and Grantee hereby waives and releases PG&E and the other Indemnitees from, any and all liability, whether in contract, tort or on any other basis, for any injury, damage, or loss resulting from or attributable to any occurrence on or about the Easement Areas, the condition of Easement Areas, or the use or occupancy of the Easement Areas; excepting Claims arising from the sole negligence or willful misconduct of an Indemnitee.

(d) Grantee shall, to the maximum extent permitted by law, indemnify, protect, defend and hold Indemnitees harmless against claims, losses, costs (including, but not limited to, attorneys’ fees and costs), liabilities and damages resulting from the failure of Grantee, or any of its contractors or subcontractors, to comply with the insurance requirements set forth in **EXHIBIT**

“C”, attached hereto and made a part hereof. If Grantee fails to so indemnify, protect, defend or hold harmless any Indemnitee, then at PG&E’s option, this Agreement shall terminate, and the estate and interest herein granted to Grantee shall revert to and revest in PG&E, if such failure continues for five (5) days following the giving of written notice of termination to Grantee, unless within such time such failure is cured to the reasonable satisfaction of PG&E.

(e) The provisions of this Section 5 shall survive the termination of this Agreement.

6. Additional Facilities. Grantee shall not install any facilities or improvements in, on, under or over the Easement Areas (other than those described in section 1) without the prior written consent of PG&E, which consent may be granted or withheld in PG&E’s sole and absolute discretion, and the prior consent, to the extent required by applicable law or regulation, of the CPUC. Grantee shall submit plans for installation of any proposed additional facilities within the Easement Areas to PG&E for its written approval at the address specified in Section 12.

7. Abandonment; Termination. In the event Grantee abandons the facilities installed hereunder, this Agreement shall terminate and all of the easements and other rights of Grantee hereunder shall revert to PG&E. The non-use of such facilities for a continuous period of two (2) years, unless such nonuse is due to factors outside Grantee’s reasonable control, in which case such period is extended to four (4) years, shall be conclusive evidence of such abandonment. Upon any termination of this Agreement, Grantee shall remove, at no cost to PG&E, such of Grantee’s facilities and equipment installed pursuant to this Agreement as PG&E may specify. Upon any termination of this Agreement, Grantee shall execute, acknowledge and deliver to PG&E a quitclaim deed or such other documents or instruments, in a form reasonably acceptable to PG&E, as may be reasonably necessary to eliminate this Agreement as an encumbrance on the title to the Easement Areas or any larger parcel of property containing the Easement Areas.

8. Reserved Rights. PG&E reserves the right to use the Easement Areas for any and all purposes which will not unreasonably interfere with Grantee’s facilities and use of the Easement Areas. Without limiting the generality of the foregoing:

(a) PG&E reserves the right to make use of the Easement Areas for such purposes as it may deem necessary or appropriate if, and whenever, in the interest of its service to its patrons or consumers or the public, it shall appear necessary or desirable to do so.

(b) Grantee acknowledges that PG&E may have previously granted, and may in the future grant, certain rights in and across the Easement Areas to others, and the use of the word “grant” in this Agreement shall not be construed as a warranty or covenant by PG&E that there are no such other rights.

(c) Grantee shall not make use of the Easement Areas in any way which will endanger human health or the environment, create a nuisance or otherwise be incompatible with the use of the Easement Areas, the Property, or PG&E’s adjacent property, by PG&E or others entitled to use such property.

(d) This grant is made subject to all applicable provisions of General Order No. 95 (Overhead Electric), General Order 112E (Gas) and General Order No. 128 (Underground Electric) of the CPUC, in like manner as though said provisions were set forth herein.

9. Governmental Approvals. This Agreement shall not become effective, notwithstanding that it may have been executed and delivered by the parties, and Grantee shall not commence construction or other activities hereunder, unless and until the CPUC approves this Agreement and the easements granted and other transactions contemplated hereby (including the adequacy of the compensation to be paid by Grantee), by an order which is final, unconditional and unappealable (including exhaustion of all administrative appeals or remedies before the CPUC). Grantee further acknowledges and agrees that PG&E makes no representation or warranty regarding the prospects for CPUC approval, and Grantee hereby waives all Claims against PG&E which may arise out of the need for such CPUC approval or the failure of the CPUC to grant such approval. This Agreement is made subject to all the provisions of such approval, as more particularly set forth in CPUC Decision D-\_\_\_\_\_ (Application No. \_\_\_\_\_), in like manner as though said provisions were set forth in full herein.

10. Compliance; Insurance. PG&E shall have a right to access and inspect the Easement Areas at any time to confirm Grantee's compliance with Legal Requirements and the provisions of this Agreement. Prior to the Effective Date of this Agreement, Grantee shall procure, and thereafter Grantee shall carry and maintain in effect at all times during the term of the Agreement, with respect to the Easement Areas and the use, occupancy and activities of Grantee and Grantee's Representatives on or about the Easement Areas, the insurance specified in **EXHIBIT "C"**, attached hereto and made a part hereof by this reference, provided that PG&E reserves the right to review and modify from time to time the coverages and limits of coverage required hereunder, as well as the deductibles and/or self-insurance retentions in effect from time to time (but PG&E agrees that it will not increase required coverage limits more often than once in any five-year period). All insurance required under this Agreement shall be effected under valid, enforceable policies issued by insurers of recognized responsibility, as reasonably determined by PG&E, and shall be written on forms and with insurance carriers acceptable to PG&E. For so long as Grantee is an agency or instrumentality of the United States of America, the State of California or any political subdivision thereof, then Grantee may elect to self-insure for any or all of the required coverage. If Grantee is permitted to self-insure hereunder and elects to do so, Grantee shall be liable to PG&E for the full equivalent of insurance coverage which would have been available to PG&E if all required insurance policies had been obtained by Grantee from a third party insurer, in the form required by this Agreement, and shall pay on behalf of or indemnify PG&E for all amounts which would have been payable by the third party insurer. In addition, Grantee shall act with the same promptness and subject to the same standards of good faith as would apply to a third party insurance company. Grantee is also responsible for causing its agents, contractors and subcontractors to comply with the insurance requirements of this Agreement at all relevant times (provided, however, that Grantee, in the exercise of its reasonable judgment, may permit contractors and subcontractors to maintain coverages and limits lower than those required of Grantee, provided the coverages and limits required by Grantee are commercially reasonable in light of applicable circumstances). Any policy of liability insurance required to be maintained hereunder by Grantee may be maintained under a so-called "blanket policy" insuring other locations and/or other persons, so long as PG&E is specifically named as an additional insured under such policy and the coverages and amounts of insurance required to be provided hereunder

are not thereby impaired or diminished. In addition, liability insurance coverages may be provided under single policies for the full limits, or by a combination of underlying policies with the balance provided by excess or umbrella liability insurance policies.

11. Mechanics' Liens. Grantee shall keep the Property free and clear of all mechanics', material suppliers' or similar liens, or claims thereof, arising or alleged to arise in connection with any work performed, labor or materials supplied or delivered, or similar activities performed by Grantee or at its request or for its benefit. If any mechanics' liens are placed on the Property in connection with the activities or facilities set forth in this Agreement, Grantee shall promptly cause such liens to be released and removed from title, either by demand, lawsuit, payment or by recording a lien release bond in the manner specified in California Civil Code Section 8424 or any successor statute.

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

If to PG&E:

Pacific Gas and Electric Company  
Attention: Hydro Land Agent  
643 Sacramento St.  
Auburn, CA 95603

With a copy to:

Pacific Gas and Electric Company  
P.O. Box 7442, Mail Code B30A  
San Francisco, California 94120  
Attention: Wendy T. Coleman

If to Grantee:

Yuba County Water Agency  
1220 F Street  
Marysville, California 95901  
Attention: General Manager

With a copy to:  
Richard P. Shanahan  
Bartkiewicz, Kronick & Shanahan  
1011 22nd Street  
Sacramento, CA 95816  
The Regents of the University of California  
c/o Real Estate Services Group  
1111 Franklin Street, 6th Floor  
Oakland, CA 94607-5200

13. Governing Law. This Agreement shall in all respects be interpreted, enforced, and governed by and under the laws of the State of California.

14. Entire Agreement. This Agreement supersedes all previous oral and written agreements between and representations by or on behalf of the parties and constitutes the entire agreement of the parties with respect to the subject matter hereof. This Agreement may not be amended except by a written agreement executed by both parties.

15. Binding Effect. This Agreement and the covenants and agreements contained herein shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective heirs, successors and assigns (subject to the provisions of Section 16). No assignment or delegation by Grantee, whether by operation of law or otherwise, shall relieve Grantee of any of its duties, obligations or liabilities hereunder, in whole or in part. The covenants of PG&E hereunder shall run with the land.

16. Assignment. Grantee shall not assign, convey, encumber (other than as may be specifically permitted by the terms of this Agreement), or otherwise transfer the easements and other rights herein conveyed, or any portion thereof or interest herein, without the prior written consent of PG&E. Such consent may be given or withheld by PG&E for any reason or for no reason, provided, however, that notwithstanding the foregoing, PG&E agrees that its consent will not be unreasonably withheld, delayed or conditioned in the case of a proposed transfer or dedication to a governmental agency. Grantee acknowledges and agrees that in any instance where PG&E is required not to unreasonably withhold its consent, it shall be reasonable for PG&E to withhold its consent if any regulatory agency having or asserting jurisdiction over PG&E or the Easement Areas, or having or claiming a right to review and/or approve the proposed transfer, fails to grant approval thereof (or imposes conditions on such approval which are not acceptable to PG&E, in its reasonable discretion). Grantee further acknowledges and agrees that in any instance where PG&E is required not to unreasonably delay giving or withholding its consent, it shall be reasonable for PG&E to make application for approval to any regulatory agency having or asserting jurisdiction, and to defer the giving or withholding of consent, without liability hereunder for delay, during the pendency and for a reasonable time following the conclusion of any such regulatory proceedings.

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



any such action (without limiting the generality of the foregoing) if such action is dismissed upon the payment by the other party of the sums allegedly due or the performance of obligations allegedly not complied with, or if such party obtains substantially the relief sought by it in the action, irrespective of whether such action is prosecuted to judgment. Attorneys' fees shall include, without limitation, fees incurred in discovery, contempt proceedings and bankruptcy litigation, and in any appellate proceeding. The non-prevailing party shall also pay the attorney's fees and costs incurred by the prevailing party in any post-judgment proceedings to collect and enforce the judgment. The covenant in the preceding sentence is separate and several and shall survive the merger of this provision into any judgment on this Agreement. For purposes hereof, the reasonable fees of PG&E's in-house attorneys who perform services in connection with any such action shall be recoverable, and shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the relevant subject matter area of the law, in law firms in the City of San Francisco with approximately the same number of attorneys as are employed by PG&E's Law Department.

18. No Waiver. No waiver with respect to any provision of this Agreement shall be effective unless in writing and signed by the party against whom it is asserted. No waiver of any provision of this Agreement by a party shall be construed as a waiver of any subsequent breach or failure of the same term or condition, or as a waiver of any other provision of this Agreement.

19. No Offsets. Grantee acknowledges that PG&E is executing this Agreement in its capacity as the owner of the Easement Areas, and not in its capacity as a public utility company or provider of electricity and natural gas. Notwithstanding anything to the contrary contained herein, no act or omission of Pacific Gas and Electric Company or its employees, agents or contractors as a provider of electricity and natural gas shall abrogate, diminish, or otherwise affect the respective rights, obligations and liabilities of PG&E and Grantee under this Agreement. Further, Grantee covenants not to raise as a defense to its obligations under this Agreement, or assert as a counterclaim or cross-claim in any litigation or arbitration between PG&E and Grantee relating to this Agreement, any claim, loss, damage, cause of action, liability, cost or expense (including, but not limited to, attorneys' fees) arising from or in connection with Pacific Gas and Electric Company's provision of (or failure to provide) electricity and natural gas.

20. No Dedication. Nothing contained in this Agreement shall be deemed to be a gift or dedication of land or rights to the general public. The right of the public or any person, including Grantee, to make any use whatsoever of the Easement Areas or any portion thereof, other than as expressly permitted herein or as expressly allowed by a recorded map, agreement, deed or dedication, is by permission and is subject to the control of PG&E in its sole discretion.

21. No Third Party Beneficiary. This Agreement is solely for the benefit of the parties hereto and their respective successors and permitted assigns, and, except as expressly provided herein, does not confer any rights or remedies on any other person or entity.

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

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

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

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

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

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first set forth above.

PACIFIC GAS AND ELECTRIC COMPANY,  
a California corporation

YUBA COUNTY WATER AGENCY  
a public body of the State of California

By: \_\_\_\_\_  
Name \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Curt Aikens, General Manager

Exhibits "A", "B" and "C" attached

The Area, Region or Location (operating area)  
Land Service Office  
Operating Department  
USGS location (MERIDIAN and T, R, S, & QQ)  
FERC License Number(s):  
PG&E Drawing Number(s):  
PLAT NO.  
LD of any affected documents: 2116-06-0137  
LD of any Cross-referenced documents:  
TYPE OF INTEREST:  
SBE Parcel Number: 135-58-22, Pcl 2  
(For Quitclaims, % being quitclaimed)  
Order # or PM #:  
JCN:  
County:  
Utility Notice Numbers:  
851 Approval Application No. \_\_\_\_\_ Decision \_\_\_\_\_

Prepared By:  
Checked By:  
Revision Number:

## **EXHIBIT “A”**

### **PG&E PROPERTY**

The real property situate in the unincorporated area of the County of Yuba, State of California, being a portion of Section 23, Township 16 North, Range 6 East, MDM, described as follows:

(APN 005-300-014 (portion))

1. The 4.037-acre parcel of land described in EXHIBIT “A” and shown on EXHIBIT “B”, both of which are attached to the easement deed from Alan J. Michaels to the Yuba County Water Agency dated June 15, 1967 and recorded in Book 453 of Official Records at page 344, Yuba County Records.
2. A strip of land of the uniform width of 200 feet extending from the southerly boundary line of said 4.037 acre parcel of land southwesterly approximately 450 feet, to a point lying 50 feet beyond PG&E’s existing gaging station, and lying contiguous to and westerly of the high water mark of the Yuba River.

The above described real property designated 1. and 2., are portions of the real property conveyed by Alan J. Michaels to Pacific Gas and Electric Company by deed dated June 18, 1968 and recorded in Book 468 of Official Records at page 634, Yuba County Records.

**EXHIBIT "B"**  
**EASEMENT AREA**  
(to be attached)

## EXHIBIT "C"

### INSURANCE REQUIREMENTS

Grantee shall procure, carry and maintain in effect throughout the term of this Agreement the following insurance coverage. Grantee is also responsible for its subcontractors maintaining sufficient limits of the appropriate insurance coverages.

A. Workers' Compensation and Employers' Liability

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

B. Commercial General Liability

1. Coverage shall be at least as broad as the Insurance Services Office (ISO) Commercial General Liability insurance "occurrence" form with no additional coverage alterations.
2. The limits shall not be less than Five Million Dollars (\$5,000,000) per occurrence for bodily injury, property damage and products and completed operations. Defense costs are to be provided outside the policy limits.
3. Coverage shall include: a) an "Additional Insured" endorsement (ISO Additional Insured form CG 2010 or equivalent coverage) adding as additional insureds PG&E, its affiliates, subsidiaries, and parent company, and PG&E's directors, officers, agents and employees with respect to liability arising out of work performed by or for Grantee. If the policy includes "blanket endorsement by contract," the following language added to the certificate of insurance will satisfy PG&E's requirement: "by blanket endorsement, PG&E, its affiliates, subsidiaries, and parent company, and PG&E's directors, officers, agents and employees with respect to liability arising out of the work performed by or for the Grantee are included as additional insured"; and b) an endorsement or policy provision specifying that the Grantee's insurance is primary and that any insurance or self-insurance maintained by PG&E shall be excess and non-contributing.

C. Business Auto

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

D. Additional Insurance Provisions

1. Upon the Effective Date of the Easement Agreement Grantee shall furnish PG&E with two (2) sets of certificates of insurance including required endorsements.
2. Documentation shall state that coverage shall not be canceled except after thirty (30) days prior written notice has been given to PG&E.
3. The documents must be signed by a person authorized by that insurer to bind coverage on its behalf and submitted to:

Pacific Gas and Electric Company  
Insurance Department - N4S  
245 Market St  
San Francisco, California 94105

Pacific Gas and Electric Company  
Hydro Support  
343 Sacramento St  
Auburn, Ca 95603  
Attention: Robert Steigmeyer/Rebecca Marsh

4. Upon request, Grantee shall furnish PG&E evidence of insurance for its agents or contractors.
5. PG&E may inspect the original policies or require complete certified copies at any time.

**Attachment D1**

**Environmental Agreement (fee grantee)**



EXHIBIT L

RECORDING REQUESTED BY AND  
WHEN RECORDED MAIL TO:

**[INSERT NAME OF PG&E  
REPRESENTATIVE]**  
PACIFIC GAS AND ELECTRIC COMPANY  
P.O. Box 770000, Mail Code N10A  
San Francisco, CA 94177

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No Recording Fee pursuant to Government Code Section 27383

**ENVIRONMENTAL AGREEMENT  
(Fee Grantee)**

THIS ENVIRONMENTAL AGREEMENT ("Agreement"), dated as of \_\_\_\_\_, \_\_\_\_\_, executed by and between THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, a California corporation ("Grantee") and PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("Grantor"), is entered into with reference to that certain Transaction Agreement dated \_\_\_\_\_, \_\_\_\_\_, by and among Grantee, Bear Yuba Land Trust, a California public benefit corporation and Grantor ("Transaction Agreement"), pursuant to which Grantee is acquiring from Grantor that certain real property described on Attachment A hereto and made a part hereof (the "Property").

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor and Grantee hereby agree as follows:

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

1.1. "Closing Date" means \_\_\_\_\_.

1.2. "Environmental Requirements" means all applicable present and future laws, statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, judicial, administrative and regulatory decrees, directives and judgments of all governmental agencies, departments, commissions and boards, relating to the protection of human health or safety, or regulating or relating to industrial hygiene or environmental conditions, or the protection of the environment, or pollution or contamination of the air, soil, surface water or groundwater, including, without limitation, all requirements and regulations pertaining to reporting, licensing, permitting, investigating and remediating emissions, discharges, releases or threatened releases of Hazardous Substances, whether solid, liquid or gaseous in nature, into the air, surface water, or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances, whether solid, liquid or gaseous in nature.

1.3. "Hazardous Substances" means any hazardous or toxic material or waste that is or becomes regulated by any local governmental authority, the State of California or the United States Government under any Environmental Requirements. For purposes of this Agreement, Hazardous Substances include, without limitation, any material or substance:

(a) now or hereafter defined as a "hazardous substance," "hazardous waste," "hazardous material," "extremely hazardous waste," "restricted hazardous waste" or "toxic substance" or words of similar import under any applicable local, state or federal law or under the regulations adopted or promulgated pursuant thereto, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. § 9601 et seq.) ("CERCLA"); the Hazardous Materials Transportation Act (49 U.S.C. § 5101 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. § 1151 et seq.); the Clean Air Act (42 U.S.C. § 7401 et seq.); the Safe Drinking Water Act (42 U.S.C. § 300f et seq.); the River and Harbor Act of 1899 (33 U.S.C. § 401 et seq.); the National Emission Standard for Asbestos (40 C.F.R. § 61.140 et seq.), the OSHA Construction Standards (29 C.F.R. § 1926.1001 et seq.); the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.); the Oil Pollution Act (33 U.S.C. § 2701 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §136 et seq.); the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001 et seq.); the Atomic Energy Act of 1954, (42 U.S.C. §2011 et seq.); the Nuclear Waste Policy Act of 1982 (42 U.S.C. §10101 et seq.); the Medical Waste Management Act (Cal. Health & Safety Code §25015 et seq.); the Porter-Cologne Water Quality Control Act (Cal. Water Code § 13000 et seq.); the Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code § 25249.5 et seq.); the Carpenter-Presley-Tanner Hazardous Substance Account Act ( Cal. Health and Safety Code § 25300 et seq.); the Hazardous Waste Act (Cal. Health & Safety Code § 25100 et seq.); and all rules and regulations of the United States or California Environmental Protection Agency or any successor agency, or any other state or federal department, board or agency, or any other agency or governmental board or entity having jurisdiction, as any of the foregoing have been, or are hereafter amended from time to time; or

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

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

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

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

(f) that contains radon gas.

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

1.5. “Necessary Remediation” means Remediation required by any governmental agency which has jurisdiction over the Remediation pursuant to the Environmental Requirements, to address Hazardous Substances, to enable the current use of the Property as of the Closing Date.

2. Allocation of Responsibility for Hazardous Substances.

2.1. Generally. In general, Grantor shall (as between Grantor and Grantee) bear the cost for the Necessary Remediation of Hazardous Substances which have been released to soil and/or groundwater prior to the Closing Date. Grantor shall have the right, but not the obligation, to perform the Remediation for which it is responsible. Grantee shall (as between Grantor and Grantee) bear responsibility for the reasonable management of Hazardous Substances existing on the Property, and, shall bear the cost, risk and responsibility for releases of Hazardous Substances to soil or groundwater occurring on and after the Closing Date. Grantee shall have the obligation to perform all Necessary Remediation with funding supplied by Grantor for the Necessary Remediation for which Grantor is responsible, unless Grantor elects to perform the Remediation. To ensure that Grantee understands the risks inherent in Grantee's execution of this Agreement, Grantor has strongly advised Grantee to investigate the condition and suitability of all aspects of the Property and all matters affecting the value or desirability of the Property, or that may be perceived to affect the value or desirability of the Property, including, without limitation, the potential environmental hazards arising from the presence of Hazardous Substances on, under, about, adjacent to or affecting the Property. Grantee hereby acknowledges and confirms that it has been afforded the opportunity to, and has, as of the date hereof, performed all environmental inspections, tests and studies, including, without limitation, invasive testing and/or groundwater sampling on, under, about or adjacent to the Property, which Grantee and its environmental consultants and engineers have deemed necessary to assess the condition of the Property and to assume the risk of the release and indemnity provided for in this Agreement.

2.2. Environmental Reports. Grantor, as part of the Land Conservation Commitment, has prepared certain Environmental Reports concerning the Property. Copies of these Environmental Reports have been provided to Grantee.

2.3. Grantor Responsibility for the Cost of Necessary Remediation of Pre-Closing Hazardous Substance Releases.

(a) As set forth in this Section 2.3(a), Grantor shall retain responsibility for the cost of Necessary Remediation of Hazardous Substance releases in soil and groundwater, which are present on the Property prior to the Closing Date, provided that Grantee did not cause, in whole or in part, such Hazardous Substance contamination and provided that such Necessary Remediation is not the result, in whole or in part, of Grantee's active or passive negligence. If Grantor releases Hazardous Substances to soil or groundwater on the Property on or after the Closing Date, Grantor shall be responsible for the cost of Necessary Remediation of such releases. Without limiting the foregoing general retention of responsibility, more specifically, Grantor shall retain responsibility for the Necessary Remediation of Hazardous Substances in the following circumstances:

(i) Grantor shall be responsible for the cost of Necessary Remediation of releases of Hazardous Substance present in soil and groundwater on the Property prior to the Closing Date, including Necessary Remediation of Hazardous Substances which were either:

1. Caused by the Grantor;
2. Caused by a lessee or tenant of the Property; or
3. Caused by another third party.

(ii) Grantor shall be responsible for the cost of Necessary Remediation related to asbestos or lead paint that were released to soil or groundwater prior to the Closing Date.

(b) Grantor's retention of responsibility in this Section 2.3 shall exclude:

(i) Remediation of naturally-occurring Hazardous Substances,  
(ii) Remediation of Hazardous Substances present at background or ambient concentrations;

(iii) Remediation of contamination caused in whole or in part by Grantee or as a result of Grantee's active or passive negligence, including Grantee's exacerbation of any Hazardous Substance release present as of the Closing Date, as identified in the Environmental Reports;

(iv) Remediation of lessee or tenant-owned Hazardous Substances which had not been released to soil or groundwater as of the Closing Date;

(v) Liability to parties other than Grantee (i.e. successors and assigns of Grantee); and

(vi) Responsibility assumed by Grantee pursuant to this Agreement, including as set forth in Sections 2.1 and 2.4 of this Agreement.

(c) Grantor shall have the right, but not the obligation, to perform all Remediation for which it is responsible under this Agreement, if Grantor so chooses. Grantor shall have the right, but not the obligation, to reasonably control any Remediation activities for which Grantor is responsible if the Grantor so chooses, including when the work is performed by Grantee, and shall have the right to coordinate all communications with any governmental agency regarding the same. Grantee shall not communicate with any governmental agency regarding any Remediation activities for which Grantor is responsible without the prior notice to, consultation with and obtaining the consent of the Grantor, which shall not be unreasonably withheld or delayed, and, if such consent is granted, without allowing the Grantor to participate in and lead any such communications. Grantor shall have the right, but not the obligation, to remediate to a more stringent level than that which constitutes Necessary Remediation, at Grantor's cost.

#### 2.4. Grantee Responsibility for Necessary Remediation of Certain Hazardous Substances.

(a) Grantee shall be responsible for the Necessary Remediation of Hazardous Substance contamination at the Property if the Grantee caused all or part of such

contamination, or if such contamination or the cost of the Necessary Remediation of such contamination resulted, in whole or in part, from Grantee's active or passive negligence.

(b) Grantee shall be responsible for the Necessary Remediation of Hazardous Substances released to soil or groundwater on and after the Closing Date (except for Hazardous Substance releases by Grantor on or after the Closing Date).

(c) Grantee will look solely to the lessee or tenant for Necessary Remediation related to asbestos or lead paint in buildings or other structures, owned by a lessee or tenant of Grantee as of the Closing Date. Grantee will look solely to the lessee or tenant for the Remediation of Hazardous Substances released by the lessee or tenant, including releases from lessee or tenant-owned structures on or after the Closing Date.

(d) Grantee's obligation to perform all Necessary Remediation. As of the Closing Date, Grantee shall have responsibility to reasonably manage all Hazardous Substances on the Property, and to perform of all Necessary Remediation on the Property, unless Grantor elects to perform such Remediation pursuant to Section 2.3(c) of this Agreement.

2.5. Performance and Completion of Necessary Remediation. Any Necessary Remediation performed hereunder shall be conducted in a manner consistent with applicable Environmental Requirements and shall be considered complete when the party conducting the Necessary Remediation obtains from the California Department of Toxic Substances Control or other governmental agency with jurisdiction over the matter, a "No Further Action Letter," "Certificate of Completion," or other governmental certification indicating that additional Remediation is not required for the current land use.

2.6. Access; Property Restoration; Recording or Deed Restriction. Grantee hereby acknowledges and agrees that Grantor shall have a reasonable right of access to and entry on the Property at all times upon twenty-four (24) hour notice to conduct all necessary actions to address any Hazardous Substances for which Grantor has responsibility under this Agreement. Grantor's actions to address the Hazardous Substances for which it has responsibility shall be made with reasonable efforts to not interfere with the Grantee's use of the Property. Upon completion of the actions to address the Hazardous Substances for which it has responsibility, Grantor shall make reasonable efforts to restore the Property to the condition it was in prior to the commencement of the actions to address Hazardous Substances for which it has responsibility. Grantor and Grantee acknowledge and agree that attainment of an appropriate remediation standard for Necessary Remediation at the Property may require recordation of a deed restriction limiting certain uses of the Property or other similar land use control instruments concerning the Property. In the event that such a deed restriction or land use control instrument is required, Grantee shall cooperate in the recording of such document in the appropriate office of the County where the Property is located.

### 3. Release.

3.1. Grantee, for itself, and for any future owners of all or a part of the Property, and each of their respective predecessors, successors, assigns, licensees, officers, directors, employees, agents, partners, shareholders, transferees, parent and subsidiary corporations, legal representatives, heirs, beneficiaries, executors and administrators (together with Grantee, "Releasing Parties") hereby fully and forever releases, exonerates, discharges and covenants not to sue Grantor and/or each and all of its past, present and future officers,

directors, partners, employees, agents, representatives, shareholders, attorneys, affiliates, parent and subsidiary corporations, divisions, insurance carriers, heirs, legal representatives, beneficiaries, executors, administrators, predecessors, transferees, successors (including, without limitation, lenders who become successors-in-title) and assigns (hereinafter "Released Parties") of, from and for any and all losses (including diminution in the value of the Property and other consequential damages), costs, claims, demands, actions, suits, orders, causes of action, obligations, controversies, debts, expenses, accounts, damages, judgments and liabilities of whatever kind or nature, and by whomsoever asserted, in law, equity or otherwise (each a "Claim" and, collectively, "Claims") that the Releasing Parties or the Property may suffer or claim to suffer, based in whole or in part on the presence, or threatened or suspected presence, generation, processing, use, management, treatment, storage, disposal, Remediation, transportation, recycling, emission or release or threatened emission or release, whether in the past, present or future, of any Hazardous Substances on, about, from, adjacent to or affecting the Property, including, without limitation, Claims arising from the passive or active negligence of the Released Parties. Notwithstanding the foregoing, Grantee and the Releasing Parties do not release, exonerate, discharge and covenant not to sue Grantor for Claims for which Grantor is responsible under Section 2 of this Agreement.

3.2. Grantee represents and warrants to Grantor that it is the sole and lawful owner of all right, title and interest in and to every Claim that Grantee purports to release herein, and that it has not heretofore assigned or transferred, or purported to assign or transfer, to any person, firm, association, corporation or other entity, any right, title or interest in any such Claim. In the event that such representation is false, and any such Claim is asserted against any of the Released Parties, by any party or entity who is the assignee or transferee of such Claim, then Grantee shall fully indemnify, defend and hold harmless the Released Party against whom such Claim is asserted from and against such Claim and from all actual costs, fees, expenses, liabilities and damages that that party incurs as a result of the assertion of such Claim.

#### 4. Indemnity.

4.1. By Grantor. Grantor agrees and covenants, at its sole cost and expense, to indemnify, protect, defend and hold Grantee harmless, from and against any and all Claims (including, without limitation, the payment of damages, the payment of the actual fees and expenses of experts, attorneys and others and the payment of "response costs" under CERCLA or any other Environmental Requirements) arising from or relating, in whole or in part, to Grantor's failure to perform or discharge Grantor's responsibilities and obligations set forth in Section 2.3 of this Agreement. Notwithstanding the foregoing, Grantor shall have no obligation to indemnify, protect, defend or hold the Grantee harmless, from and against any Claims for which Grantee is responsible under Section 2.4 of this Agreement.

4.2. By Grantee. Grantee agrees and covenants, at its sole cost and expense, to indemnify, protect, defend and hold Grantor harmless, from and against any and all Claims (including, without limitation, the payment of damages, the payment of the actual fees and expenses of experts, attorneys and others and the payment of "response costs" under CERCLA or any other Environmental Requirements) arising from or relating, in whole or in part, to Grantee's failure to perform or discharge Grantee's responsibilities and obligations set forth in Section 2.4 of this Agreement. Notwithstanding the foregoing, Grantee shall have no obligation to indemnify, protect, defend or hold the Grantor harmless, from and against any Claims for which Grantor is responsible under Section 2.3 of this Agreement.

5. Statutory Waiver.

5.1. Grantee acknowledges that it may hereinafter discover facts different from or in addition to those that it now knows or believes to be true with respect to the matters which are the subject of this Agreement, and agrees that this Agreement shall remain in effect in all respects, notwithstanding the discovery of such different or additional facts. In addition, Grantee understands and agrees that its agreements and covenants contained in this Agreement extend to all claims of any nature and kind, known or unknown, suspected or unsuspected, based in whole or in part on facts existing in the past or as of the date hereof, and in that regard, Grantee acknowledges that it has read, considered and understands the provisions of Section 1542 of the California Civil Code which reads as follows:

Section 1542. General Release

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

5.2 Based upon the advice of its counsel, Grantee knowingly and voluntarily waives and relinquishes any and all rights that it may have under Section 1542 as well as under the provisions of all comparable, equivalent, or similar statutes and principles of common law or other decisional law of any and all states of the United States or of the United States. Grantee understands and acknowledges the significance and consequences of this waiver and hereby assumes the risk of any injuries, losses or damages that may arise from such waiver.

Grantee: \_\_\_\_\_

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

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

6. Notice by Grantee. Grantee shall promptly notify Grantor of any discovery of a release of Hazardous Substances on the Property. Grantee shall promptly notify Grantor of any notice of potential liability for costs of Remediation (whether or not covered by Section 2), and following such notification (or the determination by Grantor of its potential liability for such costs) provide such information and reports with respect to such potential liability and the status of Hazardous Substances on the Property as Grantor shall reasonably request.

7. Grantee's Representations and Warranties. Grantee represents and warrants to Grantor as follows:

7.1. Grantee has in all respects voluntarily and knowingly executed this Agreement.

7.2. Grantee has had an opportunity to seek and has sought independent legal advice from attorneys of its choice with respect to the advisability of executing this Agreement.

7.3. Grantee has made such investigation of the facts pertaining to this Agreement as it deems necessary.

7.4. The terms of this Agreement are contractual and are the result of negotiation between Grantee and Grantor.

7.5. This Agreement has been carefully read by Grantee and the contents hereof are known and understood by Grantee.

7.6. Grantee is duly organized, validly existing and in good standing under the laws of the state of its organization and is qualified to do business in the state in which the Property is located and the persons executing this Agreement on behalf of Grantee have the full right and authority to execute this Agreement on behalf of Grantee and to bind Grantee without the consent or approval of any other person or entity. This Agreement is (i) duly authorized, properly executed and delivered by Grantee, (ii) legal, valid and binding obligations of Grantee enforceable in accordance with its terms at the time of the Closing Date, and (iii) not in violation of any agreement or judicial order to which Grantee is a party or to which it is subject.

## 8. Mandatory Negotiation and Mediation.

8.1. Except as provided in Section 8.2, Grantor and Grantee agree to first negotiate and then mediate with respect to any claim or dispute arising out of or relating to this Agreement, before resorting to court action. Either party may initiate settlement negotiations by providing written notice to the other party, setting forth the subject of the claim or dispute. Grantee and Grantor agree to cooperate in scheduling negotiations and to participate in the settlement negotiations in good faith. If Grantee and Grantor fail to settle such claim or dispute within thirty (30) days after the date of mailing of the notice initiating settlement negotiations or within such additional time period as the parties may agree in writing, the parties agree to submit the matter to JAMS (or other similar organization such as the American Arbitration Association mutually agreed upon by the parties) for mediation. If an organization other than JAMS is agreed upon by the parties to conduct the mediation hereunder, all references to JAMS shall be deemed changed to the selected organization. Either party may commence mediation by providing to JAMS and the other party a written request for mediation, setting forth the subject of the claim or dispute and the relief requested. Except as provided herein or by written agreement of the parties, the mediation shall be conducted in San Francisco pursuant to the JAMS rules. The parties will cooperate in selecting a mediator from the JAMS panel of neutrals, and in scheduling the mediation proceedings. The parties agree to participate in the mediation in good faith, and to share equally in its costs. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by either of the parties, their employees, agents, experts and attorneys, and by the mediator and any other JAMS employees, are confidential, privileged and inadmissible for any purpose, including impeachment, in any litigation or other proceeding involving the parties, but evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. If JAMS should no longer exist at the time the claim or dispute arises, the matter shall be submitted to its successor entity, or if there is no such successor entity, to the American Arbitration Association or other similar organization mutually agreed upon by the parties, and except as provided herein or by mutual agreement of the parties, the mediation rules of such successor or alternate organization shall apply. Except as may be expressly set forth in any written settlement agreement, should the matter be settled by negotiation or mediation prior to commencing court action, each party shall pay its own attorneys' fees and costs. Except as provided in Section 8.2, neither party may commence an



action arising out of or relating to this Agreement until expiration of the negotiation period and completion of the initial mediation session in accordance with this Section 8.1. If either party commences an action with respect to a claim or dispute covered by this Section 8.1 without first attempting to resolve the matter through negotiation and mediation, or refuses to negotiate or mediate after a request has been made, then that party shall not be entitled to recover attorneys' fees and costs, even if such fees and costs would otherwise be available to that party in such action.

8.2. Either party may seek equitable relief to preserve the status quo prior to participating in the negotiation and mediation proceedings required pursuant to Section 8.1. In addition, matters that are within the jurisdiction of probate, small claims, or bankruptcy court are excluded from mandatory negotiation and mediation hereunder.

8.3. The provisions of this Section 8 may be enforced by any court of competent jurisdiction, and the party seeking enforcement shall be entitled to an award of all fees and costs, including reasonable attorneys' fees, to be paid by the party against which enforcement is ordered. The covenants of Grantor and Grantee contained in this Section 8 shall survive the expiration or earlier termination of this Agreement or the Closing Date.

## 9. Miscellaneous.

9.1. Grantee acknowledges (a) this Agreement is the result of extensive good faith negotiations between Grantee and Grantor through their respective counsel, (b) Grantee's counsel has carefully reviewed and examined this Agreement before execution by Grantee, and (c) any statute or rule of construction that ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

9.2. In the event that either party shall bring an action to enforce its rights under this Agreement, or relating to the interpretation hereof, whether for declaratory or other relief, the prevailing party in any such proceeding shall be entitled to recover from the other party reasonable attorneys' fees and all costs, expenses and disbursements that the prevailing party incurred in connection with such proceeding and any appeal thereof (including, but not limited to, the reasonable costs of discovery, investigation, preparation for trial, professional or expert consultation and testimony). A party shall be deemed to have prevailed in any such action (without limiting the generality of the foregoing) if such action is dismissed upon the payment by the other party of the sums allegedly due or the performance of obligations allegedly not complied with, or if such party obtains substantially the relief sought by it in the action, irrespective of whether such action is prosecuted to judgment. The non-prevailing party shall also pay the attorneys' fees and costs incurred by the prevailing party in any post-judgment proceedings to collect and enforce the judgment. For purposes hereof, the reasonable fees of in-house attorneys who perform services in connection with any such action are recoverable, and shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the relevant subject matter area of the law, in law firms in the City of San Francisco with approximately the same number of attorneys as are employed by Grantor's or Grantee's Law Department (as applicable). Any such fees and costs incurred prior to judgment, award, or decree may be included in any judgment, award or decree entered in such proceeding in favor of the prevailing party. Any such fees, costs and expenses incurred by the prevailing party in enforcing a judgment, award or decree in its favor shall be recoverable separately from and in addition to any other amount included in such judgment, award or decree. This provision is separate and several and shall survive the merger of this Agreement into any judgment on this Agreement.

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

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

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

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

9.7. The representations, warranties, covenants, and agreements of Grantor and Grantee contained in this Agreement shall survive the Closing Date.

9.8. Time is of the essence of this Agreement.

9.9. This Agreement shall be governed by the laws of the State of California.

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

9.11. This Agreement sets forth the entire understanding of Grantee and Grantor in connection with the subject matter hereof, and Grantee acknowledges that Grantor has made no statement, representation or warranty relating to the Property upon which Grantee has relied or that acted as an inducement for Grantee to enter into this Agreement. Grantee's obligations under this Agreement may not be altered or amended in any respect except by a writing executed by both Grantee and Grantor. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, Grantor and Grantee have caused this Agreement to be duly executed as of the date first written above.

GRANTOR:

PACIFIC GAS AND ELECTRIC COMPANY,  
a California corporation

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

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

GRANTEE:

THE REGENTS OF THE UNIVERSITY OF  
CALIFORNIA,  
a California corporation

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

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

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

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

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

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

**ATTACHMENT A**  
**LEGAL DESCRIPTION**

**CERTIFICATE OF ACKNOWLEDGMENT  
OF NOTARY PUBLIC**

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ ) §§

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

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

WITNESS my hand and official seal.

\_\_\_\_\_ (Seal)  
Notary Public

**CERTIFICATE OF ACKNOWLEDGMENT  
OF NOTARY PUBLIC**

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ ) §§

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

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

WITNESS my hand and official seal.

\_\_\_\_\_ (Seal)  
Notary Public

**Attachment D2**

**Environmental Agreement (conservation easement grantee)**

**EXHIBIT K**

RECORDING REQUESTED BY AND  
WHEN RECORDED MAIL TO:

**[INSERT NAME OF PG&E  
REPRESENTATIVE]**  
PACIFIC GAS AND ELECTRIC COMPANY  
P.O. Box 770000, Mail Code N10A  
San Francisco, CA 94177

**ENVIRONMENTAL AGREEMENT  
(Easement Grantee – Conveyed Fee)**

THIS ENVIRONMENTAL AGREEMENT ("Agreement"), dated as of \_\_\_\_\_, \_\_\_\_\_, executed by and between BEAR YUBA LAND TRUST, a California public benefit corporation ("Easement Grantee") and PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("Grantor"), is entered into with reference to that certain Transaction Agreement dated \_\_\_\_\_, \_\_\_\_\_, by and among Easement Grantee, the Regents of the University of California, a California corporation ("Fee Grantee") and Grantor ("Transaction Agreement"), pursuant to which Fee Grantee is acquiring from Grantor that certain real property described on Attachment A hereto and made a part hereof (the "Property"), and Easement Grantee is acquiring a conservation easement over the Property.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor and Easement Grantee hereby agree as follows:

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

1.1. "Closing Date" means \_\_\_\_\_.

1.2. "Environmental Requirements" means all applicable present and future laws, statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, judicial, administrative and regulatory decrees, directives and judgments of all governmental agencies, departments, commissions and boards, relating to the protection of human health or safety, or regulating or relating to industrial hygiene or environmental conditions, or the protection of the environment, or pollution or contamination of the air, soil, surface water or groundwater, including, without limitation, all requirements and regulations pertaining to reporting, licensing, permitting, investigating and remediating emissions, discharges, releases or threatened releases of Hazardous Substances, whether solid, liquid or gaseous in nature, into the air, surface water, or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances, whether solid, liquid or gaseous in nature.

1.3. "Hazardous Substances" means any hazardous or toxic material or waste that is or becomes regulated by any local governmental authority, the State of California or the United States Government under any Environmental Requirements. For purposes of this Agreement, Hazardous Substances include, without limitation, any material or substance:



(a) now or hereafter defined as a "hazardous substance," "hazardous waste," "hazardous material," "extremely hazardous waste," "restricted hazardous waste" or "toxic substance" or words of similar import under any applicable local, state or federal law or under the regulations adopted or promulgated pursuant thereto, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. § 9601 et seq.) ("CERCLA"); the Hazardous Materials Transportation Act (49 U.S.C. § 5101 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. § 1151 et seq.); the Clean Air Act (42 U.S.C. § 7401 et seq.); the Safe Drinking Water Act (42 U.S.C. § 300f et seq.); the River and Harbor Act of 1899 (33 U.S.C. § 401 et seq.); the National Emission Standard for Asbestos (40 C.F.R. § 61.140 et seq.), the OSHA Construction Standards (29 C.F.R. § 1926.1001 et seq.); the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.); the Oil Pollution Act (33 U.S.C. § 2701 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §136 et seq.); the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001 et seq.); the Atomic Energy Act of 1954, (42 U.S.C. §2011 et seq.); the Nuclear Waste Policy Act of 1982 (42 U.S.C. §10101 et seq.); the Medical Waste Management Act (Cal. Health & Safety Code §25015 et seq.); the Porter-Cologne Water Quality Control Act (Cal. Water Code § 13000 et seq.); the Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code § 25249.5 et seq.); the Carpenter-Presley-Tanner Hazardous Substance Account Act ( Cal. Health and Safety Code § 25300 et seq.); the Hazardous Waste Act (Cal. Health & Safety Code § 25100 et seq.); and all rules and regulations of the United States or California Environmental Protection Agency or any successor agency, or any other state or federal department, board or agency, or any other agency or governmental board or entity having jurisdiction, as any of the foregoing have been, or are hereafter amended from time to time; or

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

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

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

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

(f) that contains radon gas.

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

1.5. “Necessary Remediation” means Remediation required by any governmental agency which has jurisdiction over the Remediation pursuant to the Environmental Requirements, to address a Hazardous Substances, to enable the current use of the Property as of the Closing Date.

2. Allocation of Responsibility for Hazardous Substances.

2.1. Generally. In general, Grantor shall (as between Grantor and Easement Grantee) bear the cost for the Necessary Remediation of Hazardous Substances which have been released to soil and/or groundwater prior to the Closing Date.

2.2. Environmental Reports. Grantor, as part of the Land Conservation Commitment, has prepared certain Environmental Reports concerning the Property. Copies of these Environmental Reports have been provided to Easement Grantee.

2.3. Grantor Responsibility for the Cost of Necessary Remediation of Pre-Closing Hazardous Substance Releases.

(a) As set forth in this Section 2.3(a), Grantor shall retain responsibility for the cost of Necessary Remediation of Hazardous Substance releases in soil and groundwater, which are present on the Property prior to the Closing Date, provided that Easement Grantee did not cause, in whole or in part, such Hazardous Substance contamination and provided that such Necessary Remediation is not the result, in whole or in part, of Easement Grantee’s active or passive negligence. If Grantor releases Hazardous Substances to soil or groundwater on the Property on or after the Closing Date, Grantor shall be responsible for the cost of Necessary Remediation of such releases.

(b) Grantor’s retention of responsibility in this Section 2.3 shall exclude:

(i) Remediation of naturally-occurring Hazardous Substances,

(ii) Remediation of Hazardous Substances present at background or ambient concentrations;

(iii) Remediation of contamination caused in whole or in part by Fee Grantee and/or Easement Grantee or as a result of Fee Grantee’s and/or Easement Grantee’s active or passive negligence, including Fee Grantee’s and/or Easement Grantee’s exacerbation of any Hazardous Substance release present as of the Closing Date, as identified in the Environmental Reports;

(iv) Remediation of lessee or tenant-owned Hazardous Substances which had not been released to soil or groundwater as of the Closing Date;

(v) Liability to parties other than Easement Grantee (i.e. successors and assigns of Easement Grantee); and

(vi) Responsibility assumed by Easement Grantee pursuant to this Agreement, including as set forth in Section 2.4 of this Agreement.

(c) Grantor shall have the right to perform all Remediation for which it is responsible under this Agreement. Easement Grantee shall not communicate with any governmental agency regarding any Remediation activities for which Grantor is responsible without the prior notice to, consultation with and obtaining the consent of the Grantor, which shall not be unreasonably withheld or delayed, and, if such consent is granted, without allowing the Grantor to participate in and lead any such communications. Grantor shall have the right, but not the obligation, to remediate to a more stringent level than that which constitutes Necessary Remediation, at Grantor's cost.

2.4. Easement Grantee Responsibility for Necessary Remediation of Certain Hazardous Substances. Easement Grantee shall be responsible for the Necessary Remediation of Hazardous Substance contamination at the Property if the Easement Grantee caused all or part of such contamination.

2.5. Performance and Completion of Necessary Remediation. Any Necessary Remediation performed hereunder shall be conducted in a manner consistent with applicable Environmental Requirements and shall be considered complete when the party conducting the Necessary Remediation obtains from the California Department of Toxic Substances Control or other governmental agency with jurisdiction over the matter, a "No Further Action Letter," "Certificate of Completion," or other governmental certification indicating that additional Remediation is not required for the current land use.

2.6. Access; Property Restoration; Recording or Deed Restriction. Easement Grantee hereby acknowledges and agrees that Grantor shall have a reasonable right of access to and entry on the Property at all times upon twenty-four (24) hour notice to conduct all necessary actions to address any Hazardous Substances for which Grantor has responsibility under this Agreement. Grantor's actions to address the Hazardous Substances for which it has responsibility shall be made with reasonable efforts to not interfere with the Easement Grantee's use of the Property. Upon completion of the actions to address the Hazardous Substances for which it has responsibility, Grantor shall make reasonable efforts to restore the Property to the condition it was in prior to the commencement of the actions to address Hazardous Substances for which it has responsibility. Grantor and Easement Grantee acknowledge and agree that attainment of an appropriate remediation standard for Necessary Remediation at the Property may require recordation of a deed restriction limiting certain uses of the Property or other similar land use control instruments concerning the Property. In the event that such a deed restriction or land use control instrument is required, Easement Grantee shall cooperate in the recording of such document in the appropriate office of the County where the Property is located.

### 3. Indemnity.

3.1. By Grantor. Grantor agrees and covenants, at its sole cost and expense, to indemnify, protect, defend and hold Easement Grantee harmless, from and against any and all losses (including diminution in the value of the Property and other consequential damages), costs, claims, demands, actions, suits, orders, causes of action, obligations, controversies, debts, expenses, accounts, damages, judgments and liabilities of whatever kind or nature, and by whomsoever asserted, in law, equity or otherwise (each a "Claim" and, collectively, "Claims"), including, without limitation, the payment of damages, the payment of the actual fees and expenses of experts, attorneys and others and the payment of "response costs" under CERCLA or any other Environmental Requirements, arising from or relating, in whole or in part, to Grantor's failure to perform or discharge Grantor's responsibilities and obligations set forth in Section 2.3 of this Agreement. Notwithstanding the foregoing, Grantor shall have no obligation

to indemnify, protect, defend or hold the Easement Grantee harmless, from and against any Claims for which Easement Grantee is responsible under Section 2.4 of this Agreement.

3.2. By Easement Grantee. Easement Grantee agrees and covenants, at its sole cost and expense, to indemnify, protect, defend and hold Grantor harmless, from and against any and all Claims (including, without limitation, the payment of damages, the payment of the actual fees and expenses of experts, attorneys and others and the payment of "response costs" under CERCLA or any other Environmental Requirements) arising from or relating, in whole or in part, to Easement Grantee's failure to perform or discharge Easement Grantee's responsibilities and obligations set forth in Section 2.4 of this Agreement. Notwithstanding the foregoing, Easement Grantee shall have no obligation to indemnify, protect, defend or hold the Grantor harmless, from and against any Claims for which Grantor is responsible under Section 2.3 of this Agreement.

4. Notice by Easement Grantee. Easement Grantee shall promptly notify Grantor of any discovery of a release of Hazardous Substances on the Property. Easement Grantee shall promptly notify Grantor of any notice of potential liability for costs of Remediation (whether or not covered by Section 2), and following such notification (or the determination by Grantor of its potential liability for such costs) provide such information and reports with respect to such potential liability and the status of Hazardous Substances on the Property as Grantor shall reasonably request.

5. Easement Grantee's Representations and Warranties. Easement Grantee represents and warrants to Grantor as follows:

5.1. Easement Grantee has in all respects voluntarily and knowingly executed this Agreement.

5.2. Easement Grantee has had an opportunity to seek and has sought independent legal advice from attorneys of his or its choice with respect to the advisability of executing this Agreement.

5.3. Easement Grantee has made such investigation of the facts pertaining to this Agreement as it deems necessary.

5.4. The terms of this Agreement are contractual and are the result of negotiation between Easement Grantee and Grantor.

5.5. This Agreement has been carefully read by Easement Grantee and the contents hereof are known and understood by Easement Grantee.

5.6. Easement Grantee is duly organized, validly existing and in good standing under the laws of the state of its organization and is qualified to do business in the state in which the Property is located and the persons executing this Agreement on behalf of Easement Grantee have the full right and authority to execute this Agreement on behalf of Easement Grantee and to bind Easement Grantee without the consent or approval of any other person or entity. This Agreement is (i) duly authorized, properly executed and delivered by Easement Grantee, (ii) legal, valid and binding obligations of Easement Grantee enforceable in accordance with its terms at the time of the Closing Date, and (iii) not in violation of any agreement or judicial order to which Easement Grantee is a party or to which it is subject.

## 6. Mandatory Negotiation and Mediation.

6.1. Except as provided in Section 6.2, Grantor and Easement Grantee agree to first negotiate and then mediate with respect to any claim or dispute arising out of or relating to this Agreement, before resorting to court action. Either party may initiate settlement negotiations by providing written notice to the other party, setting forth the subject of the claim or dispute. Easement Grantee and Grantor agree to cooperate in scheduling negotiations and to participate in the settlement negotiations in good faith. If Easement Grantee and Grantor fail to settle such claim or dispute within thirty (30) days after the date of mailing of the notice initiating settlement negotiations or within such additional time period as the parties may agree in writing, the parties agree to submit the matter to JAMS (or other similar organization such as the American Arbitration Association mutually agreed upon by the parties) for mediation. If an organization other than JAMS is agreed upon by the parties to conduct the mediation hereunder, all references to JAMS shall be deemed changed to the selected organization. Either party may commence mediation by providing to JAMS and the other party a written request for mediation, setting forth the subject of the claim or dispute and the relief requested. Except as provided herein or by written agreement of the parties, the mediation shall be conducted in San Francisco pursuant to the JAMS rules. The parties will cooperate in selecting a mediator from the JAMS panel of neutrals, and in scheduling the mediation proceedings. The parties agree to participate in the mediation in good faith, and to share equally in its costs. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by either of the parties, their employees, agents, experts and attorneys, and by the mediator and any other JAMS employees, are confidential, privileged and inadmissible for any purpose, including impeachment, in any litigation or other proceeding involving the parties, but evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. If JAMS should no longer exist at the time the claim or dispute arises, the matter shall be submitted to its successor entity, or if there is no such successor entity, to the American Arbitration Association or other similar organization mutually agreed upon by the parties, and except as provided herein or by mutual agreement of the parties, the mediation rules of such successor or alternate organization shall apply. Except as may be expressly set forth in any written settlement agreement, should the matter be settled by negotiation or mediation prior to commencing court action, each party shall pay its own attorneys' fees and costs. Except as provided in Section 6.2, neither party may commence an action arising out of or relating to this Agreement until expiration of the negotiation period and completion of the initial mediation session in accordance with this Section 6.1. If either party commences an action with respect to a claim or dispute covered by this Section 6.1 without first attempting to resolve the matter through negotiation and mediation, or refuses to negotiate or mediate after a request has been made, then that party shall not be entitled to recover attorneys' fees and costs, even if such fees and costs would otherwise be available to that party in such action.

6.2. Either party may seek equitable relief to preserve the status quo prior to participating in the negotiation and mediation proceedings required pursuant to Section 6.1. In addition, matters that are within the jurisdiction of probate, small claims, or bankruptcy court are excluded from mandatory negotiation and mediation hereunder.

6.3. The provisions of this Section 6 may be enforced by any court of competent jurisdiction, and the party seeking enforcement shall be entitled to an award of all fees and costs, including reasonable attorneys' fees, to be paid by the party against which enforcement is ordered. The covenants of Grantor and Easement Grantee contained in this

Section 6 shall survive the expiration or earlier termination of this Agreement or the Closing Date.

7. Miscellaneous.

7.1. Easement Grantee acknowledges (a) this Agreement is the result of extensive good faith negotiations between Easement Grantee and Grantor through their respective counsel, (b) Easement Grantee's counsel has carefully reviewed and examined this Agreement before execution by Easement Grantee, and (c) any statute or rule of construction that ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

7.2. In the event that either party shall bring an action to enforce its rights under this Agreement, or relating to the interpretation hereof, whether for declaratory or other relief, the prevailing party in any such proceeding shall be entitled to recover from the other party reasonable attorneys' fees and all costs, expenses and disbursements that the prevailing party incurred in connection with such proceeding and any appeal thereof (including, but not limited to, the reasonable costs of discovery, investigation, preparation for trial, professional or expert consultation and testimony). Easement Grantee shall also pay all attorneys' fees and costs Grantor incurs in defending this Agreement or otherwise protecting Grantor's rights in any voluntary or involuntary bankruptcy case, assignment for the benefit of creditors, or other insolvency, liquidation or reorganization proceeding involving Easement Grantee or this Agreement, including all motions and proceedings related to relief from an automatic stay, lease assumption or rejection, use of cash collateral, claim objections, disclosure statements and plans of reorganization. A party shall be deemed to have prevailed in any such action (without limiting the generality of the foregoing) if such action is dismissed upon the payment by the other party of the sums allegedly due or the performance of obligations allegedly not complied with, or if such party obtains substantially the relief sought by it in the action, irrespective of whether such action is prosecuted to judgment. The non-prevailing party shall also pay the attorneys' fees and costs incurred by the prevailing party in any post-judgment proceedings to collect and enforce the judgment. For purposes hereof, the reasonable fees of Grantor's in-house attorneys who perform services in connection with any such action are recoverable, and shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the relevant subject matter area of the law, in law firms in the City of San Francisco with approximately the same number of attorneys as are employed by Grantor's Law Department. Any such fees and costs incurred prior to judgment, award, or decree may be included in any judgment, award or decree entered in such proceeding in favor of the prevailing party. Any such fees, costs and expenses incurred by the prevailing party in enforcing a judgment, award or decree in its favor shall be recoverable separately from and in addition to any other amount included in such judgment, award or decree. This provision is separate and several and shall survive the merger of this Agreement into any judgment on this Agreement.

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

7.4. The failure of Grantor to insist upon strict compliance with any of the terms hereof shall not be considered to be a waiver of any of such terms, nor shall it militate against the right of Grantor to insist upon strict compliance herewith at any later time.

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

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

7.7. The representations, warranties, covenants, and agreements of Easement Grantee contained in this Agreement shall survive the Closing Date.

7.8. Time is of the essence of this Agreement.

7.9. This Agreement shall be governed by the laws of the State of California.

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

7.11. This Agreement sets forth the entire understanding of Easement Grantee and Grantor in connection with the subject matter hereof, and Easement Grantee acknowledges that Grantor has made no statement, representation or warranty relating to the Property upon which Easement Grantee has relied or that acted as an inducement for Easement Grantee to enter into this Agreement. Easement Grantee's obligations under this Agreement may not be altered or amended in any respect except by a writing executed by both Easement Grantee and Grantor. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, Grantor and Easement Grantee have caused this Agreement to be duly executed as of the date first written above.

GRANTOR:

PACIFIC GAS AND ELECTRIC COMPANY,  
a California corporation

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

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

EASEMENT GRANTEE:

BEAR YUBA LAND TRUST,  
a California corporation

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

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

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

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

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

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



**ATTACHMENT A**  
**LEGAL DESCRIPTION**

**CERTIFICATE OF ACKNOWLEDGMENT  
OF NOTARY PUBLIC**

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ ) §§

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

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

WITNESS my hand and official seal.

\_\_\_\_\_  
Notary Public (Seal)

**CERTIFICATE OF ACKNOWLEDGMENT  
OF NOTARY PUBLIC**

STATE OF CALIFORNIA )  
 ) §§  
COUNTY OF \_\_\_\_\_ )

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

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

WITNESS my hand and official seal.

\_\_\_\_\_ (Seal)  
Notary Public

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

1st Light Energy	Douglass & Liddell	Occidental Energy Marketing, Inc.
AT&T	Downey & Brand	OnGrid Solar
Alcantar & Kahl LLP	Ellison Schneider & Harris LLP	Pacific Gas and Electric Company
Anderson & Poole	G. A. Krause & Assoc.	Praxair
BART	GenOn Energy Inc.	Regulatory & Cogeneration Service, Inc.
Barkovich & Yap, Inc.	GenOn Energy, Inc.	SCD Energy Solutions
Bartle Wells Associates	Goodin, MacBride, Squeri, Schlotz & Ritchie	SCE
Braun Blasing McLaughlin, P.C.	Green Power Institute	SDG&E and SoCalGas
CENERGY POWER	Hanna & Morton	SPURR
California Cotton Ginners & Growers Assn	In House Energy	San Francisco Public Utilities Commission
California Energy Commission	International Power Technology	Seattle City Light
California Public Utilities Commission	Intestate Gas Services, Inc.	Sempra Utilities
California State Association of Counties	K&L Gates LLP	SoCalGas
Calpine	Kelly Group	Southern California Edison Company
Casner, Steve	Linde	Spark Energy
Center for Biological Diversity	Los Angeles County Integrated Waste Management Task Force	Sun Light & Power
City of Palo Alto	Los Angeles Dept of Water & Power	Sunshine Design
City of San Jose	MRW & Associates	Tecogen, Inc.
Clean Power	Manatt Phelps Phillips	Tiger Natural Gas, Inc.
Coast Economic Consulting	Marin Energy Authority	TransCanada
Commercial Energy	McKenna Long & Aldridge LLP	Utility Cost Management
County of Tehama - Department of Public Works	McKenzie & Associates	Utility Power Solutions
Crossborder Energy	Modesto Irrigation District	Utility Specialists
Davis Wright Tremaine LLP	Morgan Stanley	Verizon
Day Carter Murphy	NLine Energy, Inc.	Water and Energy Consulting
Defense Energy Support Center	NRG Solar	Wellhead Electric Company
Dept of General Services	Nexant, Inc.	Western Manufactured Housing Communities Association (WMA)
Division of Ratepayer Advocates	North America Power Partners	