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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric
Company (U 39 E) for Approval Under Public
Utilities Code Section 851 to Lease Entitlements
to Transmission Projects to Citizens Energy
Corporation.

(U 39 E)

Application No. 24-03-_____
(Filed March ____, 2024)

**APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)
FOR APPROVAL UNDER PUBLIC UTILITIES CODE SECTION 851
TO LEASE ENTITLEMENTS TO TRANSMISSION PROJECTS
TO CITIZENS ENERGY CORPORATION**

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TO CITIZENS ENERGY CORPORATION**

Pacific Gas and Electric Company (“PG&E”) seeks California Public Utilities Commission (“CPUC” or “Commission”) approval under Section 851 of the California Public Utilities Code to lease Entitlements¹ to certain PG&E transmission projects to a wholly owned subsidiary of Citizens Energy Corporation subject to the terms and conditions of the investment program (“Investment Program”) created by the attached Development, Coordination, and Option Agreement (“DCOA”) (Attachment 1). PG&E and Citizens Energy Corporation (together with its wholly owned subsidiary Citizens Pacific Transmission LLC, “Citizens”²) executed the DCOA on February 20, 2024.

¹ Entitlements are defined in Appendix A to the California Independent System Operator Corporation (“CAISO”) Tariff as “[t]he right of a Participating [Transmission Owner] obtained through contract or other means to use another entity’s transmission facilities for the transmission of Energy.” *See* CAISO Fifth Replacement FERC Electronic Tariff, Appendix A, Entitlements.

² The DCOA is an agreement between PG&E and Citizens Energy Corporation. Citizens Pacific Transmission LLC is an indirect wholly owned subsidiary of Citizens Energy Corporation and is the entity that Citizens Energy Corporation expects to enter into leases with PG&E pursuant to the DCOA. The DCOA permits Citizens Energy Corporation to select a wholly owned subsidiary other than Citizens Pacific Transmission LLC to enter into leases with PG&E.

I. INTRODUCTION

Commission approval to lease Entitlements to Citizens pursuant to the Investment Program would provide substantial benefits to PG&E's customers and the public. It would allow PG&E to efficiently access up to \$1.0 billion in capital and accelerate PG&E's development of electric infrastructure necessary to meet California's decarbonization goals, while increasing capacity, reliability, asset health, and the interconnection of generation (including renewable generation) and load on the PG&E system, and continuing to provide electric service to PG&E customers at fair and reasonable rates. In addition, an important feature of the Investment Program is that Citizens—a non-profit charitable corporation founded in 1979 by Joseph P. Kennedy II, son of the late Senator Robert F. Kennedy—will use a substantial portion of its resulting net after-tax profits to fund energy-related charitable programs for disadvantaged communities and low-income families in PG&E's service territory in Northern and Central California.

The testimony submitted with this Application demonstrates leasing Entitlements to Citizens pursuant to the Investment Program is in the public interest and offers benefits for customers. Citizens' involvement also will bring tangible benefits to disadvantaged communities and low-income families in PG&E's service territory.

The Investment Program is closely modeled on two transactions between Citizens and San Diego Gas & Electric Company ("SDG&E") that the Commission authorized in Decision 11-05-048 ("Sunrise Section 851 Decision") and Decision 19-03-024 ("Sycamore Section 851 Decision").³ Those decisions approved leases—substantially similar to the leases contemplated here—under which subsidiaries of Citizens leased Entitlements in two SDG&E transmission lines: the Sunrise Powerlink Transmission Project ("Sunrise Project") and the Sycamore-Penasquitos Transmission Project ("Sycamore Project"), respectively. The lease arrangements the Commission approved in the Sunrise Section 851 Decision and the Sycamore Section 851

³ D.11-05-048 (Sunrise Section 851 Decision), 2011 Cal. PUC Lexis 302 (Cal. P.U.C.); D.19-03-024 (Sycamore Section 851 Decision), 2019 WL 1571659 (Cal. P.U.C.).

Decision have yielded significant benefits to disadvantaged communities and low-income families in Imperial County and San Diego County through low-income energy assistance investments Citizens has made in accordance with the terms of those transactions and the Commission's decisions.

The Investment Program between PG&E and Citizens expands upon the Citizens/SDG&E transactions. Under the Investment Program, subject to Commission approval, PG&E may offer Citizens up to five separate options to lease Entitlements to PG&E high-voltage transmission projects that will be identified in the relevant lease and will meet specified eligibility requirements, for a total Citizens investment of up to \$1.0 billion. This multi-project, multi-lease approach will allow for a much larger total investment by Citizens, promote cost and timing efficiencies, and allow PG&E to access a much larger pool of capital—up to \$1.0 billion—to expedite the development of needed energy infrastructure in California. The benefits to disadvantaged communities and low-income families also will be significantly greater than the already substantial benefits Citizens' previously approved investments in the SDG&E Sunrise and Sycamore Projects have achieved. The Investment Program also incorporates enhanced ratepayer protections.

To realize these benefits, PG&E respectfully requests that the Commission authorize PG&E to lease Entitlements to Citizens pursuant to the terms and conditions of the Investment Program that the DCOA establishes.

II. BACKGROUND

A. Citizens Energy Corporation and Citizens Pacific Transmission LLC

Citizens Energy Corporation is a non-profit Massachusetts corporation exempt from federal taxes under Internal Revenue Code ("IRC") § 501(c)(4), with its principal headquarters located in Boston, Massachusetts. As the prepared testimony of Citizens' Chief Executive

Officer Peter F. Smith (Chapter 5⁴) explains, Citizens is a Federal Energy Regulatory Commission (“FERC”) jurisdictional public utility, whose commercial subsidiaries support a wide array of social and charitable programs in the United States and abroad.

Founded in Boston by Joseph P. Kennedy II in 1979, Citizens became a leading innovator in the energy and health care fields and used its entrepreneurial ventures to help people in need in the United States, Africa, Central and South America, and the Caribbean. Since 2004, Citizens has sought opportunities to alleviate transmission constraints and promote the development of renewable electric resources while continuing to assist the economically vulnerable. Citizens is accomplishing these objectives through its involvement in transmission projects, including its partnerships with SDG&E in the Sunrise and Sycamore Projects. A Citizens subsidiary made an \$86 million investment in the Sunrise Project, financing 50% of the cost of a 500 kilovolts (“kV”) segment of the transmission line in Imperial County. Another Citizens subsidiary made a \$27 million investment in the Sycamore Project in San Diego County. As the Commission recognized in the Sunrise Section 851 Decision, “Citizens promotes both renewable energy and mitigating the cost of this more expensive resource through its public interest entities and donating money to help the most economically vulnerable pay their electric bills.”⁵

Citizens Energy Corporation is structured as a non-profit company that owns 100% of a for-profit holding company, which in turn wholly owns several for-profit subsidiaries, including Citizens Enterprises Corporation. Citizens expects to use Citizens Pacific Transmission LLC, a Delaware limited liability company and wholly owned subsidiary of Citizens Enterprises Corporation, to effectuate the leases of Entitlements under the Investment Program.

⁴ References to Chapters of testimony in this Application refer to the concurrently served prepared testimony in support of this Application (“Prepared Testimony”).

⁵ D.11-05-048 at 15 (Sunrise Section 851 Decision), 2011 Cal. PUC LEXIS 302 (Cal. P.U.C.), at *22.

Citizens relies on profits from the businesses it owns and operates to generate revenues for charitable and social programs. As a key component of the Investment Program, Citizens will dedicate an escalating portion (initially 50% and escalating up to 90%) of the net after-tax profits attributable to its lease interests to assist disadvantaged communities and low-income families in PG&E's service territory. This charitable contribution component of the Investment Program is modeled on—and will greatly expand upon—the charitable assistance Citizens has been providing to residents of Imperial and San Diego Counties pursuant to Citizens' commitments to contribute to charitable causes 50% of its net after-tax profits from its leasehold interest in the Sunrise and Sycamore Projects. Those two prior investments by Citizens have yielded, to date, more than \$18 million of direct assistance to disadvantaged communities and low-income families in Imperial and San Diego Counties. As Mr. Smith's testimony explains, Citizens has focused its charitable contributions from its investment in the Sunrise Project on rooftop and community solar programs in Imperial County and has focused its charitable contributions from its investment in the Sycamore Project on transportation electrification projects in San Diego County.

B. Key Features of the Investment Program

PG&E and Citizens executed the DCOA on February 20, 2024. Under the DCOA, PG&E may offer Citizens up to five separate options to lease Entitlements to PG&E high-voltage transmission projects that will be identified in the relevant Entitlements Lease⁶ and will meet specified eligibility requirements. If PG&E and Citizens (collectively, the "Parties") close on a given option, the Parties will enter into a 30-year "Entitlements Lease" for the applicable group of projects. Entitlements are defined in Appendix A to the California Independent System Operator Corporation ("CAISO") Tariff as "[t]he right of a Participating [Transmission Owner] obtained through contract or other means to use another entity's transmission facilities for the

⁶ A Form of Entitlements Lease ("Entitlements Lease") is Exhibit A to the DCOA, which in turn is Attachment 1 to this Application.

transmission of Energy.”⁷ To be clear, Citizens will not be leasing the physical projects, only Entitlements to—or more simply, rights to use—the projects.

Citizens’ leasehold percentage interest in the Entitlements to any given project will be capped at 49.9%. The Investment Program involves *only* the lease of Entitlements to Citizens. PG&E will retain full ownership of the projects subject to any Entitlements Lease and will remain responsible for the development, design, permitting, engineering, procurement, construction, operation, and maintenance of the projects. The relevant transmission projects will be under the operational control of CAISO (or its successor) for the 30-year term of the applicable Entitlements Lease. At the end of an Entitlements Lease, the relevant Entitlements will revert back to PG&E free and clear of any liens or encumbrances.

Under the DCOA, the aggregate value of the Entitlements that may be leased to Citizens pursuant to the Investment Program is capped at \$1.0 billion. The Parties expect this amount to be allocated roughly into five separate Entitlements Leases averaging \$200 million each. The DCOA, however, provides flexibility to adjust the dollar value of each Entitlements Lease, subject to the total investment cap of \$1.0 billion and the 49.9% Citizens leasehold interest limit noted above.

The Investment Program is modeled on and substantially similar to the two successful Citizens/SDG&E transactions that the Commission approved in the Sunrise Section 851 Decision and the Sycamore Section 851 Decision. The DCOA includes the following key features, which the testimony of PG&E witness Michael Medeiros (Chapter 2 of the Prepared Testimony) describes in greater detail.

1. Project Selection

Over the term of the DCOA, PG&E will have the opportunity to offer Citizens up to five options to enter into Entitlements Leases pertaining to an identified list of transmission projects that PG&E provides to Citizens in advance (“Project List”). Each Project List will identify each

⁷ CAISO Fifth Replacement FERC Electronic Tariff, Appendix A, Entitlements.

project and include PG&E's estimated costs to develop, design, permit, engineer, procure, and construct each project. It also will include the estimated Citizens leasehold percentage interest in the Entitlements to and project rent due for each project. The DCOA sets forth specific criteria that must be satisfied for each transmission project before PG&E can include it on a Project List to be submitted to Citizens. The project eligibility criteria in the DCOA are as follows: (1) the expected Citizens leasehold percentage interest of the capital costs of the proposed project must not already be included in PG&E's existing FERC transmission rates for purposes of cost recovery; (2) the proposed project must be expected to be eligible for cost recovery directly from CAISO through the CAISO High-Voltage Transmission Access Charge ("TAC"), which is a FERC-regulated transmission rate; (3) the proposed project must be expected to operate at 200kV or above; and (4) the proposed project must have received all regulatory approvals and permits necessary at that time, including, to the extent applicable, having undergone review under the California Environmental Quality Act ("CEQA"). Under the DCOA, transmission projects that may be subject to Entitlements Leases include electric transmission facilities, upgrades, rebuilds, and expansions that meet the specified criteria.

2. Prepaid Rent for Leasehold Interest in Entitlements

Upon execution of an Entitlements Lease, Citizens will prepay the rent due to PG&E for Citizens' 30-year leasehold interest in the Entitlements as "Prepaid Rent." This lump sum payment will equal the sum of the "Project Costs" (as defined in the applicable Entitlements Lease) of each of the projects subject to that Entitlements Lease multiplied by Citizens' leasehold percentage interest in the Entitlements to such projects (which cannot exceed 49.9% for any individual project). For example, if the total Project Costs for the Projects subject to an Entitlements Lease are \$500 million and Citizens' leasehold percentage interest in the Entitlements is 40%, then the total Prepaid Rent due to PG&E at execution will be \$200 million.

As with the prior Citizens/SDG&E transactions, the Prepaid Rent payment will confer on Citizens a leasehold percentage interest in Entitlements to the specified group of PG&E

transmission projects for the duration of the 30-year Entitlements Lease (subject to the terms of the Entitlements Lease). Citizens will be entitled to the revenue associated with the use of its Entitlements, which will be paid directly to it by CAISO through the High-Voltage TAC. At the end of the applicable Entitlements Lease, Citizens' leasehold interest in the Entitlements will revert back to PG&E, free and clear of any liens or encumbrances.

3. Flexibility

If the Investment Program follows the expected annual cadence and if Citizens exercises each of its options as expected, PG&E expects that Citizens will invest on average approximately \$200 million per year over a five-year period pursuant to five Entitlements Leases, for a total Citizens investment of \$1.0 billion. The DCOA, however, provides the Parties with flexibility in the timing and sizing of, as well as the ability to skip, options. PG&E also will have the ability to make certain modifications to a Project List submitted to Citizens prior to execution of the applicable Entitlements Lease.

This flexibility is important so that PG&E can account for the complexity and multi-year nature of transmission development and tailor the multi-year Investment Program to focus on projects that meet its operational and customer needs at the relevant time. It will also allow the Parties to adapt to financing and market considerations that Citizens and PG&E will encounter over the term of the Investment Program and make adjustments to reflect the timing of required regulatory approvals.

4. Ratepayer Protections and Benefits

The DCOA and Entitlements Lease include important ratepayer protections and benefits similar to those the Commission approved in the Sunrise and Sycamore Section 851 Decisions, plus certain additional ratepayer protections and enhanced benefits. The testimony of PG&E witnesses Michael Medeiros (Chapter 2 of the Prepared Testimony) and Divya Raman (Chapter 3 of the Prepared Testimony) and Citizens' expert witness Ronald E. Kennedy (Chapter 6 of the Prepared Testimony) discusses how the transaction documents require that: (1) the capital cost

component of Citizens' FERC rates be capped based on a "Representative Rate Model"; (2) Citizens' annual capital cost revenue requirement be fixed and levelized (i.e., equal) over the 30-year term of the applicable Entitlements Lease; (3) Citizens forgo recovery in rates of its (and its affiliates') own upfront and ongoing incremental costs associated with its involvement in the Investment Program; and (4) there be no "double recovery" by PG&E of the capital costs or the portion of expense costs that Citizens pays to PG&E.

5. No Guarantee of Cost Recovery

So long as PG&E is part of CAISO or a successor system operator, PG&E shall not be responsible to guarantee or financially support Citizens' cost recovery.

6. Operations and Maintenance and Additional Rent

PG&E will retain responsibility for the operations and maintenance ("O&M") of the projects subject to the Entitlements Leases. PG&E also will act as the interconnection agent for the projects subject to the Entitlements Leases.

Citizens, in turn, will be responsible for its proportionate share of the O&M costs and certain other expense costs PG&E incurs for each of the projects subject to an Entitlements Lease. More specifically, PG&E will charge Citizens "Additional Rent" for expense costs that PG&E incurs that are reasonably attributable to the Citizens Entitlements, including, but not limited to, a reasonable allocation of O&M costs; administrative and general activities; common, general, and intangible plant; the amortized cost of removing the projects; sales, use, payroll, and excise taxes; property taxes; and other costs FERC authorizes. Through a FERC-approved rate, PG&E will recover these costs from Citizens as Additional Rent. To protect against double recovery, PG&E is obligated to exclude from its own transmission rates for cost recovery any such Additional Rent allocated to Citizens. Citizens will recover its allocated Additional Rent through Citizens' rates, which will be filed with FERC and subject to FERC approval. This approach is consistent with the approach used in the prior Citizens/SDG&E transactions.

7. Transfer of Operational Control

Prior to entering into an Entitlements Lease, PG&E will transfer operational control over each applicable project to CAISO (or, if applicable at the time, a successor system operator). Upon executing an Entitlements Lease, Citizens will transfer operational control of the leased Entitlements to CAISO (or, if applicable at the time, a successor system operator). This transfer will ensure that the portion of the projects subject to the Entitlements Lease will be made available to CAISO customers on a comparable, non-discriminatory basis.

8. The Entitlements Leases Are Structured Pursuant to Internal Revenue Code (“IRC”) § 467

Consistent with the prior Citizens/SDG&E transactions, PG&E and Citizens agreed to structure the Entitlements Leases as IRC § 467 leases to obtain the increased certainty about tax treatment that both Parties desire and to spread the income and expense items for tax purposes over the life of the applicable Entitlements Leases in accordance with IRC § 467 and the Treasury regulations thereunder. The testimony of PG&E witness James Higham, Jr. (Chapter 4 of the Prepared Testimony) provides additional details.

9. Citizens’ Contributions to Programs Supporting Disadvantaged Communities and Low-Income Families

An overarching goal of the Investment Program is to ensure that disadvantaged communities and low-income families within PG&E’s service territory can more fully participate in and benefit from the clean energy transition in California. In Citizens’ previous transactions with SDG&E, Citizens agreed to dedicate 50% of its associated net after-tax profits to support energy-related charitable programs or entities assisting disadvantaged communities and low-income families. Under the Investment Program in this case, Citizens has contractually committed to dedicate escalating percentages of its associated net after-tax profits to supporting disadvantaged communities and low-income families in PG&E’s service territory based on the following schedule: (1) 50% of the net after-tax profits from the first \$200 million invested; (2) 60% of the net after-tax profits from the next \$200 million invested; (3) 70% of the net after-tax profits from the next \$200 million invested; (4) 80% of the net after-tax profits from the next

\$200 million invested; and (5) 90% of the net after-tax profits from the final \$200 million invested.

As Citizens witness Peter F. Smith explains in his testimony (Chapter 5 of the Prepared Testimony), Citizens currently estimates that if the full \$1.0 billion investment is realized under the Investment Program, over the terms of the contemplated Entitlements Leases (a total span of approximately 35 years), Citizens will contribute more than \$400 million to charitable programs that support disadvantaged communities and low-income families in PG&E's service territory. The total charitable contributions associated with the Investment Program thus are expected to be considerably higher than the expected charitable contributions from Citizens' prior investments in the Sunrise Project (approximately \$45 million) and the Sycamore Project (approximately \$14 million).

The significantly higher level of charitable contributions to disadvantaged communities and low-income families as compared to Citizens' prior transactions with SDG&E will be achievable because of the large size of the Investment Program and the greater efficiencies generated by its multi-project, multi-lease structure. Mr. Smith's testimony (Chapter 5 of the Prepared Testimony) provides additional details.

C. Related FERC Filings

Execution and implementation of the Investment Program is contingent on the Commission's approval of this Application, as well as FERC's approval of several forthcoming filings.

Prior to the execution of an Entitlements Lease with Citizens, PG&E must obtain approvals from FERC under Federal Power Act ("FPA") § 203 and, as applicable, § 205. The FPA § 203 filing (which will be made jointly by PG&E and Citizens) will request FERC authorization for PG&E to lease Entitlements to the identified projects to Citizens pursuant to the applicable Entitlements Lease. PG&E's FPA § 205 filing will seek approval of a formula rate

designed to recover from Citizens (in the form of Additional Rent) its portion of the O&M and other expense costs associated with the applicable projects.

Citizens will also be required to submit filings to and obtain approvals from FERC to effectuate and finance the Entitlements Leases. Within 30 days of the filing of this Application, Citizens will submit to FERC a petition for a declaratory order that will seek FERC approval of Citizens' proposed rate methodologies for the recovery of its costs associated with the Entitlements Leases. Additionally, prior to the effective date of each Entitlements Lease, Citizens will make filings with FERC pursuant to FPA §§ 204 and 205 (in addition to the joint FPA § 203 filing mentioned above). The FPA § 204 filing will request authorization for Citizens to issue securities necessary to finance its payment of Prepaid Rent for the applicable Entitlements Lease. Citizens' FPA § 205 filing will implement the rate methodology approved in FERC's declaratory order and will seek approval of the justness and reasonableness of Citizens' CAISO Participating Transmission Owner ("PTO") tariff or revisions thereto and the transmission revenue requirement for the leasehold interests it will acquire in the applicable Entitlements Lease.⁸

D. Precedent Supporting This Request

The Commission reviews transactions under Section 851 to ensure they are "not adverse to the public interest" and has determined that "transactions that are in the public interest are to be encouraged."⁹ The Investment Program between PG&E and Citizens, including the underlying Entitlements Leases, is closely modeled on Citizens' two prior transactions with SDG&E, both of which the Commission approved under Section 851. Like Citizens' prior transactions with SDG&E, each investment under the Investment Program will involve an

⁸ In connection with these FERC filings, Citizens will also submit an application to CAISO seeking PTO status.

⁹ D.19-03-024 at 9-10 (Sycamore Section 851 Decision), 2019 WL 1571659 (Cal. P.U.C.), at *5 (internal quotations omitted); D.11-05-048 at 9 (Sunrise Section 851 Decision), 2011 Cal. PUC LEXIS 302 (Cal. P.U.C.), at *13-14.

upfront payment by Citizens (in the form of Prepaid Rent) in exchange for a 30-year leasehold interest in a portion of the CAISO High-Voltage TAC revenue stream associated with the relevant transmission project(s). Like the prior transactions, the DCOA and Entitlements Lease include provisions that provide for rate stability, protect against double recovery, and ensure operational control remains with CAISO (or, if applicable at the time, a successor system operator). Importantly, all of these transactions require that a significant portion of Citizens' net after-tax profits be used to fund charitable programs benefiting disadvantaged communities and low-income families. The PG&E Investment Program will involve multiple transmission projects and multiple leases over a multi-year period with larger expected lease values and substantially greater charitable giving commitments than Citizens' prior transactions with SDG&E. The substance and intent of the Investment Program, however, are essentially the same as the leases for the Sunrise and Sycamore Projects, both of which the Commission and FERC approved.

In its Sunrise and Sycamore Decisions, the Commission found that the SDG&E and Citizens transactions were in the public interest.¹⁰ Here, in addition to the benefits realized in the prior Citizens/SDG&E transactions, the size and scope of the Investment Program allow for additional ratepayer protections and benefits. First, Citizens has agreed that it will not recover in rates its upfront and ongoing incremental costs. Second, Citizens has committed to escalating levels of assistance to disadvantaged communities and low-income families (both in terms of the percentage of net after-tax profits committed and the overall amount that will be contributed). Customers therefore will not bear any incremental costs that Citizens may incur to participate in the Investment Program and their communities will enjoy additional objective and significant benefits.

¹⁰ D.11-05-048 (Sunrise Section 851 Decision), 2011 Cal. PUC LEXIS 302 (Cal. P.U.C.); D.19-03-024 (Sycamore 851 Decision), 2019 WL 1571659 (Cal. P.U.C.).

E. Overview of Testimony

This Application is supported by the following prepared testimony from PG&E and Citizens witnesses:

- Chapter 1: Overview and Policy. Testimony of Barry J. Bentley, Senior Vice President – Electric Engineering at PG&E: describes the purpose of the Investment Program and its benefits.
- Chapter 2: The Investment Program. Testimony of Michael Medeiros, Senior Director – Electric Technology & Information Strategy at PG&E: describes the key details of the Investment Program.
- Chapter 3: Investment Program Rate Implications. Testimony of Divya Raman, Manager – Economic Analysis at PG&E: describes the rate implications of the Investment Program.
- Chapter 4: Tax. Testimony of James Higham Jr., Senior Manager – Tax at PG&E: describes special tax implications due to the classification of Entitlements Leases as IRC § 467 leases.
- Chapter 5: Citizens Energy – Introduction and Participation in Investment Program. Testimony of Peter F. Smith, Chief Executive Officer of Citizens: describes Citizens and its charitable commitments under the Investment Program.
- Chapter 6: Citizens Energy – Economic Benefits. Testimony of Ronald E. Kennedy, Director of Transmission Strategy Practice at MCR Performance Solutions, on behalf of Citizens: describes the economic impact of the Investment Program on ratepayers.

III. THE APPLICATION SHOULD BE APPROVED

Section 851 provides, in relevant part, that:

A public utility ... shall not sell, lease, assign, mortgage, or otherwise dispose of, or encumber the whole or any part of its ... line, plant, system, or other property necessary or useful in the performance of its duties to the public, ... without first having ... secured an order from the commission

authorizing it to do so for qualified transactions valued above five million dollars...¹¹

The Commission has explained that it “has a long-standing policy to apply the standard of ‘not adverse to the public interest’ as a standard of review for applications requesting approval under Pub. Util. Code § 851.”¹² To evaluate whether a proposed transaction meets this standard, the Commission examines whether the transaction “will 1) negatively impact the delivery of electric service to the public, and 2) allow the public to continue receiving electric service at fair and reasonable rates.”¹³ The Commission then evaluates whether the proposed transaction “will provide benefits to the public interest.”¹⁴

As PG&E witness Barry J. Bentley discusses in his testimony (Chapter 1 of the Prepared Testimony), each of the following factors demonstrates that leasing Entitlements to Citizens pursuant to the Investment Program is not adverse to the public interest and will provide substantial benefits to the public interest.

A. Benefits

1. Support for PG&E’s Infrastructure Needs and Financial Health

California’s decarbonization and risk reduction goals require significant capital investment. For example, support for electric vehicles, electrification of buildings, and interconnection of new renewable and energy storage facilities will require meaningful investments to increase the capacity of the transmission and distribution system, along with ongoing investments to ensure the continued safety, reliability, and health of the existing electricity delivery system. Under the Investment Program, Citizens will provide PG&E with up to \$1.0 billion that will enable PG&E to accelerate these important investments. These

¹¹ Cal. Pub. Util. Code § 851(a).

¹² D.19-03-024 at 9 (Sycamore Section 851 Decision), 2019 WL 1571659 (Cal. P.U.C.), at *5.

¹³ D.19-03-024 at 10 (Sycamore Section 851 Decision), 2019 WL 1571659 (Cal. P.U.C.), at *5.

¹⁴ *Id.*

investments will benefit PG&E customers and, as the Commission found in the Sunrise Section 851 Decision,¹⁵ energy infrastructure development will benefit the public by improving employment opportunities and the tax base in the PG&E electric service territory. Additionally, PG&E will use the proceeds from the Entitlements Leases as a source of funding for PG&E's utility capital expenditure program, including investments in electric transmission and distribution system safety and reliability upgrades, risk mitigation, and investments in electrification and related efforts to combat climate change.

In addition, as the Commission has recognized, ratepayers have a general interest in PG&E's return to financial health and an investment-grade issuer credit rating.¹⁶ The Investment Program will raise capital without impacting PG&E's credit metrics. In doing so, the Investment Program promotes PG&E's financial health, to the benefit of customers.¹⁷

2. Support for Disadvantaged Communities and Low-Income Families

A key aspect of the Investment Program is Citizens' contractual commitment to contribute a significant portion of its net after-tax profits from its leased Entitlements to

¹⁵ D.11-05-048 at 13 (Sunrise Section 851 Decision), 2011 Cal. PUC LEXIS 302 (Cal. P.U.C.), at *19.

¹⁶ See, e.g., D.03-12-035, Appendix C, Statement of Intent (5) (*In Re Pac. Gas & Elec. Co.*), 230 P.U.R.4th 101, 2002 Cal. PUC Lexis 1051 (Cal. P.U.C.), at *144 ("It is in the public interest to restore PG&E to financial health and to maintain and improve PG&E's financial health in the future to ensure that PG&E is able to provide safe and reliable electric and gas service to its customers at just and reasonable rates."); D.04-03-009 at 25 (*In re Pac. Gas & Elec. Co.*), 2004 Cal. PUC Lexis 72 (Cal. P.U.C.), at *43 ("The record demonstrates that creditworthiness was important to obtaining low cost credit and financing of major projects that would benefit ratepayers."); D.19-10-056 at 39 (*Order Instituting Rulemaking to Consider Authorization of a Non-Bypassable Charge to Support California's Wildfire Fund*), 2019 Cal. PUC Lexis 673 (Cal. P.U.C.), at *46 ("[A]ll else being equal, the prevention of credit rating downgrades for electrical corporations reduces ratepayer costs.").

¹⁷ The Investment Program would complement PG&E's other efforts to raise capital to improve the company's financial health, including the proposal to transfer substantially all of PG&E's non-nuclear generation assets to a new subsidiary and to sell minority equity interests in such subsidiary to one or more third-party investors. See *Application of Pac. Gas & Elec. Co. (U 39 E) & Pac. Generation LLC for Approval to Transfer Certain Generation Assets*, A.22-09-018 (filed Sept. 28, 2022).

charitable assistance to disadvantaged communities and low-income families in PG&E's service territory. Under the Investment Program, Citizens has agreed to dedicate escalating percentages of its net after-tax profits to energy-related charitable programs and entities that support disadvantaged communities and low-income families on the following schedule:

1. 50% of the net after-tax profits from the first \$200 million invested;
2. 60% of the net after-tax profits from the next \$200 million invested;
3. 70% of the net after-tax profits from the next \$200 million invested;
4. 80% of the net after-tax profits from the next \$200 million invested; and
5. 90% of the net after-tax profits from the final \$200 million invested.

As Peter F. Smith explains in his testimony (Chapter 5 of the Prepared Testimony), Citizens currently estimates that if the full \$1.0 billion investment is realized under the Investment Program, over the lives of the contemplated Entitlements Leases (approximately 35 years), Citizens will contribute more than \$400 million to charitable programs that enable disadvantaged communities and low-income families to participate in California's clean energy initiatives.

In its prior transactions with SDG&E, Citizens committed to contribute 50% of its net after-tax profits to disadvantaged communities and low-income families. As Mr. Smith explains in his testimony (Chapter 5 of the Prepared Testimony), the Citizens charitable contributions from those previous transactions are providing significant benefits to the public through funding for rooftop and community solar projects in Imperial County and funding for electric vehicles and other forms of emissions-free transportation service in San Diego County.

In approving Citizens' transactions with SDG&E, the Commission found that Citizens' charitable commitments provide "a significant public benefit"¹⁸ that "not only benefits disadvantaged and low-income communities ... but also supports the state's implementation of

¹⁸ D.11-05-048 at 12 (Sunrise Section 851 Decision), 2011 Cal. PUC LEXIS 302 (Cal. P.U.C.), at *18.

[Senate Bill ('SB')] 350.”¹⁹ As the Commission explained in approving Citizens’ investment in the Sycamore Project, Citizens’ contributions will support key goals of SB 350, which “promotes clean energy programs ... to achieve goals for greenhouse-gas reduction and encourages more access of these programs for low-income and disadvantaged communities.”²⁰

Here, the size and structure of the Investment Program will allow Citizens to commit to far greater levels of charitable assistance to disadvantaged communities and low-income families, both in terms of the percentage of net after-tax profits committed and the overall amount that will be contributed. As such, the Investment Program will provide significant public benefits.

3. Rate Certainty and Rate Stability

Citizens’ capital cost recovery (i.e., the recovery of the Prepaid Rent paid to PG&E at the outset of an Entitlements Lease and financing costs, capped at one percent of Prepaid Rent) will be the largest component of the rate Citizens will charge CAISO customers. As PG&E witnesses Michael Medeiros (Chapter 2 of the Prepared Testimony) and Divya Raman (Chapter 3 of the Prepared Testimony) and Citizens expert witness Ronald E. Kennedy (Chapter 6 of the Prepared Testimony) explain in their respective testimony, the capital component of Citizens’ rate for each Entitlements Lease will be capped and locked-in for the full 30-year term of that Entitlements Lease, absent a change in law. Customers will benefit from Citizens securing 100% of its required financing at the outset and locking in capital cost recovery over the 30-year Entitlements Lease term. Additionally, Citizens’ annual capital cost revenue requirements will be levelized (i.e., equal) over the 30-year lease periods, providing further rate certainty.

These features of the Investment Program are modeled on the approach Citizens used in its prior transactions with SDG&E. In approving Citizens’ investment in the Sycamore Project, the Commission explained that “Citizens’ fixed capital costs provide rate stability to ratepayers.

¹⁹ D.19-03-024 at 18 (Sycamore Section 851 Decision), 2019 WL 1571659 (Cal. P.U.C.), at *10.

²⁰ *Id.*

They also protect ratepayers from changes in money costs caused by fluctuations in the market. Furthermore, the rate stability and protection from market fluctuations provide tangible benefits to ratepayers.”²¹ The same benefits are present here.

4. Remaining Useful Life of Projects Subject to Entitlements Leases

By the expiration of an Entitlements Lease, the capital costs for the portions of the projects that were subject to Citizens’ leasehold interest will have been fully depreciated. Since the leased Entitlements to the projects revert to PG&E at the expiration of an Entitlements Lease, customers will receive the benefit for the remaining useful life of those facilities without being charged for their capital costs for such period, as PG&E witness Michael Medeiros explains in his testimony (Chapter 2 of the Prepared Testimony). As the Commission found in the Sycamore Section 851 Decision,²² customers’ ability to continue using the relevant transmission projects for their remaining useful lives after they are fully depreciated is a net benefit to customers.

5. Diverse Interests in Transmission Development

Citizens is not a public utility that has an obligation to serve and thus is significantly different from a traditional utility. As the Commission recognized when approving Citizens’ investment in the Sunrise Project, “having Citizens’ as a new, non-utility participant” in transmission development in California “is a positive element” of the Investment Program.²³ As with the Sunrise Project, authorizing leases of Entitlements pursuant to the Investment Program would lead to “the presence of another firm with a significant interest in transmission investment” in PG&E’s electric service territory, which “increases the potential for such

²¹ D.19-03-024 at 16 (Sycamore Section 851 Decision), 2019 WL 1571659 (Cal. P.U.C.), at *8.

²² D.19-03-024 at 19-20 (Sycamore Section 851 Decision), 2019 WL 1571659 (Cal. P.U.C.), at *10.

²³ D.11-05-048 at 14 (Sunrise Section 851 Decision), 2011 Cal. PUC LEXIS 302 (Cal. P.U.C.), at *21.

development, and ... would make it more likely than not that Citizens will become and remain a viable competitor in transmission development” beyond its current interests in the state.²⁴

B. Protection Against Adverse Impacts

1. Ratepayer Protections Will Allow Customers to Continue to Receive Electric Service at Fair and Reasonable Rates

The Investment Program includes important ratepayer protections that are modeled and expand on the ratepayer protections in the prior Citizens/SDG&E transactions. These protections are summarized below and described in greater detail in the testimony of PG&E witnesses Michael Medeiros (Chapter 2 of the Prepared Testimony) and Divya Raman (Chapter 3 of the Prepared Testimony).

Like SDG&E in the prior Citizens transactions, PG&E was concerned about the rates Citizens could obtain at FERC in connection with its participation in the Investment Program. Accordingly, and consistent with the Citizens/SDG&E transactions, PG&E and Citizens have agreed to cap the capital cost component of Citizens’ FERC rate at an approximation of the rate PG&E could charge at the time of execution of an Entitlements Lease for the portion of the transmission projects subject to Citizens’ leasehold interests (i.e., if PG&E held 100% of the Entitlements). The Parties will use the Representative Rate Model in the Entitlements Lease to generate the approximate PG&E rate at the time the applicable Entitlements Lease is executed (“PG&E Representative Rate”). This structure is closely modeled on the Citizens/SDG&E transactions, which included similar models that the Commission reviewed and approved.²⁵

Additionally, the Investment Program is structured to prevent double recovery of any project-related costs. More specifically, the transaction documents include express provisions: (1) requiring that an amount equal to or greater than the expected Citizens leasehold percentage

²⁴ *Id.*

²⁵ See D.19-03-024 at 12-14 (Sycamore Section 851 Decision), 2019 WL 1571659 (Cal. P.U.C.), at *6-7; D.11-05-048 at 19 (Sunrise Section 851 Decision), 2011 Cal. PUC LEXIS 302 (Cal. P.U.C.), at *29-31.

interest of the capital costs of each project must not already be included in PG&E's existing FERC transmission rates for purposes of cost recovery; (2) requiring that PG&E exclude from its transmission rates for cost recovery an amount of dollars equivalent to the total Prepaid Rent received from Citizens; and (3) requiring that PG&E exclude from PG&E's transmission rates for cost recovery an amount equivalent to the Additional Rent allocated to Citizens. These principles are consistent with the Citizens/SDG&E transactions, which the Commission found to adequately protect against double recovery.²⁶ Here, as an added protection, PG&E and Citizens expressly incorporated these protections into the DCOA.²⁷

The Investment Program also provides additional customer protection compared to the prior Commission-approved transactions between SDG&E and Citizens.²⁸ Namely, the DCOA and Entitlements Lease expressly require that Citizens be responsible for the Citizens-specific incremental costs associated with its involvement in the Investment Program and will not recover these costs in customer rates. Citizens is able to offer this additional protection here because of the size and multi-year structure of the Investment Program.

2. Electric Service to the Public Will Not Be Negatively Impacted

Under the Entitlements Leases, PG&E will retain responsibility for the operations and maintenance of the projects. Additionally, Citizens will be required to transfer operational control of the leased Entitlements to CAISO (or, if applicable at the time, a successor system operator). This transfer will ensure that the portion of the projects subject to the Entitlements Lease will be made available to customers on a comparable, non-discriminatory basis. In its

²⁶ See D.11-05-048 at 19 (Sunrise Section 851 Decision), 2011 Cal. PUC LEXIS 302 (Cal. P.U.C.), at *28-29.

²⁷ DCOA §§ 3.4(a)(i), 4.6.

²⁸ See D.19-03-024 at 13-14 (Sycamore Section 851 Decision), 2019 WL 1571659 (Cal. P.U.C.), at *6-7.

decisions approving the Citizens/SDG&E transactions, the Commission found these requirements protect electric service to the public from being negatively affected.²⁹

C. Proposed Programmatic Authorization with Subsequent Information-Only Submittals

PG&E respectfully requests that the Commission: (1) authorize PG&E to lease Entitlements to Citizens pursuant to the terms and conditions of the Investment Program created by the DCOA and (2) authorize PG&E to submit information regarding Entitlements Leases and Citizens' charitable contributions through information-only submittals that do not require further action by the Commission.

PG&E's proposal for a programmatic Section 851 authorization with periodic information-only submittals regarding the Investment Program, including the underlying Entitlements Leases, strikes a careful balance from a regulatory perspective. It will allow for necessary efficiency in the execution of the Investment Program while providing the Commission and stakeholders with the information needed to track its progress and benefits.

A key to delivering the significant benefits of the Investment Program to customers and communities in the PG&E service territory lies in the efficiency with which PG&E and Citizens will be able to execute and effectuate Entitlements Leases that comply with the terms of the DCOA while minimizing delays and implementation costs. Multiple investments by Citizens over the term of the DCOA will permit PG&E to accelerate required electric infrastructure investments necessary to meet California's decarbonization goals, while increasing capacity, reliability, asset health, and the interconnection of generation (including renewable generation) and load on the PG&E system. The ability to move forward efficiently with each Entitlements Lease will enable PG&E to plan effectively and execute its capital plan with certainty. The proposed programmatic approach also minimizes the Investment Program's regulatory and

²⁹ See D.19-03-024 at 10-11 (Sycamore Section 851 Decision), 2019 WL 1571659 (Cal. P.U.C.), at *5-6; D.11-05-048 at 22 (Sunrise Section 851 Decision), 2011 Cal. PUC LEXIS 302 (Cal. P.U.C.), at *33.

administrative costs, which results in a larger pool of net after-tax profits for Citizens that can be used to maximize support for disadvantaged communities and low-income families.

The Commission in prior cases has approved similar programmatic approaches to regulatory approvals for important projects. In 2016, for example, the Commission approved a set of “[m]aster [a]greements” between California utilities and the California High-Speed Rail Authority (“CHSRA”) related to a series of subordinate contracts for the relocation of utility facilities as construction on the project progressed.³⁰ The arrangement between the parties included a “streamlined information-only filing process ... to timely approve the numerous utility facility relocations and land rights transfers that will be required for the CHSRA Project.”³¹ In approving the programmatic nature of the parties’ chosen process as satisfying the requirements of Section 851, the Commission recognized that this programmatic approach both protected ratepayer interests and enabled an efficient approval process needed to support the project.³² The same is true here.

Similarly, the Commission has previously approved under Section 851 a utility’s “master” agreements and associated standard contracts for future leases to a telecommunications provider.³³ In its application, the utility requested the ability to use the standard agreements for leases to be entered in the future, with the goal of avoiding time-consuming and expensive negotiations with property owners and enabling the telecommunications provider to build out its network more quickly. The application noted that this approach would enhance California’s ability to develop, attract, and support businesses in need of advanced telecommunications

³⁰ Res. G-3498 (*Pac. Gas & Elec. Co.*), 2016 WL 6124247 (Cal. P.U.C.), at *1.

³¹ *Id.*

³² Res. G-3498 (*Pac. Gas & Elec. Co.*), 2016 WL 6124247 (Cal. P.U.C.), at *11 (finding that the parties’ approach would “ensure that the Commission protects ratepayer interests while efficiently processing all the necessary approvals for the required land rights transfers required for the CHSRA Project.”).

³³ D.04-02-042 (*S. Cal. Edison Co.*), 2004 WL 491887 (Cal. P.U.C.) (approved subject to requirement for utility to obtain Commission approval for any future substantive amendments to any of the agreements that were the subject of the application).

services, with a minimum of risk to utility ratepayers. Likewise, here, a programmatic approval will allow for efficient realization of the significant benefits associated with the Investment Program, enabling PG&E to accelerate development of necessary investments in California's energy delivery system while providing substantial charitable contributions by Citizens to support disadvantaged communities and low-income families in PG&E's service territory.

To provide the Commission with visibility into the Investment Program and the projects included in future Entitlements Leases, PG&E proposes to submit to the Commission on a periodic basis detailed information-only submittals that summarize key aspects of the Investment Program. Specifically, PG&E proposes that within 30 days of the execution of an Entitlements Lease, PG&E will provide to the Commission an information-only submittal that describes and appends a copy of the newly executed Entitlements Lease. This submittal will include a summary of transmission projects subject to the newly executed Entitlements Lease and will specify Citizens' leasehold percentage interest in the Entitlements to such projects. Notably, all projects subject to an Entitlements Lease must meet the project eligibility criteria set forth in the DCOA and discussed in this Application. Additionally, a form of Entitlements Lease is attached to this Application as Exhibit A to the DCOA, which is provided as Attachment 1.

PG&E further proposes that for each year in which any Entitlements Lease is in effect, PG&E will provide an annual information-only submittal that summarizes Citizens' charitable giving activities in connection with the Investment Program, including the entities and the actions or activities that were funded by Citizens' net after-tax profits from the Investment Program. With respect to the Citizens investments in the Sunrise and Sycamore Projects, the Commission has required and received similar annual informational filings from SDG&E.

In addition to the Commission's oversight, the proposed Investment Program will be regulated by FERC. Specifically, FERC will review the Citizens and PG&E rates applicable to each Entitlements Lease under FPA § 205 to ensure that they are just and reasonable.³⁴ FERC

³⁴ See *supra* § II.C.

also will review the lease of Entitlements under each Entitlements Lease pursuant to FPA§ 203 to ensure that it is consistent with the public interest. The list of transmission projects that will be subject to a given Entitlements Lease will be described in the applicable and publicly filed FPA § 203 application.

IV. COMPLIANCE WITH THE COMMISSION’S RULES OF PRACTICE AND PROCEDURE

A. Legal Name and Location of Applicant (Rules 2.1(a), 2.1(b), and 3.6(a))

Since October 10, 1905, PG&E has been an operating public utility corporation, organized under the laws of the State of California. PG&E is engaged principally in the business of furnishing gas and electric service in California. PG&E’s principal place of business is 300 Lakeside Drive, Oakland, California 94612. Correspondence and service to PG&E for this Application should be addressed to:

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B. Categorization, Hearings, and Issues to be Considered (Rule 2.1(c))

1. Proposed Category

This Application should be categorized as a “ratesetting” proceeding.

2. Evidentiary Hearing

The Applicant believes that hearings are unnecessary to address this Application. The Application, including the accompanying testimony and additional attachments, constitute a sufficient record for the Commission to rule on the Applicant’s proposal. The Applicant proposes a procedural scheduled below.

3. Issues to Be Considered

The issues to be considered are: (1) whether leasing Entitlements to certain high-voltage PG&E transmission projects to Citizens pursuant to the terms and conditions of the Investment Program created by the DCOA will not be adverse to the public interest; and (2) whether the Commission should grant a programmatic Section 851 authorization with a requirement for information-only submittals regarding the Entitlements Leases and Citizens’ charitable contributions and without requiring further action by the Commission.

C. Relevant Safety Considerations

In D.16-01-017, the Commission adopted an amendment to Rule 2.1(c) requiring utilities’ applications to clearly state the relevant safety considerations. Approval of this Application will not alter PG&E’s obligations to secure all necessary regulatory approvals for the specific transmission projects that may be the subjects of the Entitlements Leases, including certificates of public convenience and necessity where required. Under the DCOA, for a project to be included in an Entitlements Lease, it must already have received all regulatory approvals

and permits necessary at that time, including, to the extent applicable, having undergone review under CEQA. This Application simply is seeking approval to lease Entitlements pursuant to the Investment Program created by the DCOA. The Investment Program will not add any new or more significant safety impacts beyond what has been or will be analyzed in any regulatory proceedings. In addition, the Investment Program will facilitate safety by providing additional funds to be used to accelerate required energy infrastructure system investments, including investments that advance safety.

D. Proposed Schedule

The Applicant proposes the following procedural schedule:

Activity	Date
Application Filed	March 12, 2024
Responses/Protests	April 11, 2024
Reply to Responses/Protests	April 22, 2024
Prehearing Conference	April 26, 2024
Scoping Memo	May 27, 2024
Opening Briefs (if needed)	June 17, 2024
Reply Briefs (if needed)	July 1, 2024
Proposed Decision	July 31, 2024
Commission Decision	August 30, 2024

The above schedule assumes no need for intervenor testimony or evidentiary hearings. If any of those steps appear necessary, PG&E will present an alternative schedule at the earliest appropriate time. Notably, this proposed schedule is more robust than the schedules SDG&E proposed in its applications for Section 851 authorizations for the Sunrise and Sycamore Projects.³⁵ Evidentiary hearings were not needed in either of those proceedings³⁶ and no

³⁵ A.09-10-010, Application at 18 (Cal. P.U.C. filed Oct. 9, 2009); A.17-11-005, Application at 17 (Cal. P.U.C. filed Nov. 13, 2017).

³⁶ See D.11-05-048 at 6 (Sunrise Section 851 Decision), 2011 Cal. PUC LEXIS 302 (Cal. P.U.C.), at *8-9; A.17-11-005, Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge at 6-7 (Cal. P.U.C. issued Apr. 10, 2018).

intervenor testimony was submitted in the Section 851 proceeding regarding the Sycamore Project.

E. Articles of Incorporation (Rule 2.2)

Since October 10, 1905, PG&E has been an operating public utility corporation organized under California law. It is engaged principally in the business of furnishing electric and gas services in California. A certified copy of PG&E's Amended and Restated Articles of Incorporation, effective June 22, 2020, is on record before the Commission in connection with PG&E's Application 20-07-002, filed with the Commission on July 1, 2020. These articles are incorporated herein by reference.

F. CEQA Compliance (Rule 2.4)

CEQA requires any California government agency approving a discretionary project to consider the environmental impacts of its decisions.³⁷ A "[p]roject" for purposes of CEQA is an activity that "may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment."³⁸ Accordingly, the Commission may be required to consider the environmental consequences of "projects" that are subject to the Commission's discretionary approval.

PG&E seeks authorization to lease Entitlements to Citizens pursuant to the Investment Program created by the DCOA. Approval of this Application will not alter PG&E's obligations to secure all necessary regulatory approvals for specific transmission projects that may be subject to the Entitlements Leases. CEQA review has been or will be completed through such regulatory approval processes where required. The Entitlements Leases will not add any new or more severe significant environmental impacts beyond what has already been or will be analyzed and approved as part of any such regulatory approval proceedings because they are essentially agreements on the principal *economic* business terms of a lease of Entitlements to transmission

³⁷ Cal. Pub. Res. Code § 21080.

³⁸ *Id.* § 21065.

projects. That is, PG&E will undertake the same development, design, permitting, engineering, construction, operation, and maintenance of the transmission projects that may be subject to the Entitlements Leases, regardless of whether this Application is approved. Further, whether Citizens leases a portion of the Entitlements to the relevant transmission projects has no effect on the CAISO's duty to provide non-discriminatory access to such projects. Thus, the operational aspects of the relevant transmission projects governed by the CAISO tariff remain unchanged.

For those reasons, there will be no change in the physical environment resulting from the Commission's approval under Section 851 of this Application or any resulting Entitlements Leases that would trigger CEQA in the first instance.³⁹ Moreover, this Application is exempt from CEQA requirements on the grounds that it is "covered by the common sense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment."⁴⁰

This Application also is exempt from CEQA because it initiates a ratesetting proceeding. As the Commission has explained, "[i]t is long established that the act of ratemaking by the Commission is exempt from CEQA review. As stated in the California Public Resources Code, the 'establishment, modification, structuring, restructuring or approval of rates, tolls, fares, or other charges by public agencies' is exempt from CEQA."⁴¹ Notably, CEQA review was not

³⁹ See Cal. Code Reg. tit. 14, § 15378(b)(5) (explaining that the definition of a "Project" subject to CEQA "does not include ... [o]rganizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.").

⁴⁰ *Id.* § 15061(b)(3).

⁴¹ D.23-04-041 at 18 (*Application of Pac. Gas & Elec. Co. to Issue, Sell & Deliver One or More Series or Other Types of Debt Securities*), 2023 WL 3302024 (Cal. P.U.C.), at *11 (quoting Cal. Pub. Res. Code § 21080(b)(8)). See also D.81484 (*Petitions of Peninsula Commute and Transit Committee, et al. for Rehearing of D 81237 (EIR Reports) Denied and Decision Modified*), 75 CPUC 243, 1973 Cal. PUC LEXIS 406 (Cal. P.U.C.), at *7 (holding that "the legislature did not intend the EIR requirements to apply to all activities of private persons subject to Commission approval, but merely to those physical projects subject to Commission approval by the issuance of a lease, permit, license, certificate or other entitlement for use. Ratemaking proceedings do not fall within this definition.").

required as part of the Commission's evaluation of the prior Citizens/SDG&E transactions under Section 851.

G. Balance Sheet and Income Statement (Rules 3.2(a)(1) and 3.6(e))

PG&E's most recent balance sheet and income statement for the period ended September 30, 2023 was filed in A.23-12-001, on December 1, 2023, and is incorporated by reference.

H. Most Recent Proxy Statement (Rule 3.2(a)(8))

PG&E's most recent proxy statement was filed with the Commission on May 2, 2023 in A.23-05-005. This proxy statement is incorporated by reference.

I. Description of Property (Rule 3.6(b))

A list of projects that PG&E expects to include on the final Project List for the first option period is set forth in Exhibit B to the DCOA, which is attached to this Application as Attachment 1. Descriptions of these projects are included in the testimony of PG&E witness Michael Medeiros (Chapter 2 of the Prepared Testimony). In accordance with the DCOA's provisions regarding permitted changes to a Project List, PG&E may modify this Project List to account for changes based on the actual timing of regulatory approvals required for the Investment Program, among other reasons. PG&E may, for instance, include additional projects that meet the project eligibility criteria and have expected commercial operation dates that align with the anticipated timeline for the first Entitlements Lease.

As discussed above, PG&E proposes that within 30 days of the execution of an Entitlements Lease, PG&E will submit to the Commission an information-only submittal that will provide a summary and copy of the newly executed Entitlements Lease, including a summary of transmission projects subject to that lease and Citizens' leasehold percentage interest in the Entitlements to such projects.

To the extent that further information regarding the projects that will be subject to the Entitlements Leases may be required under Rule 3.6(b), PG&E respectfully requests waiver of such requirement.

J. Reasons for Entering into Transaction (Rule 3.6(c))

PG&E's and Citizens' reasons for entering into the Investment Program are discussed in Sections I, II, and III above and in the testimony of PG&E witnesses Barry J. Bentley (Chapter 1 of the Prepared Testimony) and Michael Medeiros (Chapter 2 of the Prepared Testimony) and Citizens witness Peter F. Smith (Chapter 5 of the Prepared Testimony).

K. Price and Terms for Payment (Rule 3.6(d))

The price and terms for payment are discussed in Section II.B and the DCOA (provided as Attachment 1), and in the testimony of PG&E witness Michael Medeiros (Chapter 2 of the Prepared Testimony).

L. Copy of Transaction Documents (Rule 3.6(f))

A copy of the DCOA is provided as Attachment 1. The Form of Entitlements Lease is included as Exhibit A to the DCOA.

V. COMPLIANCE WITH OTHER COMMISSION POLICIES

A. Tribal Land Transfer Policy

The Commission's policy relating to *Investor-Owned Utility [IOU] Real Property – Land Disposition – First Right of Refusal for Disposition of Real Property Within the Ancestral Territories of California Native American Tribes*, issued December 5, 2019 ("*Tribal Land Transfer Policy*"), creates an expectation that investor-owned utilities ("IOUs") selling land in the ancestral territory of Native American tribes will offer those tribes an opportunity to purchase that land "before putting the property on the market."⁴² That Tribal Land Transfer Policy is inapplicable to the Investment Program.

Transfer of a fee interest or easement is a precondition for triggering the Tribal Land Transfer Policy requirements.⁴³ Here, there will be no transfer of a fee interest or easement in

⁴² *Tribal Land Transfer Policy* at 1.

⁴³ "[D]isposition" means "the transfer, sale, donation, or disposition by any other means of a fee interest or easement in real property." *Id.* at 1 n.2. "Real Property" subject to this policy is defined as any IOU property whose disposition is subject to approval in accordance with Section 851. *Id.* at 1 n.3.

any IOU property. Instead, the Application pertains solely to leases of Entitlements to certain PG&E transmission projects pursuant to the Investment Program created by the DCOA.⁴⁴ PG&E will continue to fully own the transmission projects subject to any Entitlements Lease pursuant to the Investment Program and at the end of the applicable Entitlements Lease, Citizens' leasehold interest will revert back to PG&E, free and clear of any liens or encumbrances. As a result, the Tribal Land Transfer Policy is inapplicable to the Investment Program and the contemplated Entitlements Leases.

Alternatively, PG&E requests a waiver of the Tribal Land Transfer Policy on the grounds that application of the policy (1) would not be consistent with the intent of the policy under the circumstances and (2) would be impracticable and overly burdensome to implement at this scale. Critically, the Investment Program and the contemplated Entitlements Leases would not take any land out of the purview of the Tribal Land Transfer Policy with respect to future transfers. PG&E will continue to own the transmission projects subject to any Entitlements Lease pursuant to the Investment Program, and at the end of the applicable Entitlements Lease, Citizens' leasehold interest will revert back to PG&E free and clear of any liens or encumbrances. As such, any future transfers of fee interests to the relevant transmission projects by PG&E to third parties would remain subject to the policy.

B. Environmental and Social Justice Action Plan

Version 2.0 of the Commission's *Environmental and Social Justice Action Plan*, issued April 7, 2022 ("*Environmental and Social Justice Action Plan*"), establishes nine goals intended to "systematize the consideration of [Environmental and Social Justice ('ESJ')] principles across

⁴⁴ See, e.g., *Auerbach v. Assessment Appeals Bd. No. 1*, 39 Cal. 4th 153, 162-63 (2006) (distinguishing leasehold interests and fee interests); *Union Pac. R.R. Co. v. Santa Fe Pac. Pipelines, Inc.*, 231 Cal. App. 4th 134, 171-172 (2014) (distinguishing leases and easements).

Commission activities,” with a focus on disadvantaged communities, Tribal lands, low-income households, and low-income census tracts.⁴⁵

A key aspect of the Investment Program is Citizens’ contractual commitment to contribute a substantial and escalating portion of its net after-tax profits to fund energy-related charitable programs for disadvantaged communities and low-income families in PG&E’s service area. This aspect of the proposed Investment Program will directly advance several goals of the Environmental and Social Justice Action Plan, including by “[increasing] investment in clean energy resources to benefit ESJ communities” (Goal 2) and “[promoting] high road career paths and economic opportunity for residents of ESJ communities” (Goal 7).⁴⁶

VI. SERVICE

A copy of this filing has been served on the service list for A.21-06-021, PG&E’s 2023 General Rate Case Application.

VII. ATTACHMENTS

The following attachment is included in this Application:

- Attachment 1 – Development, Coordination, and Option Agreement by and Between Pacific Gas and Electric Company and Citizens Energy Corporation, Dated as of February 20, 2024.

VIII. CONCLUSION

PG&E respectfully requests that the Commission issue an order:

1. authorizing PG&E under Section 851 to lease Entitlements to certain PG&E transmission projects to Citizens subject to the terms and conditions of the Investment Program created by the DCOA;
2. authorizing the submission of information regarding Entitlements Leases and Citizens’ charitable contributions through information-only submittals at the times and intervals

⁴⁵ *Environmental and Social Justice Action Plan (version 2.0)*, April 7, 2020, at 2.

⁴⁶ *See id.* at 5-6 (footnote omitted).

proposed in this Application and requiring no further action by the Commission to enter into Entitlements Leases as part of the Investment Program; and

3. granting such other and further relief as the Commission deems proper.

Respectfully Submitted,

GRADY MATHAI-JACKSON
LAURIE EDELSTEIN
RAUNAQ “NIQUI” KOHLI

By: /s/ Laurie Edelstein

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Dated: March 12, 2024

Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

VERIFICATION

I, Barry J. Bentley, hereby declare that I am the Senior Vice President, Electric Engineering of Pacific Gas and Electric Company and am authorized to make this verification on behalf of Pacific Gas and Electric Company; that I have read the foregoing *APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) FOR APPROVAL UNDER PUBLIC UTILITIES CODE SECTION 851 TO LEASE ENTITLEMENTS TO TRANSMISSION PROJECTS TO CITIZENS ENERGY CORPORATION* and that the information related to Pacific Gas and Electric Company set forth therein is true and correct to the best of my knowledge, information, and belief.

I declare under penalty of perjury pursuant to the laws of the state of California that the foregoing is true and correct.

Executed March 12, 2024

/s/ Barry J. Bentley
Barry J. Bentley
Senior Vice President,
Electric Engineering
Pacific Gas and Electric Company
300 Lakeside Drive
Oakland, CA 94612

ATTACHMENT 1

**Development, Coordination, and Option Agreement by and Between Pacific
Gas and Electric Company and Citizens Energy Corporation, Dated as of
February 20, 2024**

DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT

BY AND BETWEEN

PACIFIC GAS AND ELECTRIC COMPANY

AND

CITIZENS ENERGY CORPORATION

DATED AS OF FEBRUARY 20, 2024

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DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT

This DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT (this “DCOA”) is made and entered into as of February 20, 2024 (the “Effective Date”), by and between Pacific Gas and Electric Company, a California corporation (“PG&E”), and Citizens Energy Corporation, a Massachusetts non-profit corporation (“Citizens”). Each of PG&E and Citizens shall be referred to herein individually as a “Party” and collectively as the “Parties.”

RECITALS

WHEREAS, PG&E identifies in the ordinary course of its business transmission facilities, upgrades, rebuilds and expansions to, among other things, improve reliability, integrate new generation (including renewable generation), and reduce congestion in its service area (as more fully defined herein, the “Projects”); and

WHEREAS, subject to the conditions specified herein, the Parties desire to establish an investment program between the Parties pursuant to which PG&E will, as applicable, develop, design, permit, engineer, procure, construct and, in each case, own certain Projects, and Citizens (or its wholly owned subsidiary) will have the option to lease certain Entitlements (as defined below) to such Projects for an aggregate investment of no more than \$1.0 billion.

NOW THEREFORE, and in consideration of the foregoing, and of the mutual promises, covenants and conditions set forth herein, and other good and valuable consideration, the Parties hereto, intending to be legally bound by the terms and conditions set forth in this DCOA, hereby agree, subject to the terms and conditions of this DCOA, as follows:

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

1.1 Definitions. As used in this DCOA, the following terms shall have the following meanings unless otherwise stated or the context otherwise requires:

“Affiliate” of any particular Person means any other Person controlling, controlled by or under common control with such particular Person, where “control” means the possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities, contract or otherwise.

“AFUDC” means, with respect to a Project, an Allowance for Funds Used During Construction, recognizing the cost to PG&E of financing the development, design, permitting, engineering, procurement, and construction of such Project.

“Applicable Reliability Standard” means reliability standards established by the Western Electricity Coordinating Council and reliability standards approved by FERC under Section 215 of the Federal Power Act to provide for reliable operation of the bulk power system.

“Balancing Authority” means the responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports interconnection frequency in real time.

“Balancing Authority Area” means an electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to:

- (i) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);
- (ii) maintain scheduled interchange with other Balancing Authority Areas, within the limits of Good Utility Practice;
- (iii) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and
- (iv) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

“Business Day” means any day except Saturday, Sunday or a weekday on which commercial banks in New York City, New York or Oakland, California are required or authorized to be closed.

“CAISO” means the California Independent System Operator Corporation if PG&E is a member of the California Independent System Operator Corporation, or the successor regional transmission entity, if any, that has Operational Control over PG&E’s transmission system and provides transmission service under rates, terms and conditions regulated by FERC pursuant to Section 205 of the Federal Power Act if PG&E is no longer a member of the California Independent System Operator Corporation, or PG&E if PG&E is no longer a member of the California Independent System Operator Corporation or any such successor regional transmission entity.

“CAISO Agreements” means the electric tariff at any time filed with FERC by the CAISO and any other applicable CAISO agreements, tariffs, manuals, protocols or rules setting forth the rights and obligations of Persons with respect to the CAISO controlled grid, or any successor electric tariff at any time filed with FERC setting forth the rights and obligations of Persons with respect to PG&E’s transmission system.

“CEQA” means the California Environmental Quality Act.

“Citizens” has the meaning set forth in the introductory paragraph hereto.

“Citizens Pacific Transmission” has the meaning set forth in Section 12.2.

“Citizens Percentage Interest” means, with respect to each Project comprising an Investment Tranche and subject to adjustment pursuant to the terms of the applicable Entitlements Lease, the percentage equal to the ratio of (i) the aggregate Project Rent for such

Investment Tranche, divided by (ii) the aggregate Project Costs for such Investment Tranche; provided, that in no event will the Citizens Percentage Interest be greater than 49.9%.

“Commercial Operation Date” and “COD” means, with respect to an Investment Tranche, the date on which the last Project comprising such Investment Tranche begins commercial operation and Operational Control of such Project has been transferred to and accepted by the CAISO in accordance with the terms of the CAISO Agreements.

“CPUC” means the California Public Utilities Commission or its successors.

“DCOA” has the meaning set forth in the introductory paragraph hereto.

“Effective Date” has the meaning set forth in the introductory paragraph hereto.

“Entitlements” has the meaning ascribed to such term in the CAISO Agreements.

“Entitlements Lease” means an agreement substantially in the form of Exhibit A attached hereto, with changes to which the Parties may mutually agree at the relevant time.

“Event of Default” has the meaning set forth in Section 9.1.

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

“Force Majeure” means an event or circumstance that prevents one Party from performing its obligations hereunder which is not within the control of or the result of the negligence of the affected Party, and which, by the exercise of due diligence, the Party is unable to mitigate or avoid or cause to be avoided, including but not limited to (but only to the extent that the following examples satisfy such definition) (a) acts of God, such as droughts, floods, earthquakes, and pestilence, (b) fires, explosions, and accidents, (c) war (declared or undeclared), riots, insurrection, rebellion, acts of the public enemy, acts of terrorism and sabotage, blockades, and embargoes, (d) storms and other climatic and weather conditions that are abnormally severe for the period of time when, and the area where, such storms or conditions occur, including typhoons, hurricanes, tornadoes and lightning, (e) strikes or other labor disturbances, (f) changes in permits from Governmental Authorities or the conditions imposed thereunder or the failure to renew such permits not due to the failure of the affected Party to timely submit applications, and (g) the enactment, adoption, promulgation, modification, or repeal after the date hereof of any applicable law. Notwithstanding the foregoing, under no circumstance shall an event of Force Majeure be based on: (i) changes in market conditions or the economic health of a Party, (ii) the affected Party’s failure to timely seek to obtain, modify, amend or extend permits, approvals, or other required action from any Governmental Authority, (iii) any action or inaction by the board of directors of a Party to the extent that such Party is seeking to excuse its failure to perform as an event of Force Majeure; and/or (iv) any failure to make payments.

“Good Utility Practice” means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety

and expedition. Good Utility Practice is not limited to the optimum practice, method, or act to the exclusion of all others, but rather to the acceptable practices, methods, or acts generally accepted in the region, including those practices required by Section 215(a)(3) of the Federal Power Act.

“Governmental Authority” means any federal, state, local, territorial or municipal government and any department, commission, board, bureau, agency, instrumentality, judicial or administrative body thereof.

“Investment Tranche” means any of the Option Period 1 Investment Tranche, the Option Period 2 Investment Tranche, the Option Period 3 Investment Tranche, the Option Period 4 Investment Tranche, or the Option Period 5 Investment Tranche.

“Investment Program” means, collectively, the Options and Investment Tranches contemplated by this Agreement.

“Operational Control” means the rights of the Balancing Authority to direct the operation of transmission facilities and other electric plant in the Balancing Authority Area affecting the reliability of those facilities for the purpose of affording comparable, non-discriminatory transmission access and meeting Applicable Reliability Standards.

“Option” has the meaning set forth in Section 4.2.

“Option Period” means any of Option Period 1, Option Period 2, Option Period 3, Option Period 4, or Option Period 5.

“Option Period 1” means the period beginning on the Effective Date and ending on the earlier of (x) the expiration of the Option exercise period for the Option Period 1 Investment Tranche pursuant to Section 4.2(b)(i), and (y) the effective date of the Entitlements Lease for the Option Period 1 Investment Tranche.

“Option Period 2” means the twelve (12) month period (as may be extended by the mutual agreement of the Parties) beginning on the date PG&E delivers to Citizens a Project List for the second Option hereunder; provided, that if either (x) PG&E does not deliver a Project List within nine (9) months following the end of Option Period 1, or (y) the second Option expires pursuant to Section 4.2(b)(ii) or Section 4.2(c)(ii), “Option Period 2” means the nine (9) month period following the end of Option Period 1.

“Option Period 3” means the twelve (12) month period (as may be extended by the mutual agreement of the Parties) beginning on the date PG&E delivers to Citizens a Project List for the third Option hereunder; provided, that if either (x) PG&E does not deliver a Project List within nine (9) months following the end of Option Period 2, or (y) the third Option expires pursuant to Section 4.2(b)(ii) or Section 4.2(c)(ii), “Option Period 3” means the nine (9) month period following the end of Option Period 2.

“Option Period 4” means the twelve (12) month period (as may be extended by the mutual agreement of the Parties) beginning on the date PG&E delivers to Citizens a Project List for the fourth Option hereunder; provided, that if either (x) PG&E does not deliver a Project List

within nine (9) months following the end of Option Period 3, or (y) the fourth Option expires pursuant to Section 4.2(b)(ii) or Section 4.2(c)(ii), “Option Period 4” means the nine (9) month period following the end of Option Period 3.

“Option Period 5” means the twelve (12) month period (as may be extended by the mutual agreement of the Parties) beginning on the date PG&E delivers to Citizens a Project List for the fifth Option hereunder; provided, that if either (x) PG&E does not deliver a Project List within nine (9) months following the end of Option Period 4, or (y) the fifth Option expires pursuant to Section 4.2(b)(ii) or Section 4.2(c)(ii), “Option Period 5” means the nine (9) month period following the end of Option Period 4.

“Option Period 1 Investment Tranche” means, collectively, the Projects set forth on Exhibit B.

“Option Period 2 Investment Tranche” means, collectively, the Projects identified by PG&E in accordance with Section 3.4(c) with respect to Option Period 2.

“Option Period 3 Investment Tranche” means, collectively, the Projects identified by PG&E in accordance with Section 3.4(c) with respect to Option Period 3.

“Option Period 4 Investment Tranche” means, collectively, the Projects identified by PG&E in accordance with Section 3.4(c) with respect to Option Period 4.

“Option Period 5 Investment Tranche” means, collectively, the Projects identified by PG&E in accordance with Section 3.4(c) with respect to Option Period 5.

“Parties” and “Party” have the meanings set forth in the introductory paragraph hereto.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or Governmental Authority.

“PG&E” has the meaning set forth in the introductory paragraph hereto.

“Project” means, with respect to an Investment Tranche, each electric transmission facility, upgrade, rebuild and/or expansion that meets the criteria set forth in Section 3.4(a) and that is or will be identified on Exhibit A to the Entitlements Lease with respect to such Investment Tranche.

“Project Costs” means, with respect to a Project, the aggregate of all costs incurred by PG&E to develop, design, permit, engineer and/or construct such Project, including AFUDC and payments made under construction contracts for work to be completed after the respective effective date of the applicable Entitlements Lease, which is subject to adjustment pursuant to Section 3.5.1 of the applicable Entitlements Lease.

“Project List” means each of (i) Exhibit B and (ii) any schedule, in a form substantially similar to Exhibit B, delivered by PG&E to Citizens pursuant to Section 3.4(c).

“Project Rent” means, with respect to a Project, an amount equal to (i) the total amount of rent payable by Citizens under the applicable Entitlements Lease, as determined pursuant to Section 4.2(d), multiplied by (ii) a ratio equal to (x) the Project Costs for such Project, divided by (y) the aggregate Project Costs for the Investment Tranche subject to the applicable Entitlements Lease.

“PTO” means a Participating Transmission Owner as defined in the CAISO Agreements.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, advisors and representatives of such Person and of such Person’s Affiliates.

“Required Citizens Regulatory Approvals” means (i) with respect to the applicable Investment Tranche, approvals from each Governmental Authority with authority over Citizens’ leasehold interest in the Entitlements to the Projects comprising such Investment Tranche, including FERC and CAISO, necessary for Citizens to exercise an Option, or to lease and finance its leasehold interest in the Entitlements to any such Project, other than those approvals that would not have a material adverse effect on the exercise of an Option, leasing or financing of Citizens’ leasehold interest in the Entitlements to any such Project, or the Investment Program generally, if not obtained, and (ii) the approvals contemplated by Section 4.3(a)(ii).

“Required PG&E Regulatory Approvals” means (i) with respect to the applicable Investment Tranche, approvals from each Governmental Authority with authority over the Projects comprising such Investment Tranche, including the CPUC and FERC, necessary for PG&E to consummate the transactions contemplated hereunder with respect to such Investment Tranche, or, as applicable to develop, design, engineer, procure, construct, commission, own, operate, maintain and finance the Projects comprising such Investment Tranche, other than (x) those approvals that are not required prior to the start of construction of any such Project, are not subject to the discretionary action of the applicable agency, and otherwise can be obtained in the ordinary course of business, and (y) those approvals that would not have a material adverse effect on the development, design, engineering, procurement, construction, commissioning, ownership, operation, maintenance or financing of any such Project, or the Investment Program generally, if not obtained, and (ii) the approvals contemplated by Section 4.3(a)(i).

“Required Regulatory Approvals” means the Required Citizens Regulatory Approvals and the Required PG&E Regulatory Approvals.

“Target Closing Date” means, with respect to the Option Period 1 Investment Tranche, the date that is thirty (30) days after the delivery of the last of the written notices required under Section 4.2(b) that the conditions precedent described in Section 4.3(a) have been achieved; provided, in no event shall the Target Closing Date extend beyond the date that is twelve (12) months after the Effective Date or occur prior to the expected Target Closing Date set forth in PG&E’s written notice thereof pursuant to Section 4.2(b); provided, further, that the Target Closing Date shall be extended beyond such twelve (12) months if Sections 4.3(a)(i)-(ii) have not been satisfied by such date and the Parties in their reasonable discretion agree that such Sections 4.3(a)(i)-(ii) are ultimately likely to be satisfied.

“Term” has the meaning set forth in Section 2.1.

“Useful Life” means, with respect to a Project, the period during which such Project can provide, is capable of providing or can be used for electric transmission service.

1.2 Rules of Interpretation. Unless otherwise provided herein or the context otherwise requires: (a) words denoting the singular include the plural and vice versa; (b) words denoting a gender include both genders; (c) references to a particular part, clause, section, paragraph, article, party, exhibit, schedule or other attachment shall be a reference to a part, clause, section, paragraph, or article of, or a party, exhibit, schedule or other attachment to the document in which the reference is contained; (d) a reference to any statute or regulation includes all statutes or regulations varying, consolidating or replacing the same from time to time, and a reference to a statute includes all regulations issued or otherwise applicable under that statute to the extent consistent with the Parties’ original intent hereunder; (e) a reference to a particular section, paragraph or other part of a particular statute shall be deemed to be a reference to any other section, paragraph or other part substituted therefor from time to time; (f) a definition of or reference to any document, instrument or agreement includes any amendment or supplement to, or restatement, replacement, modification or novation of, any such document, instrument or agreement; (g) a reference to any person includes such person’s successors and permitted assigns in that designated capacity; (h) any reference to “days” shall mean calendar days unless Business Days are expressly specified; and (i) examples shall not be construed to limit, expressly or by implication, the matter they illustrate.

ARTICLE II

TERM; OTHER AGREEMENTS

2.1 Term. The “Term” of this DCOA shall commence on the Effective Date and shall end upon the earlier of (i) the expiration of the Option for the Option Period 5 Investment Tranche pursuant to Section 4.2(b)(ii) or Section 4.2(c), (ii) the date that the Parties enter into an Entitlements Lease that includes the Option Period 5 Investment Tranche, (iii) the date that the Parties enter into an Entitlements Lease representing, together with all prior Entitlements Leases, an aggregate investment by Citizens pursuant to the Investment Program of \$1.0 billion, (iv) the date on which all Parties mutually agree in writing to terminate this DCOA this DCOA, or (v) December 31, 2030 (as such date may be extended by the mutual agreement of the Parties, acting in their sole discretion).

2.2 Subsequent Agreements. If Citizens timely exercises any Option, then upon the closing of such Option in accordance with Article IV, the Parties shall enter into an Entitlements Lease with respect to such Investment Tranche, and one or more consents to collateral assignment, estoppels and other acknowledgments of the foregoing in a customary form that is reasonably acceptable to the Parties and a Party’s lenders. The Parties further expect that since they have addressed so many details regarding the Investment Program, notwithstanding their still being in the development phases with respect to the Investment Tranches, a Party’s lenders may seek clarifications, amendments or modifications of this DCOA. In such event, the Parties will exercise good faith efforts to accommodate such requests provided that no Party is hereby committing itself to any such clarification, amendment or modification of this DCOA which, in

such Party's sole discretion, would impair or interfere with the benefits that a Party expects to derive from its participation in the Investment Program.

2.3 Partial Termination. Upon the date that the Parties enter into an Entitlements Lease with respect to an Investment Tranche, this DCOA will have no further force or effect with respect to such Investment Tranche.

ARTICLE III

DEVELOPMENT, CONSTRUCTION, AND IDENTIFICATION OF PROJECTS

3.1 General Responsibility for Development and Construction of the Projects. PG&E shall be responsible for the development, design, permitting, engineering, procurement, and/or construction of each Project. PG&E shall bear all costs for development and construction of each Project, until such time as Citizens has exercised and closed the Option with respect to the Investment Tranche to which such Project is a part. PG&E's activities and responsibilities for each Project (as applicable) shall include the acquisition of permits and land rights necessary to construct such Project, which shall be done in PG&E's name and at PG&E's expense, provided that if Citizens exercises its Option with respect to the Investment Tranche to which such Project is a part, an interest in such permits and land rights shall be transferred to Citizens to the extent necessary to lease to Citizens its Entitlements to such Project.

3.2 Performance Standards. Each Party shall use commercially reasonable efforts to promote the following objectives (as applicable):

- (a) to minimize capital costs of each Project;
- (b) to minimize operational expenses of each Project;
- (c) to maximize the Useful Life of each Project;
- (d) to minimize the downtime of each Project;
- (e) not to exceed the budgets for each Project;
- (f) to complete construction of each Project in a timely manner; and
- (g) to incur only those costs which are prudent in accomplishing their respective purposes.

3.3 Project Documents. PG&E shall use reasonable efforts (including its power of condemnation, if necessary) to ensure that any easements, rights-of-way, and other land rights, procurement contracts, engineering contracts, construction contracts, and other project documents associated with each Project will not restrict assignment to Citizens to the extent of its leasehold interest in such Project so that Citizens' leasehold interest in such Project shall be transferred promptly to Citizens upon the close of the Option with respect to the applicable Investment Tranche.

3.4 Identification of Projects.

- (a) Eligibility Requirements. Each Project, at the time of its submission by PG&E on a Project List pursuant to Sections 3.4(b)-(d), must satisfy the following requirements:
 - (i) an amount equal to or greater than the expected Citizens Percentage Interest of the capital costs of the proposed Project must not already be included in PG&E's FERC transmission rates for purposes of cost recovery;
 - (ii) the proposed Project must be expected to be eligible for cost recovery directly from the CAISO through the High-Voltage CAISO Transmission Access Charge (as defined in the CAISO Agreements);
 - (iii) the proposed Project must be expected to operate at 200 kilovolts or above; and
 - (iv) the proposed Project must have received all regulatory approvals and permits necessary at that time, including, to the extent applicable, having undergone CEQA review.
- (b) Option Period 1. Exhibit B sets forth the Projects consisting of the Option Period 1 Investment Tranche (subject to adjustment pursuant to Section 3.4(d)), PG&E's estimated costs to develop, design, permit, engineer and/or construct each such Project, the estimated Citizens Percentage Interest in, and estimated Project Rent due for, each such Project, in each case, based on an assumed prepaid rent amount of \$200 million or such other amount as may be determined by the Parties in accordance with Section 4.2(d).
- (c) Option Periods 2-5. With respect to each of Option Periods 2 through 5, PG&E, no earlier than one (1) day and no later than nine (9) months following the end of the immediately preceding Option Period, may (but does not have an obligation to) deliver to Citizens a Project List that sets out the Projects comprising the upcoming Investment Tranche (subject to adjustment pursuant to Section 3.4(d)), PG&E's estimated costs to develop, design, permit, engineer and/or construct each such Project, the estimated Citizens Percentage Interest in, and Project Rent due for, each such Project, in each case, based on an assumed prepaid rent amount of \$200 million or such other amount as may be determined by the Parties in accordance with Section 4.2(d). If PG&E does not deliver a Project List within the timeframe set forth in the foregoing sentence, then in accordance with Article I, such Option

Period shall be extinguished and the subsequent Option Period shall begin.

- (d) Amendments to Projects. Prior to Citizens' exercise of an Option with respect to an Investment Tranche pursuant to Section 4.2(b), PG&E may, in its sole discretion, add or remove Projects from such Investment Tranche upon delivery to Citizens of an updated Project List in accordance with Section 3.4(b)-(c), as applicable. Following Citizens' exercise of an Option with respect to an Investment Tranche but prior to the execution of an Entitlements Lease for such Investment Tranche, PG&E may, in its sole discretion, remove Projects from such Investment Tranche upon delivery to Citizens of an updated Project List in accordance with Section 3.4(b)-(c), as applicable; provided, that PG&E may not remove a Project from an Investment Tranche if the resulting Citizens Percentage Interest in the Entitlements to any remaining Project would be greater than 49.9% unless Citizens agrees in writing to reduce the amount of the estimated prepaid rent due for such Investment Tranche such that the Citizens Percentage Interest in the Entitlements to each remaining Project would be no greater than 49.9%. For the avoidance of doubt, any amendment or modification to an Investment Tranche pursuant to this Section 3.4(d) shall not be deemed to be a delivery by PG&E to Citizens of a Project List for purposes of determining the beginning of the subsequent Option Period.

ARTICLE IV

OWNERSHIP, OPTIONS AND CONDITIONS PRECEDENT

4.1 PG&E's Ownership. PG&E shall own 100% of the ownership interests in each Project. To the extent that Citizens has exercised and closed one or more Options, PG&E shall continue to own 100% of the ownership interests in each Project; provided, however, that PG&E's ownership interests in the Projects comprising an Investment Tranche that are the subject of an Option that has been closed upon pursuant to Section 4.2 shall be subject to a thirty (30) year lease to Citizens of the Citizens Percentage Interest of the Entitlements to such Projects.

4.2 Options. Citizens shall have the option to lease Entitlements to the Projects comprising each Investment Tranche as follows (each, an "Option"):

- (a) Option to Lease Entitlements for a Term. Citizens shall have the option to lease from PG&E and, upon Citizens' exercise of such option in accordance with Section 4.2(b), PG&E shall have the obligation to lease to Citizens (subject to the satisfaction of the applicable conditions precedent set forth in Section 4.3 and entry by the Parties into an Entitlements Lease), the Citizens Percentage

Interest of the Entitlements to each of the Projects comprising an Investment Tranche for a thirty (30) year term, provided that such Entitlements shall revert to PG&E at no cost to PG&E, free and clear of any liens or encumbrances, upon expiration of such thirty (30) year term or upon earlier termination of the applicable Entitlements Lease in accordance with the terms of the applicable Entitlements Lease.

(b) Exercise of an Option.

- (i) Option Period 1. PG&E shall deliver written notice to Citizens of the expected Target Closing Date no earlier than 120 days prior to, and no later than 90 days prior to, the expected Target Closing Date set forth in such notice. Citizens shall promptly deliver written notice to PG&E once the conditions precedent set forth in Section 4.3(a)(ii) have been satisfied. PG&E shall promptly deliver written notice to Citizens once the conditions precedent set forth in Sections 4.3(a)(i) and 4.3(a)(iii) have been satisfied. Citizens may exercise its Option for the Option Period 1 Investment Tranche by delivering an irrevocable written notice to PG&E following the satisfaction of all conditions precedent set forth in Section 4.3(a) but no later than the Target Closing Date. If Citizens fails to exercise its Option for the Option Period 1 Investment Tranche during the period set forth in the preceding sentence, such unexercised Option for the Option Period 1 Investment Tranche shall expire.
- (ii) Option Periods 2-5. Citizens may exercise an Option with respect to a subsequent Investment Tranche by delivering an irrevocable written notice to PG&E no later than thirty (30) days following the date PG&E delivered to Citizens the Project List for such Investment Tranche pursuant to Section 3.4(c) (the “Option Expiration Date”). If Citizens fails to exercise an Option for an Investment Tranche by the applicable Option Expiration Date, such unexercised Option for such Investment Tranche shall expire.

(c) Closing of an Option.

- (i) Option Period 1. No later than thirty (30) days following Citizens’ exercise of its Option for the Option Period 1 Investment Tranche, the Parties shall execute, acknowledge and deliver an Entitlements Lease with respect to such exercised Option and any and all other documents reasonably necessary to otherwise carry out the terms and

conditions of this DCOA. Upon the execution of an Entitlements Lease in connection with the closing of such exercised Option, Citizens shall pay to PG&E the prepaid rent amount in accordance with the Entitlements Lease, which shall comply with Section 4.2(d). The closing of such Option may be accomplished through the use of an escrow arrangement as may be requested by either Party that is on terms mutually acceptable to both Parties. Notwithstanding anything to the contrary herein, if an Entitlements Lease with respect to such exercised Option is not executed within thirty (30) days following the date such Option is exercised by Citizens (or such other date mutually agreed by the Parties), such Option shall be deemed to expire.

- (ii) Option Periods 2-5. Following Citizens' exercise of an Option for the Option Period 2 Investment Tranche, the Option Period 3 Investment Tranche, the Option Period 4 Investment Tranche or the Option Period 5 Investment Tranche, each Party shall use its respective reasonable best efforts to satisfy the applicable conditions precedent set forth in Section 4.3(b) and shall promptly provide written notice to the other Party of the satisfaction of any such condition precedent, as applicable. No later than thirty (30) days following the satisfaction of all applicable conditions precedent set forth in Section 4.3(b), the Parties shall execute, acknowledge and deliver an Entitlements Lease with respect to such exercised Option and any and all other documents reasonably necessary to otherwise carry out the terms and conditions of this DCOA. Upon the execution of an Entitlements Lease in connection with the closing of such exercised Option, Citizens shall pay to PG&E the prepaid rent amount in accordance with the Entitlements Lease, which shall comply with Section 4.2(d). The closing of an Option may be accomplished through the use of an escrow arrangement as may be requested by either Party that is on terms mutually acceptable to both Parties. Notwithstanding anything to the contrary herein, if an Entitlements Lease with respect to such an exercised Option is not executed within eleven (11) months of the date such Option is exercised by Citizens (or such other date mutually agreed by the Parties), such Option shall be deemed to expire.

- (d) Prepaid Rent for Close of an Option. The prepaid rent to be paid by Citizens for all Entitlements leased pursuant to a given Entitlements Lease shall be \$200 million or such other amount

mutually agreed to by the Parties and set forth in the applicable Entitlements Lease; provided, that if Citizens exercises an Option for an amount other than \$200 million in a particular Option Period or is not provided with or does not exercise an Option for a particular Option Period, the amount of Citizens' prepaid rent payment for Entitlements leased pursuant to subsequent Options may be adjusted (upward or downward) to reflect the previously exercised or unexercised amount, as applicable; provided, further, that in no event shall the Citizens Percentage Interest in the Entitlements to any Project under any Entitlements Lease be greater than 49.9% or the total value of Citizens' investment in Projects pursuant to the Investment Program exceed \$1.0 billion. Citizens shall be responsible for obtaining its own financing for the prepaid rent, and PG&E has no obligation to provide or guarantee financing to Citizens if Citizens is unable to secure any part of its financing.

4.3 Certain Conditions Precedent. The Parties acknowledge and agree that the lease of Entitlements in an Investment Tranche pursuant to Citizens' exercise of an Option (as described in Section 4.2) is expressly contingent upon and subject to:

- (a) With respect to the Option for the Option Period 1 Investment Tranche:
 - (i) PG&E's (1) receipt of a final, nonappealable order from the CPUC approving the Investment Program under Section 851 of the California Public Utilities Code or otherwise; (2) receipt of a final, nonappealable order from FERC approving PG&E's lease to Citizens of Entitlements to the Option Period 1 Investment Tranche under Section 203 of the Federal Power Act; (3) receipt of a final, nonappealable order from FERC approving PG&E's transmission service tariff for recovery from Citizens of Citizens' portion of certain costs associated with the lease of Entitlements to the Option Period 1 Investment Tranche; and (4) satisfaction (and full and final resolution, as applicable) of any condition imposed by a Governmental Authority that is required prior to the execution of the lease to Citizens of Entitlements to the Option Period 1 Investment Tranche, in each case, in form and substance acceptable to the Parties, in each Party's sole discretion. With respect to clause (1) above, PG&E will seek any necessary approvals from the CPUC no later than fifteen (15) Business Days after the Effective Date (or such other date mutually agreed by the Parties). In order to augment the information available to the CPUC for the foregoing application, Citizens agrees that no later than thirty (30)

days after PG&E files its Section 851 application with the CPUC, Citizens shall file a petition with FERC seeking a declaratory order approving its rate methodologies for the recovery of costs associated with its lease of Entitlements to the Investment Tranches pursuant to the Investment Program, including any incentive rate treatment Citizens may seek. With respect to clauses (2) and (3) above, PG&E will seek any necessary approvals from FERC no later than thirty (30) days after the date on which Citizens receives a final and nonappealable FERC order granting the relief requested in the petition for declaratory order described in this Section 4.3(a)(i) (or such other date mutually agreed by the Parties);

- (ii) Citizens' receipt of (1) final, nonappealable orders from FERC approving (A) Citizens' transmission service tariff for recovery of its costs associated with its lease of Entitlements to the Option Period 1 Investment Tranche consistent with the rate methodology described in Article IV of the applicable Entitlements Lease; (B) Citizens' issuance of securities under Section 204 of the Federal Power Act; and (C) Citizens' receipt from PG&E of a leasehold interest in Entitlements to the Option Period 1 Investment Tranche under Section 203 of the Federal Power Act and (2) CAISO approval for Citizens' wholly owned subsidiary to become a PTO, in the case of each of clauses (1) and (2), in form and substance acceptable to the Parties, in each Party's sole discretion. Citizens agrees that it will, or cause its applicable subsidiary to, seek such approvals from FERC no later than thirty (30) days after Citizens' receipt of a final and nonappealable FERC order granting the relief requested in the petition for declaratory order described in Section 4.3(a)(i) (or such other date mutually agreed by the Parties). Consistent with Section 4.3(a)(i), Citizens agrees to file its petition for declaratory order no later than thirty (30) days after the date on which PG&E files its Section 851 application with the CPUC. Citizens shall also seek such CAISO approval as soon as reasonably practicable but in no event later than July 1, 2024; and
- (iii) the achievement of the Commercial Operation Date for the Option Period 1 Investment Tranche.

- (b) With respect to an Option for any subsequent Investment Tranche:

- (i) The satisfaction of the conditions set forth in Sections 4.3(a)(i)–(ii);
- (ii) PG&E’s (1) receipt of a final, nonappealable order from FERC approving PG&E’s lease to Citizens of Entitlements to the applicable Investment Tranche under Section 203 of the Federal Power Act; (2) to the extent necessary, receipt of a final, nonappealable order from FERC approving PG&E’s transmission service tariff for recovery from Citizens of Citizens’ portion of certain costs associated with the lease of Entitlements to the applicable Investment Tranche; and (3) satisfaction (and full and final resolution, as applicable) of any condition imposed by a Governmental Authority that is required prior to the execution of the lease to Citizens of Entitlements to the applicable Investment Tranche, in each case, in form and substance acceptable to the Parties, in each Party’s sole discretion. With respect to clauses (1) and (2) above, PG&E agrees that it will make the necessary filings no later than thirty (30) days after Citizens’ delivery to PG&E of the written notice under Section 4.2(b)(ii) (or such other date mutually agreed by the Parties) and reasonably concurrently with Citizens seeking the approvals described in Section 4.3(b)(iii);
- (iii) Citizens’ receipt of final, nonappealable orders from FERC approving (1) Citizens’ transmission service tariff for recovery of its costs associated with its lease of Entitlements to the applicable Investment Tranche consistent with the rate methodology described in Article IV of the applicable Entitlements Lease; (2) Citizens’ issuance of securities under Section 204 of the Federal Power Act; and (3) Citizens’ receipt from PG&E of a leasehold interest in Entitlements to the applicable Investment Tranche under Section 203 of the Federal Power Act, in each case, in form and substance acceptable to the Parties, in each Party’s sole discretion. Citizens agrees that it will seek such approvals from FERC no later than thirty (30) days after Citizens’ delivery to PG&E of the written notice under Section 4.2(b)(ii) (or such other date mutually agreed by the Parties) and reasonably concurrently with PG&E seeking the approvals described in Section 4.3(b)(ii);
- (iv) the achievement of the Commercial Operation Date for such Investment Tranche; and

- (v) receipt by Citizens' wholly owned subsidiary of commitments for new third-party debt financing, on terms and conditions reasonably satisfactory to Citizens, sufficient to fund the payment of prepaid rent for the closing of such Option.

4.4 Low Income Energy Programs. The Parties acknowledge and agree that each Entitlements Lease shall obligate Citizens Pacific Transmission to make the Minimum Annual Low-Income Contributions as defined in Section 5.3.1, and in accordance with the terms and conditions of Sections 5.3.1 and 11.2, in each case, of the form of Entitlements Lease attached as Exhibit A to this Agreement as in effect on the Effective Date.

4.5 Capital and O&M Expenses. The Parties acknowledge and agree that each Entitlements Lease shall limit the cost recovery methodology used by Citizens Pacific Transmission (as defined therein) at FERC as set forth in Section 4.3.2 of the form of Entitlements Lease attached as Exhibit A to this Agreement as in effect on the Effective Date.

4.6 Additional Ratepayer Protections. The Parties acknowledge and agree that, with respect to each Entitlements Lease, PG&E shall exclude from its transmission rates for purposes of cost recovery (i) the Citizens Percentage Interest (as defined therein) of the capital costs associated with the Projects (as defined therein) paid to PG&E as Prepaid Rent (as defined therein) by Citizens Pacific Transmission pursuant to such Entitlements Lease, and (ii) the Additional Rent (as defined therein) allocated to Citizens Pacific Transmission by PG&E pursuant to such Entitlements Lease.

ARTICLE V

COOPERATION

5.1 Mutual Cooperation.

5.1.1 PG&E Regulatory Approvals. PG&E, at its sole cost and expense, shall be responsible for obtaining, and shall use its reasonable best efforts to obtain, the Required PG&E Regulatory Approvals, including such actions contemplated by Sections 4.3(a)(i) and 4.3(b)(ii). Citizens agrees to cooperate in good faith with and assist PG&E in obtaining the Required PG&E Regulatory Approvals.

5.1.2 Citizens Regulatory Approvals. Citizens, at its sole cost and expense, shall be responsible for obtaining, and shall use its reasonable best efforts to obtain, the Required Citizens Regulatory Approvals, including such actions contemplated by Sections 4.3(a)(ii) and 4.3(b)(iii). PG&E agrees to cooperate in good faith with and assist Citizens in obtaining the Required Citizens Regulatory Approvals.

ARTICLE VI

MANAGEMENT OVERSIGHT AND COMMITTEE STRUCTURE

6.1 Meetings of the Parties. The Parties shall hold regularly scheduled meetings (no less frequently than monthly) for the purpose of reviewing each Party's progress, as applicable, in its development, design, permitting, engineering, procurement, construction, commissioning, financing, operating, and maintenance activities for the Projects and each Party's progress toward receiving the Required Regulatory Approvals. Either Party may call a special meeting at any time. Reasonable and sufficient notice of each meeting shall be given to each Party in order to allow full participation.

6.2 Sharing Information.

6.2.1 PG&E Information. Upon reasonable prior notice and during regular business hours, and subject to the availability of PG&E personnel to escort Citizens personnel or representatives, PG&E shall allow Citizens (at its own expense and risk) reasonable access to conduct a visual inspection of the project site(s) for any Project then in development and provide other information related to such Project(s) as may be reasonably requested by Citizens, including but not limited to:

- (a) costing information to ensure that costs for such Project(s) are allocated to appropriate portions of such Project(s) and that PG&E keeps its accounts and provides sufficient information to Citizens to allow Citizens to review those allocations and accounts on an on-going basis;
- (b) permitting information;
- (c) plans, specifications, design, or maps of such Project(s); and
- (d) contracts reasonably deemed material that affect the development, design, permitting, engineering, procurement and construction of such Project(s).

6.2.2 Citizens Information. Upon reasonable notice, Citizens shall provide information related to the Projects and its involvement in the Investment Program to the extent within Citizens' possession or control, as may be reasonably requested by PG&E.

6.3 Required Regulatory Approvals. From time to time while any Required PG&E Regulatory Approvals remain outstanding, upon Citizens' request, PG&E shall provide Citizens with updates regarding the status (including the expected timeline for receipt) of such Required PG&E Regulatory Approvals. From time to time while any Required Citizens Regulatory Approvals remain outstanding, upon PG&E's request, Citizens shall provide PG&E with updates regarding the status (including the expected timeline for receipt) of such Required Citizens Regulatory Approvals.

6.4 Final Decisions. Notwithstanding anything to the contrary in this Agreement, PG&E shall be solely responsible for and shall make all final decisions with respect to the development, design, permitting, engineering, procurement, construction, commissioning, and operation of the Projects. Any disputes regarding whether or not PG&E has complied with its obligations under this DCOA (including its obligations under Section 3.2) shall be resolved by the dispute resolution procedures under Article X.

ARTICLE VII

FORCE MAJEURE

7.1 Force Majeure. Notwithstanding anything in this DCOA to the contrary, if a Party's performance is impacted by Force Majeure, the affected Party shall be excused from performing its affected obligations under this DCOA (other than the obligation to make payments with respect to obligations arising prior to the event of Force Majeure) and shall not be liable for damages or other liabilities due to its failure to perform, during any period that such Party is unable to perform due to an event of Force Majeure; provided, however, that the Party declaring an event of Force Majeure shall: (i) act expeditiously to resume performance; (ii) exercise all commercially reasonable efforts to mitigate or limit damages to the other Parties; and (iii) fulfill the requirements set forth in Section 7.2.

7.2 Notification. A Party unable to perform under this DCOA due to an event of Force Majeure shall: (i) provide prompt written notice of such event of Force Majeure to the other Party, which shall include an estimate of the expected duration of the Party's inability to perform due to the event of Force Majeure; and (ii) provide prompt notice to the other Party when performance resumes.

ARTICLE VIII

WITHDRAWAL

8.1 Withdrawal. In the event any of the applications for the Required Regulatory Approvals, including such actions contemplated by Sections 4.3(a)(i), 4.3(a)(ii), 4.3(b)(ii) and 4.3(b)(iii), with respect to the Investment Program or an Investment Tranche is denied or is approved with conditions that are materially adverse and unacceptable to a Party or otherwise materially inconsistent with the terms of the Investment Program or Entitlements Lease in a manner that is adverse to a Party, such Party shall have the right to withdraw from and terminate (or partially terminate, as applicable) this DCOA.

8.2 Notice. A Party that is entitled to withdraw from and terminate (or partially terminate, as applicable) this DCOA pursuant to Section 8.1 must, in order to withdraw from and terminate (or partially terminate, as applicable) this DCOA, provide written notice of its withdrawal and termination (or partial termination, as applicable) to the other Party within thirty (30) days after the occurrence of the event giving rise to such withdrawing Party's right to withdraw and terminate (or partially terminate, as applicable) pursuant to this Article VIII.

ARTICLE IX

EVENTS OF DEFAULT; REMEDIES

9.1 Events of Default. The occurrence of any one of the following shall constitute an “Event of Default”:

- (a) a Party shall fail to make payments for amounts due under this DCOA within thirty (30) days after written notice that such payment is past due;
- (b) a Party shall fail to comply with any other material provision of this DCOA, and any such failure shall continue uncured for thirty (30) days after written notice thereof, provided that if such failure is not capable of being cured within such period of thirty (30) days with the exercise of reasonable diligence but is otherwise capable of being cured, then such cure period shall be extended for an additional reasonable period of time so long as the defaulting Party is exercising commercially reasonable efforts to cure such failure; and
- (c) any representation made by a Party hereunder shall fail to be true in any material respect at the time such representation is given and such failure shall not be cured within thirty (30) days after written notice thereof by a non-defaulting Party.

9.2 Limitation on Damages. No Party shall be liable under this DCOA for consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise. The provisions of this Section 9.2 shall not be construed to relieve any insurer of its obligation to pay any insurance proceeds in accordance with the terms and conditions of valid and enforceable insurance policies.

9.3 Remedies. Subject to Article X, if an Event of Default occurs and is continuing, the non-defaulting Parties shall have the right to pursue all remedies available at law or in equity, including without limitation, the right to institute an action, suit or proceeding in equity for specific performance of the obligations under this DCOA.

ARTICLE X

DISPUTE RESOLUTION

10.1 Intent of the Parties. The sole procedure to resolve any claim arising out of or relating to this DCOA or any related agreement is the dispute resolution procedure set forth in this Article X; provided, however, that either Party may seek a preliminary injunction or other provisional judicial remedy if such action is necessary to prevent irreparable harm or preserve the status quo, in which case both Parties nonetheless will continue to pursue resolution of the

dispute by means of this procedure and nothing in this Section 10.1 shall restrict the rights of any party to file a complaint with the FERC under relevant provisions of the Federal Power Act.

10.2 Management Negotiations. The Parties will attempt in good faith to resolve any controversy or claim arising out of or relating to this DCOA or any related agreements by prompt negotiations between each Party's authorized representative. If the matter is not resolved thereby, either Party's authorized representative may request in writing that the matter be referred to the designated senior officers of their respective companies that have corporate authority to settle the dispute. Within five (5) Business Days after such referral date (the "Referral Date"), each Party shall provide one another written notice confirming the referral and identifying the name and title of the senior officer who will represent such Party. Within five (5) Business Days after such Referral Date, the senior officers shall establish a mutually acceptable location and date to meet which shall not be greater than thirty (30) days after such Referral Date. After the initial meeting date, the senior officers shall meet, as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the dispute. All communication and writing exchanged between the Parties in connection with these negotiations shall be confidential and shall not be used or referred to in any subsequent binding adjudicatory process between the Parties. If the matter is not resolved within forty-five (45) days of such Referral Date, or if either Party refuses or does not meet within the thirty (30) day period specified above, either Party may initiate arbitration of the controversy or claim by providing notice of a demand for binding arbitration at any time thereafter.

10.3 Arbitration. Any dispute that cannot be resolved by management negotiations as set forth in Section 10.2 above shall be resolved through binding arbitration by a retired judge or justice from the American Arbitration Association panel conducted in Oakland, California, administered by and in accordance with American Arbitration Association Commercial Arbitration Rules.

(a) The Parties shall cooperate in good faith with one another in selecting the arbitrator within sixty (60) days after written notice of the demand for arbitration. Absent mutual agreement on a different method of selecting an arbitrator within fifteen (15) days of a demand for arbitration, the Parties shall request a list of potential arbitrators having the minimum qualifications set forth in this Section 10.3 from the Commercial Roster of the American Arbitration Association. Each Party shall then strike the potential arbitrators unacceptable to it, and the Parties shall exchange lists of strikes until either (i) they have selected a single eligible and available arbitrator by mutual agreement, or (ii) they have selected a list of not more than five (5) arbitrators acceptable to each Party. In the latter case, the Parties (if unable to agree on a single arbitrator) shall provide the list of five (5) arbitrators to American Arbitration Association and request the American Arbitration Association to select the arbitrator. Any arbitrator shall have no affiliation with, financial or other interest in, or prior employment with either Party and shall have a minimum of ten (10) years experience in the field of the dispute.

(b) Each Party shall provide the documents in its possession, custody or control which it believes to support its position in arbitration to the other Party within thirty (30) days of the demand, and shall supplement its provision of such documents in a reasonable manner as additional documents come to light. Each Party shall be entitled to make not more than two (2) requests for production of documents prior to the commencement of the hearing.

Depositions shall be limited to a maximum of three per Party and shall be held within thirty (30) days of the making of a request. Additional depositions may be scheduled only with the permission of the arbitrator, and for good cause shown. Each deposition shall be limited to a maximum of seven (7) hours duration unless otherwise permitted by the arbitrator for good cause shown. All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary and confidential information. The arbitrator shall also have discretion to order the Parties to exchange relevant documents. The arbitrator shall also have discretion to order the Parties to answer not more than twenty-five (25) interrogatories (including subparts), upon good cause shown.

(c) The arbitrator's award shall be made within nine (9) months of the filing of the notice of intention to arbitrate (demand) and the arbitrator shall agree to comply with this schedule before accepting appointment. However, this time limit may be extended for one period of up to thirty (30) days by agreement of the Parties or by the arbitrator, if necessary.

(d) The prevailing Party in this dispute resolution process is entitled to recover its costs, including reasonable attorneys' fees, as determined by the arbitrator. Until such award is made, however, the Parties shall share equally in paying the costs of the arbitration.

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

(f) The existence, content, and results of any arbitration hereunder shall be confidential information subject to the provisions of Section 12.3.

10.4 Enforcement of Award. By execution and delivery of this DCOA, each Party hereby (a) accepts and consents to the use of binding arbitration pursuant to the American Arbitration Association's Commercial Arbitration Rules and other procedures described in this Article X, and, solely for purposes of the enforcement of an arbitral award under this Section 10.4, to the jurisdiction of any court of competent jurisdiction, for itself and in respect of its property, and (b) waives, solely for purposes of the enforcement of an arbitral award under this Section 10.4, in respect of both itself and its property, all defenses it may have as to or based on jurisdiction, improper venue or forum non conveniens. Each Party hereby irrevocably consents to the service of process or other papers by the use of any of the methods and to the addresses set forth for the giving of notices in Section 12.1 hereof. Nothing herein shall affect the right of each Party to serve such process or papers in any other manner permitted by law.

10.5 Performance during Arbitration. While resolution of any dispute is pending, each Party shall continue to perform its obligations hereunder (unless such Party is otherwise entitled to suspend its performance hereunder or terminate this DCOA in accordance with the terms hereof), and no Party shall refer or attempt to refer the matter in dispute to a court or other tribunal in any jurisdiction, except as provided in this Article X.

ARTICLE XI

REPRESENTATIONS AND WARRANTIES

11.1 PG&E. PG&E represents and warrants to the other Parties as follows:

11.1.1 Organization and Existence. PG&E is a duly organized and validly existing corporation in good standing under the laws of the State of California and is qualified to transact business in all jurisdictions where the ownership of its properties or its operations require such qualification, except where the failure to so qualify would not have a material adverse effect on its financial condition, its ability to own its properties or transact its business, or to carry out the transactions and activities contemplated hereby.

11.1.2 Execution, Delivery and Enforceability. PG&E has full corporate power and authority to carry on its business as now conducted, enter into, and to carry out its obligations under this DCOA. The execution, delivery and performance by PG&E of this DCOA, and the consummation of the transactions and activities contemplated under this DCOA, have been duly authorized by all necessary corporate action required on the part of PG&E. This DCOA has been duly and validly executed and delivered by PG&E and constitutes the valid and legally binding obligations of PG&E, enforceable against PG&E in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application relating to or affecting the enforcement of creditors' rights and by general equitable principles.

11.1.3 No Violation. Subject to the receipt of all Required PG&E Regulatory Approvals and the approvals from the CPUC and FERC described in Section 4.3, none of the execution and delivery of this DCOA, the compliance with any provision hereof, nor the consummation of the transactions and activities contemplated hereby will: (1) violate or conflict with, or result in a breach or default under, any provisions of the Articles of Incorporation or Bylaws of PG&E; (2) violate or conflict with, or result in a breach or default under, any applicable law or regulation of any Governmental Authority, except in the case of clause (2), (x) those approvals that are not required prior to the start of construction of any such Project, are not subject to the discretionary action of the applicable agency, and otherwise can be obtained in the ordinary course of business, and (y) those approvals that would not have a material adverse effect on the development, design, engineering, procurement, construction, commissioning, ownership, operation, maintenance or financing of any such Project, or the Investment Program generally, if not obtained.

11.2 Citizens. Citizens represents and warrants to the other Parties as follows:

11.2.1 Organization and Existence. Citizens is a duly organized and validly existing corporation in good standing under the laws of the Commonwealth of Massachusetts and is qualified to transact business in all jurisdictions where the ownership of its properties or its operations require such qualification, except where the failure to so qualify would not have a material adverse effect on its financial condition, its

ability to own its properties or transact its business, or to carry out the transactions and activities contemplated hereby.

11.2.2 Execution, Delivery and Enforceability. Citizens has full corporate power and authority to carry out its obligations under this DCOA. The execution, delivery and performance by Citizens of this DCOA, and the consummation of the transactions and activities contemplated under this DCOA, have been duly authorized by all necessary corporate action required on the part of Citizens. This DCOA has been duly and validly executed and delivered by Citizens and constitutes the valid and legally binding obligations of Citizens, enforceable against Citizens in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application relating to or affecting the enforcement of creditors' rights and by general equitable principles.

11.2.3 No Violation. Subject to the receipt of all Required Citizens Regulatory Approvals and the approvals from the CPUC and FERC described in Section 4.3, none of the execution and delivery of this DCOA, the compliance with any provision hereof, nor the consummation of the transactions and activities contemplated hereby will: (1) violate or conflict with, or result in a breach or default under, any provisions of the Articles of Incorporation or Bylaws of Citizens; or (2) violate or conflict with, or result in a breach or default under, any applicable law or regulation of any Governmental Authority, except in the case of clause (2), those approvals that would not have a material adverse effect on the exercise of an Option, leasing or financing of Citizens' leasehold interest in any such Project, or the Investment Program generally, if not obtained.

ARTICLE XII

MISCELLANEOUS

12.1 Notices. Unless otherwise specified herein, all notices shall be in writing and delivered by hand, overnight mail or facsimile or e-mail (if facsimile numbers or e-mail addresses are identified below or by subsequent notice and provided a copy is also sent by overnight mail) to the applicable addresses below. A notice delivered in accordance herewith shall be deemed received (i) on the date of delivery, if hand delivered, (ii) two (2) Business Days after the date of sending, if sent by a nationally recognized overnight courier, or at such earlier time as is confirmed by the receiving Party, (iii) three (3) Business Days after the date of mailing, if mailed by registered or certified mail, return receipt requested, or at such earlier time as is confirmed by the receiving Party, and (iv) on the Business Day on which such notice was transmitted by facsimile transmission or e-mail (where permitted); provided, however, that a notice delivered in accordance with this Section but received on any day other than a Business Day or after 5:00 p.m. in the place of receipt will be deemed received on the next Business Day. A Party may change its address for notices by providing notice of the same in accordance with this Section 12.1.

If to PG&E:

Pacific Gas and Electric Company
300 Lakeside Drive
Oakland, CA 94612
Attention: Michael Medeiros
Email: mjml@pge.com

With a copy to:

Jenner & Block LLP
1155 Avenue of the Americas
New York, NY 10036
Attention: Raunaq Kohli, Counsel to Pacific Gas and Electric Company
Fax: 212-891-1699
Email: rkohli@jenner.com

If to Citizens:

Citizens Energy Corporation
2 Seaport Lane, Suite 5C
Boston, MA 02210
Attention: Chief Executive Officer
Fax: 617-542-4487
Email: psmith@citizensenergy.com

With a copy to:

Duncan & Allen LLP
1730 Rhode Island Avenue, N.W., Suite 700
Washington, D.C., 20036
Attention: Ashley Bond, Counsel to Citizens Energy Corporation
Fax: 202-289-8450
Email: amb@duncanallen.com

12.2 Assignment. Citizens shall not assign this DCOA, or its rights or obligations hereunder, without the prior written consent of PG&E which may be granted or withheld in its sole discretion, and with respect to PG&E, PG&E shall not assign this DCOA, or its rights or obligations hereunder, without the prior written consent of Citizens, such consent not to be unreasonably withheld or delayed; provided, that with respect to both Citizens and PG&E, no such consent shall be required for (i) a collateral assignment of, or creation of a security interest in, this DCOA in connection with any financing or other financial arrangements, or (ii) an assignment in connection with the merger of a Party with, or the acquisition of substantially all of the transmission assets of a Party by, an entity with an equal or greater credit rating and with the legal authority and operational ability to satisfy the obligations of the assigning Party. For purposes hereof, the transfer of more than fifty percent (50%) of the equity ownership or voting interest of a Party (or any parent entity holding directly or indirectly at least fifty percent (50%) of the equity ownership or voting interest of a Party if such interest constitutes more than thirty

percent (30%) of the fair market value of the assets of such parent entity) to a person that is not an Affiliate of such Party shall also constitute an assignment of this DCOA subject to the terms of this Section 12.2. Any assignment in violation of this Section 12.2 shall be null and void. Notwithstanding anything to the contrary herein, (x) PG&E consents to the exercise of the Options and execution of the Entitlements Leases (in accordance with Article IV) by Citizens Pacific Transmission LLC, a Delaware limited liability company and wholly owned subsidiary of Citizens (“Citizens Pacific Transmission”), or any other similar, wholly owned subsidiary of Citizens (and, if a wholly owned subsidiary of Citizens exercises any Option or enters into any Entitlements Lease, the Parties agree that any reference to Citizens in the context of exercising such Option or entering into (or taking any other action pursuant to) such Entitlements Lease shall be deemed to refer solely to such wholly owned subsidiary; provided, that, for the avoidance of doubt, in the event of any default hereunder Citizens shall be solely liable) and (y) Citizens consents to any assignment or transfer by PG&E of its rights or interests in this DCOA or Projects constituting all or a portion of an Investment Tranche to a subsidiary which PG&E owns or controls at least fifty-one percent (51%) of the equity ownership or voting interests (provided that, such PG&E subsidiary has previously executed a joinder agreement to this DCOA).

12.3 Confidentiality. During the term of this DCOA and for a period of three (3) years after the expiration or termination of this DCOA, the Parties shall keep confidential any information relating to the Projects or obtained in connection with this DCOA (such information, “Confidential Information”), and shall refrain from using, publishing or revealing such Confidential Information without the prior written consent of the Party whose Confidential Information the disclosing Party is seeking to disclose, unless (a) such Confidential Information is disclosed to its Affiliates, legal advisors, auditors and/or Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and instructed to keep such Confidential Information confidential); (b) the disclosing Party is compelled to disclose such document or information to a securities exchange or by judicial, regulatory or administrative process or other provisions of law; (c) such Confidential Information is generally available to the public; (d) such Confidential Information was available to the disclosing Party on a non-confidential basis from a third-party, provided that the disclosing Party does not know, and, by reasonable effort, could not know that such third-party is prohibited from transmitting the document or information to the receiving Party by a contractual, legal or fiduciary obligation; or (e) such Confidential Information is necessary to support a rate case or other regulatory filing with a Governmental Authority, provided that, the Party disclosing such document or information must make reasonable efforts to maintain confidentiality with respect to any proprietary information.

12.4 Public Relations. The Parties will cooperate in good faith with each other and, to the extent reasonable, seek mutual approval with respect to any public announcements regarding the participation of the Parties or their Affiliates in the Investment Program and the transactions contemplated by this DCOA; provided, that nothing herein shall prohibit or restrict either Party from making any public disclosure that is required by applicable law (including federal securities laws or stock exchange rules).

12.5 Governing Law. This DCOA and the obligations hereunder shall be governed by the Laws of the State of California, without regard to principles of conflicts of law.

12.6 No Amendments or Modifications. This DCOA shall not be amended, modified, terminated, discharged or supplemented, nor any provision hereof waived, unless mutually agreed to in writing by all of the Parties. If and to the extent that the CAISO Agreements are amended or modified such that a Party or the Parties can no longer comply with the terms of this DCOA, the Parties shall negotiate in good faith to amend or modify this DCOA to effectuate the same intent and essential purpose of this DCOA as of the Effective Date in light of the CAISO Agreements amendment or modification.

12.7 Delay and Waiver. Except as otherwise provided in this DCOA, no delay or omission to exercise any right, power or remedy accruing to the respective Parties hereto upon any breach or default of any other Party under this DCOA shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character of any breach or default under this DCOA, or any waiver of any provision or condition of this DCOA, must be in writing and shall be effective only to the extent specifically set forth in such writing.

12.8 Entirety. This DCOA constitutes the entire agreement between the Parties hereto. There are no prior or contemporaneous agreements or representations affecting the same subject matter other than those herein expressed.

12.9 Relationship of the Parties. Except as otherwise set forth herein, this DCOA shall not make any of the Parties partners or joint venturers one with the other, nor make any the agent of the others. Except as otherwise explicitly set forth herein, no Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party. Notwithstanding anything to the contrary, no fiduciary duty or fiduciary relationship shall exist between the Parties.

12.10 Good Faith. In carrying out its obligations and duties under this DCOA, each Party shall have an implied obligation of good faith; provided, that the Parties agree and acknowledged that this Section 12.10 shall not alter the terms or obligations set forth elsewhere in this DCOA.

12.11 Successors and Assigns. This DCOA shall inure to the benefit of, and be binding upon, the Parties hereto and their respective successors and permitted assigns.

12.12 Third Parties. This DCOA is intended solely for the benefit of the Parties. Nothing in this DCOA shall be construed to create any duty or liability to, or standard of care with reference to, any Person other than the Parties.

12.13 Headings. The headings contained in this DCOA are solely for the convenience of the Parties and should not be used or relied upon in any manner in the construction or interpretation of this DCOA.

12.14 Counterparts; Electronic Execution. This DCOA may be executed in one or more counterparts, each of which shall be deemed an original. Receipt by facsimile or electronic

transmission (including PDF) of any executed signature page to this DCOA shall constitute effective delivery of such signature page (upon its release from escrow, if applicable).

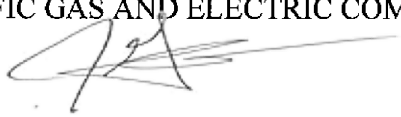
12.15 Expenses. PG&E and Citizens shall each pay their own expenses incurred in connection with the negotiation and execution of this DCOA.

12.16 Time is of the Essence. Each of the Parties acknowledges that timely commencement of the Investment Program is essential, and therefore time is of the essence in performing all obligations set forth herein.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have signed this Development, Coordination, and Option Agreement as of the Effective Date.

PACIFIC GAS AND ELECTRIC COMPANY

By: 
Name: Jason Glickman
Title: Executive Vice President - Engineering, Planning and Strategy
Date: February 20, 2024

CITIZENS ENERGY CORPORATION

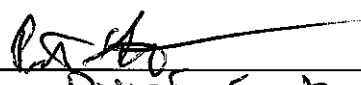
By: 
Name: Peter F. Smith
Title: CEO
Date: Feb 20, 2024

Exhibit A
FORM OF ENTITLEMENTS LEASE
(attached)

FORM OF
[FIRST/SECOND/THIRD/FOURTH/FIFTH] ENTITLEMENTS LEASE
BY AND BETWEEN
PACIFIC GAS AND ELECTRIC COMPANY
AND
CITIZENS PACIFIC TRANSMISSION LLC

DATED AS OF [DATE]

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EXHIBIT C ACCRUAL OF PREPAID RENT

EXHIBIT D FORM OF COLLATERAL ASSIGNMENT

[FIRST/SECOND/THIRD/FOURTH/FIFTH] ENTITLEMENTS LEASE

This [FIRST/SECOND/THIRD/FOURTH/FIFTH] ENTITLEMENTS LEASE (this “Lease”) is made and entered into as of [DATE] (the “Effective Date”), by and between Pacific Gas and Electric Company, a California corporation (“PG&E”), and Citizens Pacific Transmission LLC, a Delaware limited liability company (“Citizens Pacific Transmission”). Each of PG&E and Citizens Pacific Transmission shall be referred to herein individually as a “Party” and collectively as the “Parties.”

RECITALS

- A.** PG&E identifies in the ordinary course of its business electric transmission facilities, upgrades, rebuilds and expansions, to, among other things, improve reliability, integrate new generation (including renewable generation), and reduce congestion in its service area.
- B.** On February 20, 2024, PG&E and Citizens Energy Corporation, a Massachusetts non-profit corporation (“Citizens Energy”), entered into a Development, Coordination, and Option Agreement, (as amended, modified, or supplemented from time to time, the “DCOA”).
- C.** Citizens Pacific Transmission is an indirect, wholly owned subsidiary of Citizens Energy.
- D.** Pursuant to the DCOA, PG&E and Citizens Energy established an investment program pursuant to which Citizens Energy may be presented with options (each, an “Option”) to lease certain Entitlements (as defined below) to certain transmission facilities, upgrades, rebuilds and/or expansions that PG&E will, as applicable, develop, design, permit, engineer, procure, construct and, in each case, own, maintain and operate, pursuant to a form of lease substantially similar to this Lease.
- E.** Pursuant to the DCOA, Citizens Pacific Transmission is authorized to exercise any Option and execute this Lease following, among other things, the exercise of such Option.
- F.** Pursuant to the CAISO Agreements (as defined below), CAISO (as defined below) assumed Operational Control (as defined below) of the Projects (as defined below) upon completion.
- G.** In accordance with the requirements of the DCOA (including the satisfaction or waiver of the applicable conditions precedent set forth therein), Citizens Pacific Transmission notified PG&E that Citizens Pacific Transmission had exercised an Option.
- H.** The Parties desire to enter into this Lease to, among other things, set forth the terms pursuant to which Citizens Pacific Transmission will lease from PG&E certain Entitlements to the Projects, all as more particularly set forth herein.

NOW, THEREFORE, the Parties agree as follows:

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

1.1 Definitions.

As used in this Lease, the following terms shall have the following meanings unless otherwise stated or the context otherwise requires:

“Additional Rent” shall have the meaning set forth in Section 4.1.2.

“AFUDC” refers to an Allowance for Funds Used During Construction, recognizing the cost to PG&E of financing the development, design, permitting, engineering, procurement, and construction of the Project.

“Applicable Portion of Property Taxes” means, for any period, (i) if the Property Taxes on the Projects are assessed against PG&E and no Property Taxes are assessed on the Citizens Entitlements against Citizens Pacific Transmission, the aggregate amount of any Property Taxes that are reasonably attributable to the Citizens Entitlements during such period, and (ii) if the Property Taxes on the Projects are assessed against both PG&E and Citizens Pacific Transmission, the aggregate amount of such Property Taxes that are directly attributable to the Citizens Entitlements during such period.

“Applicable Reliability Standard” means reliability standards established by WECC and reliability standards approved by FERC under Section 215 of the Federal Power Act to provide for reliable operation of the bulk power system.

“Balancing Authority” means the responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports interconnection frequency in real time.

“Balancing Authority Area” means an electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to: (i) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s); (ii) maintain scheduled interchange with other Balancing Authority Areas, within the limits of Good Utility Practice; (iii) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and (iv) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

“Business Day” means any day except Saturday, Sunday or a weekday on which commercial banks in New York City, New York or Oakland, California are required or authorized to be closed.

“CAISO” means the California Independent System Operator Corporation or its successors.

“CAISO Agreements” means the electric tariff at any time filed with FERC by the CAISO (or any successor System Operator) and any other applicable CAISO (or any successor System Operator) agreements, tariffs, manuals, protocols or rules setting forth the rights and obligations of Persons with respect to the CAISO (or any successor System Operator) controlled grid, or any successor electric tariff at any time filed with FERC setting forth the rights and obligations of Persons with respect to PG&E’s transmission system.

“CAISO Eligible Customer” means an “Eligible Customer” as defined in the CAISO Agreements or any other successor customer who is eligible to obtain transmission service pursuant to the CAISO Agreements or similar term in a System Operator’s tariffs or agreements.

“Citizens Additional Rent Rate” means [Sheet ____ to] Appendix [] of PG&E’s currently effective FERC Electric Tariff Volume No. 5 (FERC Docket No.ER[____]), which was authorized by FERC on [DATE], as amended, modified, or supplemented from time to time.

“Citizens Energy” has the meaning set forth in the recitals hereto.

“Citizens Entitlements” means the Citizens Percentage Interest in the Entitlements to the Projects identified in Exhibit A, which Citizens Pacific Transmission will turn over to the CAISO’s operational control.

“Citizens Percentage Interest” means, with respect to the Projects and subject to adjustment as otherwise required by this Lease, $[[X]\% \text{ as of the Effective Date}]^1$, which represents the percentage equal to the ratio of (i) the aggregate Prepaid Rent paid pursuant to Section 4.1.1, divided by (ii) the aggregate Project Costs for the Projects; provided, that in no event will the Citizens Percentage Interest be greater than 49.9%.

“Citizens Share of O&M Costs” shall have the meaning set forth in Section 4.1.2.

“Citizens Pacific Transmission” has the meaning set forth in the introductory paragraph hereto.

“Collateral Assignment” has the meaning set forth in Section 11.3.

“Commencement Date” shall have the meaning set forth in Section 2.2.

“Commercial Operation Date” and “COD” means the date on which the last of the Projects begins commercial operation and Operational Control of such Project has been transferred to and accepted by the CAISO in accordance with the terms of the CAISO Agreements.

“Comparison Date” shall have the meaning set forth in Section 4.3.2(d).

“Confidential Information” has the meaning set forth in Section 13.2.

¹ NTD: Insert percentage interest on Effective Date if known.

“Costs of Entitlements” shall have the meaning set forth in Section 4.3.2(a).

“CPUC” means the California Public Utilities Commission or its successors.

“DCOA” has the meaning set forth in the recitals hereto.

“Defaulting Party” shall have the meaning set forth in Section 6.1.

“Effective Date” has the meaning set forth in the introductory paragraph hereto.

“Entitlements” has the meaning ascribed to such term in the CAISO Agreements.

“Event of Default” has the meaning set forth in Section 6.1.

“Expenses” has the meaning set forth in Section 5.3.1(b).

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

“Financing Costs” shall have the meaning set forth in Section 4.3.2(a).

“Force Majeure” means an event or circumstance that prevents one Party from performing its obligations hereunder which is not within the control of or the result of the negligence of the affected Party, and which, by the exercise of due diligence, the Party is unable to mitigate or avoid or cause to be avoided, including but not limited to (but only to the extent that the following examples satisfy such definition) (a) acts of God, such as droughts, floods, earthquakes, and pestilence, (b) fires, explosions, and accidents, (c) war (declared or undeclared), riots, insurrection, rebellion, acts of the public enemy, acts of terrorism and sabotage, blockades, and embargoes, (d) storms and other climatic and weather conditions that are abnormally severe for the period of time when, and the area where, such storms or conditions occur, including typhoons, hurricanes, tornadoes and lightning, (e) strikes or other labor disturbances, (f) changes in permits from Governmental Authorities or the conditions imposed thereunder or the failure to renew such permits not due to the failure of the affected Party to timely submit applications, and (g) the enactment, adoption, promulgation, modification, or repeal after the date hereof of any applicable law. Notwithstanding the foregoing, under no circumstance shall an event of Force Majeure be based on: (i) changes in market conditions or the economic health of a Party, (ii) the affected Party’s failure to timely seek to obtain, modify, amend or extend permits, approvals, or other required action from any Governmental Authority, (iii) any action or inaction by the board of directors of a Party to the extent that such Party is seeking to excuse its failure to perform as an event of Force Majeure; and/or (iv) any failure to make payments.

“Good Utility Practice” means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not limited to the optimum practice, method, or act to the exclusion of all others, but rather to the acceptable practices, methods, or acts generally

accepted in the region, including those practices required by Section 215(a)(3) of the Federal Power Act.

“Governmental Authority” means any federal, state, local, territorial or municipal government and any department, commission, board, bureau, agency, instrumentality, judicial or administrative body thereof.

“Lease” has the meaning set forth in the introductory paragraph hereto.

“Net After-Tax Cash Flow” has the meaning set forth in Section 5.3.1(a).

“Notice” means a written notice delivered in accordance with Section 13.1.

“Operational Control” means the rights of the Balancing Authority to direct the operation of transmission facilities and other electric plant in the Balancing Authority Area affecting the reliability of those facilities for the purpose of affording comparable, non-discriminatory transmission access and meeting Applicable Reliability Standards.

“Option” has the meaning set forth in the recitals hereto.

“Parties” and “Party” have the meanings set forth in the introductory paragraph hereto.

“Percentage Interest” means the Citizens Percentage Interest or the PG&E Percentage Interest, as applicable.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or Governmental Authority.

“Personal Property Taxes” means all taxes, assessments, license fees and other governmental charges that are levied and assessed during the Term against personal property, fixtures and equipment and that are attributable to the Projects.

“PG&E” has the meaning set forth in the introductory paragraph hereto.

“PG&E Percentage Interest” means a percentage equal to (i) 100% minus (ii) the Citizens Percentage Interest.

“PG&E Representative Rate” has the meaning set forth in Section 4.3.2(a).

“Prepaid Rent” shall have the meaning set forth in Section 4.1.1.

“Project” means each electric transmission facility, upgrade, rebuild and/or expansion that is described on Exhibit A to this Lease.

“Project Costs” means, with respect to a Project, the aggregate of all costs incurred by PG&E to develop, design, permit, engineer, procure and/or construct such Project, including AFUDC and payments made under construction contracts for work to be completed after the Effective Date as described in Section 3.5.1 of this Lease.

“Property Taxes” means all Real Property Taxes and all Personal Property Taxes.

“PTO” means a Participating Transmission Owner as defined in the CAISO Agreements.

“Real Property Taxes” means all real property general and special taxes and assessments that are levied and assessed against land and improvements and that are attributable to the Projects, including without limitation real property assessments and taxes, water and sewer and other similar governmental charges levied upon or attributable to the Projects, assessments or charges levied upon or attributable to the Projects by any redevelopment agency, and any tax attributable to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy of the Projects or any portion thereof.

“Referral Date” shall have the meaning set forth in Section 12.2.

“Reimbursable Property Taxes” means any Property Tax attributable to the Projects that is paid by PG&E and that Citizens Pacific Transmission is required by Section 8.1 to reimburse.

“Related Parties” means, with respect to any Person, such Person’s affiliates and the partners, directors, officers, employees, agents, advisors and representatives of such Person and of such Person’s affiliates.

“Rent” has the meaning set forth in Section 4.1.2.

“Revenues” has the meaning set forth in Section 5.3.1(c).

“System Operator” means the CAISO or, if PG&E is no longer a member of the CAISO, the successor regional transmission entity, if any, that has Operational Control over PG&E’s transmission system and provides transmission service under rates, terms and conditions regulated by FERC pursuant to Section 205 of the Federal Power Act, or, if PG&E is no longer a member of the CAISO or any such successor regional transmission entity, PG&E.

“WECC” means the Western Electricity Coordinating Council or its successors.

“Term” has the meaning set forth in Section 2.2.

1.2 Rules of Interpretation.

Unless otherwise provided herein or the context otherwise requires: (a) words denoting the singular include the plural and vice versa; (b) words denoting a gender include both genders; (c) references to a particular part, clause, section, paragraph, article, party, exhibit, schedule or other attachment shall be a reference to a part, clause, section, paragraph, or article of, or a party, exhibit, schedule or other attachment to the document in which the reference is contained; (d) a reference to any statute or regulation includes all statutes or regulations varying, consolidating or replacing the same from time to time, and a reference to a statute includes all regulations issued or otherwise applicable under that statute to the extent consistent with the Parties’ original intent hereunder; (e) a reference to a particular section, paragraph or other part of a particular statute shall be deemed to be a reference to any other section, paragraph or other part substituted therefor from time to time; (f) a definition of or reference to any document, instrument or

agreement includes any amendment or supplement to, or restatement, replacement, modification or novation of, any such document, instrument or agreement; (g) a reference to any person includes such person's successors and permitted assigns in that designated capacity; (h) any reference to "days" shall mean calendar days unless Business Days are expressly specified; and (i) examples shall not be construed to limit, expressly or by implication, the matter they illustrate.

ARTICLE II

LEASE; TERM

2.1 Lease.

PG&E hereby leases to Citizens Pacific Transmission, and Citizens Pacific Transmission hereby leases from PG&E, the Citizens Entitlements on the terms and conditions set forth in this Lease. Citizens Pacific Transmission, as the holder of the Citizens Entitlements that are under the Operational Control of the CAISO (or any successor System Operator), for the benefit of and made available to CAISO Eligible Customers, is entitled to all associated rights and revenues from use of the Citizens Entitlements, or, in the absence of the CAISO Agreements, rights and revenues similar to such associated rights and revenues as of the Effective Date.

2.2 Term.

The term of this Lease shall commence as of the Effective Date (the "Commencement Date") and shall expire (unless otherwise earlier terminated pursuant to this Lease) at 11:59 p.m. Pacific time on the day before the 30th anniversary of the Commencement Date (the "Term"). At the conclusion the Term, Citizens Pacific Transmission shall have no further interest in the Projects hereunder, the Citizens Entitlements shall revert to PG&E free and clear of any liens or encumbrances, and Citizens Pacific Transmission and PG&E shall have no further rights or obligations vis-à-vis each other except to pay amounts and fulfill other obligations under this Lease existing as of the time of conclusion of the Term; provided, however, that Citizens Pacific Transmission shall promptly execute and deliver to PG&E such further agreements, instruments and documents, and take such further action, as PG&E may reasonably request in order to effectuate and acknowledge the expiration and termination of this Lease, including the filing of any notices or uniform commercial code termination statements with respect to any lien or security interest filings or notices that were made in connection with any Collateral Assignment. For the avoidance of doubt, the Parties acknowledge that the Commercial Operation Date has occurred as of or prior to the Commencement Date.

ARTICLE III

THIRD PARTY CONTRACTORS; UPGRADES AND REPAIRS; OPERATION AND MAINTENANCE; INTERCONNECTION

3.1 Completion of Construction; Third Party Contractors.

PG&E shall use commercially reasonable efforts to complete all punch list items and all other final construction activities on the Projects in accordance with Good Utility Practice as

soon as reasonably practicable. For avoidance of doubt, for purposes of this Article III and any other provisions of this Lease relating to work performed on the Projects by PG&E, PG&E may undertake work on the Projects itself or through third party contractors.

3.2 Operation and Maintenance.

Except to the extent that PG&E has transferred Operational Control of the Projects to the System Operator, PG&E shall be responsible for overseeing and performing all operations and maintenance services for the Projects (including any aspect thereof related to or necessary for the Citizens Entitlements) in accordance with Good Utility Practice and material regulations, including the CAISO Agreements (or any successor System Operator) and WECC reliability standards.

3.3 Future Upgrades.

Subject to the other terms and conditions of this Lease, PG&E shall be solely entitled to decide upon, develop, design, engineer, procure, construct, commission, own, operate, maintain, and finance any upgrades to all or any portion of the Projects during the Term. PG&E shall be solely responsible for paying the costs of such upgrades. Citizens Pacific Transmission agrees that it will not oppose any upgrades sought by PG&E, including before any Governmental Authority, System Operator, or Balancing Authority.

3.4 Future Replacements and Renewals.

PG&E shall be solely entitled to determine whether any additional capital investment is needed for replacement or renewal of facilities of the Projects, and if so, the timeframe for the same. PG&E shall be solely entitled to itself undertake or undertake by way of contracts with others to develop, design, engineer, procure, construct, commission, own, operate, maintain and finance such replacement or renewals of the facilities of the Projects. PG&E shall be responsible for all costs of such replacement or renewal.

3.5 Adjustment of Citizens Percentage Interest.

The Citizens Percentage Interest shall be adjusted as described below. PG&E shall give Citizens Pacific Transmission written notice of any adjustment to the Citizens Percentage Interest pursuant to this Section 3.5 as soon as reasonably practicable following such adjustment. Such notice shall specify the effective date of such adjustment, the new Citizens Percentage Interest, and the subsection of this Section 3.5 pursuant to which such adjustment shall be made, and such notice shall be accompanied by any other information required to be delivered by this Section 3.5.

3.5.1 Construction Cost True-Up.² The Parties acknowledge that the Prepaid Rent may have been determined prior to the date when all costs incurred by PG&E to develop, design, permit, engineer and construct the Projects, including AFUDC and payments still due

² NTD: Parties to confirm estimated Project Costs prior to executing the Lease to ensure the Citizens Percentage Interest shall be no greater than 49.9% during the Term.

under pending construction contracts for work to be completed after the Effective Date, are fully known. Accordingly, PG&E shall provide to Citizens Pacific Transmission an accounting of such costs promptly after PG&E has finally determined such costs, and the Citizens Percentage Interest shall be adjusted at such time to equal the ratio of the Prepaid Rent divided by the aggregate of all costs incurred by PG&E to develop, design, permit, engineer and construct the Projects, including AFUDC and payments made under construction contracts for work to be completed after the Effective Date.

3.5.2 Additional Capital Investments. To the extent that PG&E makes any additional capital investments in any Project pursuant to Section 3.3 or Section 3.4, then (1) the Citizens Percentage Interest shall be adjusted so that it equals the quotient of (a) Citizens Percentage Interest in the Projects prior to such additional capital investment multiplied by the net book value of the Projects prior to such additional capital investment divided by (b) the new net book value of the Projects (including all new funding of replacements or renewals as part of the new net book value); and (2) the PG&E Percentage Interest shall be adjusted in accordance with its definition. For example, assume that the Projects have a net book value of \$100 million prior to upgrades, replacement or renewals and require additional capital investments of \$30 million for upgrades or replacement costs pursuant to Section 3.3 or Section 3.4 (and thus would have a net book value of \$130 million subsequent to such replacement or renewal). If the Citizens Percentage Interest is 49% and PG&E makes such \$30 million capital investment in the Projects, then the Citizens Percentage Interest would be reduced from 49% to 37.69% ($49\% \times \$100 / \$130 = 37.69\%$) and the PG&E Percentage Interest would be increased from 51% to 62.31% ($100\% - 37.69\% = 62.31\%$). For purposes of this section, the “net book value” of the Projects shall be equal to PG&E’s historical cost basis of the Projects less accumulated depreciation as determined by Generally Accepted Accounting Principles. For the avoidance of doubt, the amount of Rent that Citizens Pacific Transmission pays to PG&E shall not reduce the cost basis.

3.6 Interconnection Facilities.

Subject to the CAISO Agreement and rules governing interconnection, as between PG&E and Citizens Pacific Transmission, PG&E will be the interconnection agent for any Project and on behalf of Citizens Pacific Transmission with respect to the Citizens Entitlements. In particular, PG&E will process all requests for interconnection to any Project, PG&E will develop, design, engineer, procure, construct, commission, own, operate, maintain, and arrange funding for such interconnection facilities, including all substations and switchyards connected to any Project, and PG&E will retain all ownership in such interconnection facilities.

ARTICLE IV

RENT; RATE RECOVERY

4.1 Rent.

The rent due under this Lease shall be as follows:

4.1.1 Prepaid Rent. Concurrently with the commencement of this Lease on the Commencement Date, Citizens Pacific Transmission shall make a payment of [\$200 million]³ to PG&E as prepaid rent (the “Prepaid Rent”).

4.1.2 Additional Rent. Citizens Pacific Transmission shall pay to PG&E, subject to Section 4.3.4 and Section 8.3, additional rent monthly in arrears in an amount equal to the sum of (i) the operations and maintenance costs incurred by PG&E that are reasonably attributable to the Citizens Entitlements, including a reasonable allocation of administrative and general activities, general, intangible and common plant, the amortized cost of removing the Projects, sales, use, payroll and excise taxes, and other costs described in the Citizens Additional Rent Rate (other than Property Tax) (the “Citizens Share of O&M Costs”), plus (ii) Reimbursable Property Tax (the sum of (i) and (ii) is referred to as the “Additional Rent” and, together with the Prepaid Rent, the “Rent”). PG&E shall provide to Citizens Pacific Transmission an invoice of the Additional Rent for each month during the Term within thirty (30) days after (but no earlier than) the conclusion of such month, and Citizens Pacific Transmission shall be required to pay such amount to PG&E within forty-five (45) days after receipt of such invoice.

4.2 Regulation of Citizens Pacific Transmission’s Rates.

Subject to Section 4.3, Citizens Pacific Transmission shall file or cause to be filed with FERC, a transmission service tariff for recovery of its costs associated with the Citizens Entitlements. The Citizens Entitlements shall be provided for the benefit of and made available to CAISO Eligible Customers at rates, terms and conditions deemed just and reasonable and not unduly discriminatory by FERC pursuant to Section 205 of the Federal Power Act.

4.3 Citizens Pacific Transmission’s Cost Recovery Methodology.

Citizens Pacific Transmission shall seek from FERC a cost recovery methodology that provides cost recovery to Citizens Pacific Transmission limited to the recovery of the transmission costs described in this Section 4.3. For the avoidance of doubt, Citizens Pacific Transmission shall be entitled to, and PG&E shall not oppose, rate recovery that is not affected by any reduction in the Citizens Percentage Interest associated with PG&E’s funding of renewals, replacements or upgrades to all or any portion of the Projects pursuant to Section 3.3, Section 3.4 or otherwise.

4.3.1 Operating Costs. Citizens Pacific Transmission shall seek recovery of the Citizens Share of O&M Costs incurred by Citizens Pacific Transmission as provided for in Section 4.1.2 on an annual formulaic basis, including the Applicable Portion of Property Taxes directly attributable to the Citizens Entitlements to the Projects as allocated from PG&E to Citizens Pacific Transmission.

4.3.2 Capital Requirements. Citizens Pacific Transmission shall seek recovery for all costs associated with the Citizens Entitlements other than those described in Section 4.3.1 above at a fixed rate that is no higher than the approximate rate PG&E is projected, as of the

³ NTD: Update based on agreed upon Prepaid Rent for each Entitlements Lease.

Comparison Date, to recover over the lives of the Projects if PG&E held the Citizens Entitlements. This fixed rate is intended to cover all costs associated with the Citizens Entitlements (other than those costs described in Section 4.3.1 above), including Prepaid Rent and other costs of the Entitlements, debt service, capitalized interest, liquidity reserves, taxes (excluding the Applicable Portion of Property Taxes and the sales, use, payroll or excise taxes which are included in the Citizens Share of O&M Costs and the operating costs addressed by Section 4.3.1 above), and any and all other costs; provided, that Citizens Pacific Transmission will not seek from FERC a cost recovery methodology that provides cost recovery of any of its own or its affiliates': (i) project, development, transaction (other than Financing Costs that do not exceed 1% of the Prepaid Rent), regulatory, operating, maintenance, administrative and general costs, charges or expenses, (ii) sales, use, payroll or excise tax costs, (iii) billing and settlements costs, charges or expenses incurred in connection with CAISO, or (iv) financing costs, charges or expenses in excess of 1% of the Prepaid Rent. For purposes of determining the approximate rate PG&E is projected, as of the Comparison Date, to recover if PG&E held the Citizens Entitlements, the Parties agree to use the model attached hereto as Exhibit B.

(a) The model calculates a theoretical annual rate (for a [55]⁴-year depreciable life) that PG&E could recover at or within five (5) Business Days prior to the Commencement Date if PG&E held the Citizens Entitlements and then amortized that rate over a 30-year period on a level basis each year based on fixed and variable parameters set forth in the model to produce a theoretical levelized annual amount (the "PG&E Representative Rate"). The only variable parameters that shall be entered into the model to determine the PG&E Representative Rate are: (1) [the five (5) day average Moody's Baa 30-year Utility Bond Index as set forth in the Bloomberg LLC system, mnemonic MOODUBAA, plus [] basis points ([]%)],⁵ (2) the actual Costs of Entitlements (defined below), and (3) the portion of the actual Costs of Entitlements that is PG&E's actual AFUDC. The phrase "Costs of Entitlements" shall mean the sum of the Prepaid Rent and Financing Costs (defined below) incurred by Citizens Pacific Transmission allocated to the Citizens Entitlements. The phrase "Financing Costs" shall mean, with respect to the term financing that Citizens Pacific Transmission will consummate for the acquisition of its leasehold interest in the Citizens Entitlements, all reasonable and customary financing costs, including without limitation, lenders' fees, consultants' fees (for Citizens Pacific Transmission and its lenders), lawyers' fees (for Citizens Pacific Transmission and its lenders), and capitalized interest charged prior to commencement of rate recovery, and excluding any amounts set aside for reserve accounts; provided, that the Financing Costs included in the Costs of Entitlements shall not exceed one percent (1%) of the Prepaid Rent.

(b) The following parameters, among others, are constants in the model and shall not be reset at any time in determining the PG&E Representative Rate: (1) PG&E's return on common equity fixed at []%,⁶ (2) PG&E's return on preferred equity

⁴ NTD: Update at the time of Lease execution to reflect most recently FERC-authorized depreciable life in a final and non-appealable FERC order, which is not subject to refund.

⁵ NTD: Update applicable bond index and basis point spread (spread based on the last-12-months average spread on PG&E's 30-year bond) at the time of Lease execution.

⁶ NTD: Update at the time of Lease execution to reflect most recently FERC-authorized PG&E return on common equity in a final and non-appealable FERC order, which is not subject to refund.

fixed at [__%],⁷ and (3) PG&E's capital structure fixed at [__% equity, __% preferred equity, and __% debt]⁸. For purposes of explanation, the model also calculates the following parameters, among others, in determining the PG&E Representative Rate: (w) PG&E's federal income tax rate fixed at [21.00%] and state income tax rate fixed at [8.84%],⁹ [(x) PG&E's estimated debt rate for 30 years which is the five (5) day average Moody's Baa 30-year Utility Bond Index as set forth in the Bloomberg LLC system, mnemonic MOODUBAA, plus [__] basis points ([__]%)],¹⁰ (y) PG&E's weighted average cost of capital which is the weighted average (based on the PG&E fixed capital structure in clause (3) immediately above) of the PG&E return on equity in clauses (1) and (2) immediately above and the PG&E estimated debt rate in clause (x), and (z) the PG&E discount rate which is equal to the PG&E weighted average cost of capital in clause (y). The example attached hereto as part of Exhibit B sets forth the PG&E Representative Rate for a [five (5) day average Moody's Baa 30-year Utility Bond Index] equal to [X%], Costs of Entitlements equal to [\$202,000,000] and an AFUDC amount equal to [\$2,282,487.]¹¹

(c) At the time Citizens Pacific Transmission makes the compliance filing related to its application made on [DATE] in [FERC Docket No. ER__ - ____] seeking FERC approval of its annual fixed rate methodology for recovery of the costs described in this Section 4.3.2 and conditionally accepted by FERC pursuant to an order issued on [DATE] in [FERC Dockets Nos. ER__ - ____ -000, ER__ - ____ -001 and EL__ - ____ -000,] Citizens Pacific Transmission shall demonstrate that its proposed rate methodology results in an annual fixed rate for recovery of the costs described in this Section 4.3.2 that is no greater than the PG&E Representative Rate.

(d) For purposes of determining whether Citizens Pacific Transmission has a fixed rate that is no higher than the approximate rate PG&E is projected to recover if PG&E held the Citizens Entitlements in compliance with this Section 4.3.2, as of or within five (5) Business Days prior to the Commencement Date (such date, the "Comparison Date"), the Parties shall compare the PG&E Representative Rate against Citizens Pacific Transmission's FERC-approved annual fixed rate for recovery of the costs described in this Section 4.3.2.

(e) In the event Citizens Pacific Transmission is not able to demonstrate to FERC that its fixed annual rate is no higher than the PG&E Representative Rate, then Citizens Pacific Transmission agrees to limit or cap its fixed annual rate before FERC such that its fixed annual rate shall be equal to the PG&E Representative Rate.

⁷ NTD: Update at the time of Lease execution to reflect most recently FERC-authorized PG&E return on preferred equity in a final and non-appealable FERC order, which is not subject to refund.

⁸ NTD: Update at the time of Lease execution to reflect most recently FERC-authorized PG&E capital structure in a final and non-appealable FERC order, which is not subject to refund.

⁹ NTD: Update at the time of Lease execution to reflect PG&E tax rate in effect at the time.

¹⁰ NTD: Update applicable bond index and basis point spread (spread based on the last-12-months average spread on PG&E's 30-year bond) at the time of Lease execution.

¹¹ NTD: Update based on Representative Rate Model to be attached at Lease execution.

4.3.3 Waiver of Section 205/206 Rights. Except to the extent a change in law, rule, or regulation results in any new taxes, income taxes, Property Taxes, fees or other charges (including through any increase in the rate of such taxes, fees or charges) being levied against Citizens Pacific Transmission, or against any Person that is treated for tax purposes as owning assets of Citizens Pacific Transmission, by a Governmental Authority, to the fullest extent permitted by applicable law, Citizens Pacific Transmission, for itself and its successors and assigns, shall waive any rights it can or may have, now or in the future, whether under Sections 205 and/or 206 of the Federal Power Act or otherwise, to seek to obtain from FERC by any means, directly or indirectly (through complaint, investigation or otherwise), and Citizens Pacific Transmission covenants and agrees not at any time to seek to so obtain, an order from FERC changing the FERC-approved fixed rate for recovery of the costs described in Section 4.3.2 above. For the avoidance of doubt, to the extent a change in law, rule, or regulation results in any new taxes, income taxes, Property Taxes, fees or other charges (including through any increase in the rate of such taxes, fees or charges) being levied against Citizens Pacific Transmission, or against any Person that is treated for tax purposes as owning assets of Citizens Pacific Transmission, by a Governmental Authority, Citizens Pacific Transmission may seek approval for inclusion in its rates of an allowance to recover any such new taxes, income taxes, Property Taxes, fees or other charges. PG&E acknowledges that among other things, Citizens Pacific Transmission will seek recovery of and PG&E will support Citizens Pacific Transmission as a PTO seeking to recover from CAISO Eligible Customers in its transmission revenue requirement for the Citizens Entitlements: (a) all Financing Costs that in the aggregate do not exceed one percent (1%) of Prepaid Rent, (b) all costs of abandoned facilities, provided such abandonment is due to factors beyond Citizens Pacific Transmission's control, and (c) all capital requirements as described in Section 4.3.2 above. PG&E shall fully support, through timely intervention and active participation in any proceeding relating to or affecting Citizens Pacific Transmission's rates, Citizens Pacific Transmission's recovery and implementation of rates conforming to the provisions of this Lease in accordance with Section 205 of the Federal Power Act and orders issued by FERC thereunder, in order that Citizens Pacific Transmission may acquire, finance, operate and maintain its leasehold interest in the Citizens Entitlements. PG&E's support shall include providing FERC with evidence (including affidavits and other customary documentation) that is requested by FERC, or reasonably requested by Citizens Pacific Transmission or other parties in such proceedings before FERC, to demonstrate that costs sought to be recovered by Citizens Pacific Transmission through its rates that were originally incurred by PG&E were prudently incurred.

4.3.4 Credits. Citizens Pacific Transmission shall credit to CAISO Eligible Customers any revenues that are derived from, or associated with, this Lease that are in addition to its cost-of-service recovery described above. Citizens Pacific Transmission's obligations under this Section 4.3.4 shall be satisfied by crediting any such revenues against costs that it seeks to recover in its rates.

ARTICLE V

MEETINGS; OTHER AGREEMENTS

5.1 Meetings.

Unless otherwise agreed upon, the Parties shall schedule a meeting at least once each year for the purpose of discussing the Projects. Either Party may call a special meeting upon reasonable advance notice and in coordination with the other Party. For avoidance of doubt, PG&E shall be solely responsible for and shall make all final decisions with respect to the development, design, permitting, engineering, procurement, construction, commissioning, upgrades, capital expenditures, repairs, replacement, renewals, operation and maintenance of the Projects; provided, however, that PG&E shall (i) provide Citizens Pacific Transmission with periodic reports regarding the development, design, permitting, engineering, procurement, construction, commissioning, upgrades, capital expenditures, repairs, replacement, renewals, operation, and maintenance of the Projects no less than once per year, and (ii) promptly inform Citizens Pacific Transmission of any material change or development regarding the foregoing that would significantly impact Citizens Pacific Transmission or the Citizens Entitlements; provided, however, that all information obtained in connection with such meetings or this Section 5.1 shall be subject to the confidentiality provision in Section 13.2. Citizens Pacific Transmission shall provide PG&E with periodic reports regarding Citizens Pacific Transmission's activities associated with its leasehold interest in the Citizens Entitlements including Citizens Pacific Transmission's performance of its obligations under Section 5.3.1 no less than once per year.

5.2 PG&E Covenants.

5.2.1 PG&E Provision of Cost Recovery. During the Term, if PG&E is no longer part of the CAISO or other System Operator, PG&E shall ensure that Citizens Pacific Transmission can recover any and all of the costs specified in Section 4.3.1 and Section 4.3.2 as if Citizens Pacific Transmission were still recovering these costs under its FERC-filed and accepted transmission service tariff. Further, if PG&E is no longer a member of any regional transmission entity and PG&E itself has Operational Control over PG&E's transmission system, then PG&E shall guarantee or financially support (as applicable under the circumstances) the receipt by Citizens Pacific Transmission of, such costs. While PG&E is part of the CAISO or other System Operator, PG&E shall not be required to guarantee or financially support Citizens Pacific Transmission's cost recovery.

5.2.2 Inspections and Information Sharing. Upon reasonable prior notice and during regular business hours, and subject to the availability of PG&E personnel to escort Citizens Pacific Transmission personnel or representatives, PG&E shall allow Citizens Pacific Transmission at their own expense and risk reasonable access to conduct a visual inspection of the Project sites and provide other information related to the Projects as may be reasonably requested by Citizens Pacific Transmission, including:

- (a) Costing information to ensure that costs for the Projects are allocated to appropriate portions of the Projects and that PG&E keeps its accounts and provides sufficient information to Citizens Pacific Transmission to allow Citizens Pacific Transmission to review those allocations and accounts on an on-going basis;
- (b) Permitting information;
- (c) Plans, specifications, design, or maps of the Projects; and

(d) Contracts reasonably deemed material that affect the development, design, permitting, engineering, procurement and construction of the Projects;

provided, however, that so long as there is no Event of Default and PG&E is not a Defaulting Party, only one such inspection will be permitted annually; provided, further, that all information obtained in connection with any such inspection or shared in accordance with this Section 5.2.2 shall be subject to the confidentiality provisions in Section 13.2. No inspection pursuant to this Section 5.2.2 shall interfere with the use, operation or maintenance of the Projects or the normal conduct of PG&E's business, and PG&E shall not be required to undertake or incur any additional liabilities in connection therewith.

5.3 Citizens Pacific Transmission Covenants.

5.3.1 Low Income Energy Programs. Citizens Pacific Transmission and PG&E have agreed that with respect to each calendar year during the Term that Citizens Pacific Transmission shall pay a portion of Citizens Pacific Transmission's net after-tax profits attributable to the Citizens Entitlements (as calculated before such payments are deducted from such profits as a business expense) to energy-related programs or entities assisting low-income persons in the PG&E service area. PG&E and Citizens Pacific Transmission shall coordinate with each other to ensure that Citizens Pacific Transmission's funding under this Section 5.3.1 is complementary and not duplicative of PG&E's activities; provided, that Citizens Pacific Transmission shall have ultimate decision-making authority with respect to the allocation and distribution of such funding. To implement this agreement, with respect to each calendar year during the Term, Citizens Pacific Transmission shall pay, by no later than April 30 of the following calendar year, to energy-related programs or entities assisting low income persons in the PG&E service area an amount (the "Minimum Annual Low-Income Contributions") equal to at least [____ percent (____%)]¹² of Citizens Pacific Transmission's Net After-Tax Cash Flow for such year (exclusive of the proceeds of indebtedness, but without deducting payments required under this Section 5.3.1). If Citizens Pacific Transmission has not finally determined its Net After-Tax Cash Flow for a calendar year during the Term by April 30 of the following calendar year, then Citizens Pacific Transmission shall make a good faith estimate of such Net After-Tax Cash Flow for purposes of making the payment required by the previous sentence and the amount of such payment shall be trued up by Citizens Pacific Transmission based on its final determination of such Net After-Tax Cash Flow for the applicable calendar year by no later than the date that is one hundred eighty (180) days after it has finally determined such Net After-Tax Cash Flow for the applicable calendar year. Each year as part of its annual reporting under Section 5.1, Citizens Pacific Transmission shall provide to PG&E a certificate from an officer of Citizens Pacific Transmission confirming that it has complied with this Section 5.3.1. Solely for purposes of this Section 5.3.1, Citizens Pacific Transmission shall be deemed to be treated as a

¹² NTD: This percentage to be calculated (and inserted) pursuant to the rule below based on the cumulative prepaid rent paid by Citizens Energy (or its affiliates) across all of the Leases outstanding as of the Effective Date hereof. Rule: (i) 50% with respect to the first \$200 million tranche of prepaid rent, (ii) 60% with respect to the second \$200 million tranche of prepaid rent, (iii) 70% with respect to the third \$200 million tranche of prepaid rent, (iv) 80% with respect to the fourth \$200 million tranche of prepaid rent, and (v) 90% with respect to the fifth \$200 million tranche of prepaid rent.

corporation for tax purposes. For purposes of this Section 5.3.1, the following terms shall have the following meanings:

(a) “Net After-Tax Cash Flow” means, for any calendar year, the excess, if any, of (i) all Revenues received by Citizens Pacific Transmission with respect to such year over (ii) the sum, without duplication, of (A) all Expenses paid by Citizens Pacific Transmission with respect to such year, and (B) all interest, principal, fees, premiums and make-whole amounts paid (excluding therefrom any such amounts to the extent paid with funds on deposit in reserve accounts), and amounts used to fund cash reserves (excluding therefrom any amounts used to fund cash reserves for payments required (or expected to be required) under this Section 5.3.1), in each case with respect to such year by Citizens Pacific Transmission with respect to its indebtedness, in all cases, to the extent associated with the Citizens Entitlements.

(b) “Expenses” means the sum, computed without duplication, of all cash operating and maintenance expenses and capital expenditures of Citizens Pacific Transmission, and required reserves in respect of any such expenses, in all cases, associated with the Citizens Entitlements, including (without duplication) (i) all amounts paid by Citizens Pacific Transmission under this Lease (other than the Prepaid Rent) plus (ii) all costs described in Section 4.3.1 plus (iii) all federal, state and local income taxes that would be payable by Citizens Pacific Transmission if Citizens Pacific Transmission were treated as a corporation for tax purposes plus (iv) any new taxes, income taxes, property taxes, fees or other charges being levied by a Governmental Authority described in Section 4.3.3 paid by Citizens Pacific Transmission plus (v) all administration, regulatory and operating costs incurred by Citizens Pacific Transmission, plus (vi) the applicable amortized portion of all project, development, regulatory and transactional costs and Financing Costs incurred by Citizens Pacific Transmission prior to the date of this Lease. Notwithstanding the foregoing, Expenses shall not include (A) any of the foregoing expenses to the extent paid with funds on deposit in reserve accounts, (B) distributions of any kind by Citizens Pacific Transmission made with respect to its equity interests held by any of its affiliates, (C) depreciation or obsolescence charges or reserves therefor, amortization of intangibles, or other bookkeeping entries of a similar non-cash nature, (D) expenses covered by the proceeds of insurance that are not included in the definition of Revenues below or (E) payments required by this Section 5.3.1.

(c) “Revenues” means all income, revenues, and receipts (without duplication) received by Citizens Pacific Transmission that are derived from, or associated with, the Citizens Entitlements, including, without limitation, revenues from (i) the total annual authorized revenue requirement of Citizens Pacific Transmission associated with the Citizens Entitlements as approved by FERC, (ii) proceeds of any business interruption or other insurance received by Citizens Pacific Transmission, plus (iii) the proceeds of any condemnation awards relating to the Lease received by Citizens Pacific Transmission, plus (iv) all investment income on balances of funds held in the accounts of Citizens Pacific Transmission, plus (v) at the maturity of all of Citizens Pacific Transmission’s indebtedness, all balances of funds held in reserve accounts of Citizens Pacific Transmission, in all cases, to the extent derived from, or associated with, the Citizens Entitlements.

5.3.2 Information Sharing. Upon reasonable notice, Citizens Pacific Transmission shall provide information related to the Projects as may be reasonably requested by

PG&E including but not limited to information regarding Citizens Pacific Transmission's performance of its obligations under Section 5.3.1 that the CPUC requires PG&E to report to the CPUC. In connection with PG&E's reporting obligations to the CPUC as of the Effective Date, Citizens Pacific Transmission shall annually deliver to PG&E a written description that the Parties acknowledge may be delivered by PG&E to the CPUC that identifies (1) the entities, and (2) the actions or activities that Citizens Pacific Transmission has funded, in each case, in connection with its performance of its obligations under Section 5.3.1.

5.3.3 Control. At all times during the Term, Citizens Pacific Transmission shall execute any documents reasonably requested by PG&E and provide any other cooperation reasonably requested by PG&E in order to cause the Citizens Entitlements to be under the Operational Control of the System Operator.

ARTICLE VI

EVENTS OF DEFAULT; REMEDIES

6.1 Events of Default.

An "Event of Default" shall mean, with respect to either Party (a "Defaulting Party"), the occurrence of any of the following:

6.1.1 Failure to Make Payment. A Party shall fail to make payments for amounts due under this Lease within thirty (30) days after written notice that such payment is past due.

6.1.2 Failure to Perform. A Party shall fail to comply with any other material provision of this Lease, and any such failure shall continue uncured for thirty (30) days after written notice thereof, provided that if such failure is not capable of being cured within such period of thirty (30) days with the exercise of reasonable diligence but is otherwise capable of being cured, then such cure period shall be extended for an additional reasonable period of time so long as the Defaulting Party is exercising commercially reasonable efforts to cure such failure.

6.1.3 Failure of Representation. Any representation made by a Party hereunder shall fail to be true in any material respect at the time such representation is given and such failure shall not be cured within thirty (30) days after written notice thereof by the non-Defaulting Party.

6.1.4 Assignment. The failure to comply with the assignment and subletting provisions of Section 11.1 and Section 11.2.

6.1.5 Bankruptcy. Such Party (a) commences any case, proceeding, or other action under any bankruptcy or insolvency law, seeking (i) to have an order for relief entered with respect to it, (ii) to adjudicate it as bankrupt or insolvent, (iii) reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition, or other relief with respect to it or its debts, or (iv) appointment of a receiver, trustee, custodian, conservator, or other similar official for it or for all or any substantial part of its assets, (b) makes a general assignment for the benefit of its creditors, (c) has commenced against it in a court of competent jurisdiction any

case, proceeding, or other action of a nature referred to in clause (a) above which (x) results in the entry of an order for relief or any such adjudication or appointment or (y) remains undismissed, undischarged, unstayed, or unbonded for sixty (60) days, or (d) is generally not, or is unable to, or admits in writing its inability to, pay its debts as they become due.

6.2 Remedies.

Subject to Article XII and Section 6.3, if an Event of Default occurs and is continuing, the non-Defaulting Party shall have the right to pursue all remedies available at law or in equity, including without limitation, the right to institute an action, suit or proceeding in equity for specific performance of the obligations under this Lease.

6.3 Limitation on Liability.

THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO ANY PRODUCT, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. EACH PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES TO BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY (OTHER THAN INJUNCTIVE RELIEF AS PROVIDED IN THIS LEASE) ARE WAIVED. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS LEASE, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, SPECIAL, EXEMPLARY, INCIDENTAL, PUNITIVE, LOST PROFITS, BUSINESS INTERRUPTION OR CONSEQUENTIAL DAMAGES WHATSOEVER UNDER ANY THEORY, INCLUDING BY STATUTE, CONTRACT, TORT (INCLUDING NEGLIGENCE) OR STRICT LIABILITY, UNDER ANY INDEMNITY PROVISION SET FORTH IN THIS LEASE OR OTHERWISE (EXCEPT TO THE EXTENT SUCH DAMAGES ARE THIRD PARTY CLAIMS FOR WHICH A PARTY IS LIABLE AND FOR WHICH THE OTHER PARTY HAS AN INDEMNITY OBLIGATION HEREUNDER), RESULTING FROM A PARTY'S PERFORMANCE OR NONPERFORMANCE OF ITS OBLIGATIONS UNDER OR TERMINATION OF THIS LEASE. THE PARTIES INTEND THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. NOTHING IN THIS SECTION PREVENTS OR IS INTENDED TO PREVENT A PARTY FROM SEEKING SPECIFIC PERFORMANCE UNLESS PERFORMANCE IS OTHERWISE EXCUSED HEREIN. THE PROVISIONS OF THIS SECTION 6.3 SHALL NOT BE CONSTRUED TO RELIEVE ANY INSURER OF ITS OBLIGATION TO PAY ANY INSURANCE PROCEEDS IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF VALID AND ENFORCEABLE INSURANCE POLICIES.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

7.1 PG&E.

As of the Effective Date, PG&E represents and warrants as follows:

7.1.1 Organization and Existence. PG&E is a duly organized and validly existing corporation in good standing under the laws of the State of California and is qualified to transact business in all jurisdictions where the ownership of its properties or its operations require such qualification, except where the failure to so qualify would not have a material adverse effect on its financial condition, its ability to own its properties or transact its business, or to carry out the transactions and activities contemplated hereby.

7.1.2 Execution, Delivery and Enforceability. PG&E has full corporate power and authority to carry on its business as now conducted, enter into, and to carry out its obligations under this Lease. The execution, delivery and performance by PG&E of this Lease, and the consummation of the transactions and activities contemplated under this Lease, have been duly authorized by all necessary corporate action required on the part of PG&E. This Lease has been duly and validly executed and delivered by PG&E and constitutes the valid and legally binding obligations of PG&E, enforceable against PG&E in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application relating to or affecting the enforcement of creditors' rights and by general equitable principles.

7.1.3 No Violation. None of the execution and delivery of this Lease, the compliance with any provision hereof, nor the consummation of the transactions and activities contemplated hereby will: (1) violate or conflict with, or result in a breach or default under, any provisions of the articles of incorporation or bylaws of PG&E or any material agreement to which PG&E is a party or by which its assets are bound; or (2) violate or conflict with, or result in a breach or default under, any applicable law or regulation of any Governmental Authority.

7.2 Citizens Pacific Transmission.

As of the Effective Date, Citizens Pacific Transmission represents and warrants as follows:

7.2.1 Organization and Existence. Citizens Pacific Transmission is a duly organized and validly existing limited liability company in good standing under the laws of the State of Delaware and is qualified to transact business in all jurisdictions where the ownership of its properties or its operations require such qualification, except where the failure to so qualify would not have a material adverse effect on its financial condition, its ability to own its properties or transact its business, or to carry out the transactions and activities contemplated hereby.

7.2.2 Execution, Delivery and Enforceability. Citizens Pacific Transmission has full company power and authority to carry out its obligations under this Lease. The execution, delivery and performance by Citizens Pacific Transmission of this Lease, and the consummation of the transactions and activities contemplated under this Lease, have been duly authorized by all necessary company action required on the part of Citizens Pacific Transmission. This Lease has been duly and validly executed and delivered by Citizens Pacific Transmission and constitutes the valid and legally binding obligations of Citizens Pacific Transmission, enforceable against

Citizens Pacific Transmission in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application relating to or affecting the enforcement of creditors' rights and by general equitable principles.

7.2.3 No Violation. None of the execution and delivery of this Lease, the compliance with any provision hereof, nor the consummation of the transactions and activities contemplated hereby will: (1) violate or conflict with, or result in a breach or default under, any provisions of the certificate of formation or operating agreement of Citizens Pacific Transmission or any material agreement to which Citizens Pacific Transmission is a party or by which its assets are bound; or (2) violate or conflict with, or result in a breach or default under, any applicable law or regulation of any Governmental Authority.

7.2.4 No Objection to Current Design. Citizens Pacific Transmission has no objection to the proposed schedule, plans, specifications, and design of the Projects as described in Exhibit A.

ARTICLE VIII

TAXES AND ASSESSMENTS

8.1 Property Taxes.

The Parties contemplate that the Property Taxes on the Projects will be assessed by the California State Board of Equalization. If the Property Taxes on the Projects are assessed against and paid by PG&E and no Property Taxes are assessed on the Citizens Entitlements against Citizens Pacific Transmission, then the Additional Rent for any period shall include the Applicable Portion of Property Taxes for such period. If the Property Taxes on the Projects are assessed against and paid by both PG&E and Citizens Pacific Transmission, then the Additional Rent for any period shall be adjusted so that Citizens Pacific Transmission bears the cost of the Applicable Portion of Property Taxes either by reimbursement to PG&E or payment directly to taxing authorities and PG&E bears the remainder of the costs of such Property Taxes. If during the Term the regulatory regime by which Property Taxes are assessed shall change, then the Parties shall make appropriate adjustments to this Section 8.1 so that Citizens Pacific Transmission bears the cost of the Applicable Portion of Property Taxes either by reimbursement to PG&E or payment directly to taxing authorities.

8.2 Section 467 Rental Agreement.

It is the intention of the Parties that (i) this Lease constitute a "Section 467 rental agreement" within the meaning of Section 467(d)(1) of the U.S. Internal Revenue Code and (ii) that prepaid rent accrue for U.S. tax purposes in accordance with Section 467(b)(1) of the U.S. Internal Revenue Code, and the provisions of this Lease shall to the fullest extent feasible be construed consistent with such intention. Attached as Exhibit C is a schedule allocating the Prepaid Rent over the Term, and as shown on such schedule, the Parties shall treat items of income and expense in a reciprocal manner. The Parties shall report the Prepaid Rent as accruing for tax purposes semi-annually in arrears. The Parties shall treat the Prepaid Rent to the

extent it exceeds the rent that has accrued as a loan by Citizens Pacific Transmission to PG&E that bears interest at a rate equal to 110% of the “applicable Federal rate” as required by Section 467(e)(4) of the U.S. Internal Revenue Code.

8.3 Additional Rent.

Additional Rent as defined in Section 4.1.2, once paid to PG&E, reimburses costs PG&E incurred on behalf of Citizens Pacific Transmission and is treated by PG&E as reimbursement of costs for tax purposes.

8.4 Tax Benefits. As between PG&E and Citizens Pacific Transmission, PG&E shall be solely entitled to enjoy all and any tax credits or benefits, including bonus tax depreciation deductions, derived from or related to the ownership of the Projects (notwithstanding Citizens Pacific Transmission’s leasehold interest in the Citizens Entitlements hereunder). Notwithstanding anything to the contrary herein, Citizens Pacific Transmission shall have no rights to any tax credits or benefits derived from or related to the ownership of the Projects.

ARTICLE IX

INSURANCE; INDEMNITY

9.1 Insurance.

9.1.1 Insurance; Additional Insureds. PG&E shall insure the Projects in accordance with its standard practices with respect to transmission projects. All insurance that PG&E may obtain for the Projects from time to time (except with regard to professional liability, workers’ compensation and employer’s liability) shall, with respect to third-party liability insurance, include as additional insureds (i) Citizens Pacific Transmission and its subsidiary and affiliated companies with a direct financial interest in the leased Entitlements, except where such subsidiary or affiliated entity is entitled to indemnification from Citizens Pacific Transmission, and (ii) the Citizens Pacific Transmission directors and officers (or their functional equivalent), except where such individual is entitled to indemnification from Citizens Pacific Transmission, as additional insureds (the “Additional Insureds”), in the case of each of clauses (i) and (ii) until the fifth (5th) anniversary of the expiration or earlier termination of this Lease. Each policy for such insurance shall provide that the insurance provided to such Additional Insureds is primary and non-contributory, such that no other insurance or self-insured retention carried or held by Citizens Pacific Transmission shall be called upon to contribute to a loss covered by insurance for the named insured. Upon Citizens Pacific Transmission’s written request, PG&E shall, within ten (10) Business Days, provide certificates of insurance showing the Additional Insureds as additional insureds in accordance with the requirements of this Section 9.1.1 and true and complete copies of the applicable additional insured endorsements.

9.1.2 Waiver of Right to Recovery Including Subrogation. PG&E hereby waives all its rights of recovery, under subrogation or otherwise, against Citizens Pacific Transmission, its officers, agents and employees, and all tiers of contractors, vendors and suppliers engaged directly by Citizens Pacific Transmission with respect to the Projects and the Citizens Entitlements, to the extent covered by insurance provided by PG&E and its contractors

and subcontractors of whatever tier, and further waives all rights of recovery which are not covered by insurance because of deductible or self-insurance obligations relating to such insurance. These waivers do not apply to PG&E's rights of recovery against its own contractors, subcontractors, vendors and suppliers of whatever tier. PG&E will use commercially reasonable efforts to require all tiers of its contractors, subcontractors, vendors and suppliers, by appropriate written agreements, to provide similar waivers each in favor of all parties enumerated in this paragraph. To the fullest extent permitted by law, PG&E will require all of its insurance policies to include clauses stating each insurer will waive all rights of recovery consistent with this paragraph. All waivers provided herein shall be effective as to any individual or entity (a) even if such individual or entity (i) would otherwise have a duty of indemnification, contractual or otherwise, and (ii) did not pay the insurance premium directly or indirectly, and (b) whether or not such individual or entity has an insurable interest in any property damaged.

9.1.3 Survival. This Section 9.1 shall survive the expiration or earlier termination of this Lease until the fifth (5th) anniversary thereof.

9.2 Indemnity. Except as provided in Section 6.3 and Section 9.3, PG&E shall be responsible for, and shall indemnify Citizens Pacific Transmission and its officers, employees, representatives, advisors, contractors and agents ("Indemnitees") from and against, all liability and expense on account of any and all damages, claims or actions (including injury to or death of persons or damage to property arising from any act or failure to act), by PG&E, its officers, employees, representatives, advisors, contractors or agents, whether by negligence or otherwise, arising out of or pertinent to the operation, maintenance, upgrades, replacement, repair, malfunction or defect of or in the Projects (including, without limitation, any fire, blackout or brownout caused by, resulting from, or exacerbated or perpetuated (in whole or in part) by the Projects). The indemnification provisions set forth in this Section 9.2 shall apply to all types of claims or actions including, but not limited to, claims or actions based on contract, tort, patent or trademark. The provisions of this Section 9.2 shall not be construed so as to relieve any insurer of its obligation to pay any insurance proceeds in accordance with the terms and conditions of its insurance policies.

9.3 Indemnification Limitations.

9.3.1 Insurance Proceeds. The gross amount that PG&E is liable to, for, or on behalf of an Indemnatee shall be reduced by any insurance proceeds received by or on behalf of the Indemnatee in respect of the damage, claim, or action giving rise to an indemnity obligation hereunder.

9.3.2 Indemnatee Gross Negligence or Willful Misconduct.

PG&E shall not be liable to any Indemnatee for any liability, loss, claim, damage, cost or expense to the extent caused by or arising as a result of the gross negligence or willful misconduct of such Indemnatee, and Citizens Pacific Transmission agrees to indemnify, defend and hold harmless PG&E and its successors, assigns, officers, employees, representatives, advisors, contractors and agents from any liability, loss, claim, damage, cost or expense suffered or incurred by PG&E by reason of the gross negligence or willful misconduct of Citizens Pacific Transmission, its officers, employees, representatives, advisors, contractors or agents.

ARTICLE X

CASUALTY; CONDEMNATION; FORCE MAJEURE

10.1 Condemnation.

In the event all or a portion of any of the Projects is temporarily or permanently condemned, each Party shall be entitled to separately apply for and claim all compensation from the condemning entity and be entitled to whatever it is awarded.

10.2 Casualty.

In the event of a casualty affecting any of the Projects, PG&E shall seek to restore service on such Project consistent with its general practices applicable to its transmission system.

10.3 Force Majeure.

Notwithstanding anything in this Lease to the contrary, if a Party's performance is impacted by Force Majeure, the affected Party shall be excused from performing its affected obligations under this Lease (other than the obligation to make payments with respect to obligations arising prior to the event of Force Majeure) and shall not be liable for damages or other liabilities due to its failure to perform, during any period that such Party is unable to perform due to an event of Force Majeure; provided, however, that the Party declaring an event of Force Majeure shall: (i) act expeditiously to resume performance; and (ii) exercise all commercially reasonable efforts to mitigate or limit damages to the other Party. A Party unable to perform under this Lease due to an event of Force Majeure shall: (a) provide prompt written notice of such event of Force Majeure to the other Party, which shall include an estimate of the expected duration of the Party's inability to perform due to the event of Force Majeure; and (b) provide prompt notice to the other Party when performance resumes.

ARTICLE XI

ASSIGNMENT AND SUBLETTING

11.1 No Sublet.

Citizens Pacific Transmission shall not sublet all or any portion of the Citizens Entitlements.

11.2 Assignment.

Neither Party shall assign this Lease without the prior written consent of the other Party, which consent shall not be unreasonably conditioned, delayed or withheld; provided, that no such consent shall be required for (i) subject to Section 11.3, a collateral assignment of, or creation of a security interest in, this Lease in connection with any financing or refinancing of the Projects or the Rent due hereunder, or (ii) in the case of PG&E, an assignment in connection with the merger of PG&E with, or the acquisition of substantially all of the transmission assets of PG&E. Any assignee shall have an equal or greater credit rating as PG&E and the legal

authority and operational ability to satisfy the obligations of PG&E hereunder. For the avoidance of doubt, any assignment by Citizens Pacific Transmission shall also require any third party assignee to continue to make contributions in accordance with Section 5.3.1 of this Lease[; provided, that following any assignment of the Lease (including a deemed assignment pursuant to the immediately following sentence) in foreclosure, or through a sale or other transfer in lieu of foreclosure, the Minimum Annual Low-Income Contributions shall not be required to exceed fifty percent (50%) of the applicable Net After-Tax Cash Flow].¹³ For purposes hereof, the transfer of more than fifty percent (50%) of the equity ownership or voting interest of any Party (or any parent entity holding directly or indirectly at least fifty percent (50%) of the equity ownership or voting interest of such Party) where the fair market value of such Party's interest in the Projects is greater than thirty percent (30%) of the fair market value of the assets of such Party or such parent entity to a person that is not an affiliate of such Party shall also constitute an assignment of this Lease requiring the other Party's prior written consent.

11.3 Form of Collateral Assignment.

In connection with any financing or refinancing of the Citizens Entitlements, Citizens Pacific Transmission and PG&E shall, and Citizens Pacific Transmission shall cause each lender to, enter into a consent to collateral assignment (a "Collateral Assignment") in the form of Exhibit D attached hereto. Each Party agrees to reasonably cooperate with each other in connection with any request for a Collateral Assignment and to provide any information reasonably requested by the other Party.

11.4 Right of First Refusal.

Except in connection with (i) a collateral assignment under clause (i) of Section 11.2 above or (ii) any foreclosure sale or deed in lieu of foreclosure in connection with the exercise of remedies under such collateral assignment, PG&E shall have the right of first refusal with respect to any proposed assignment by Citizens Pacific Transmission of all or any portion of its interest in this Lease. In the event Citizens Pacific Transmission receives a bona fide offer from an unaffiliated third party to purchase all or any portion of the interest of Citizens Pacific Transmission in this Lease that Citizens Pacific Transmission is considering to accept, Citizens Pacific Transmission shall provide PG&E with a copy of the bona fide third party purchase offer within five (5) Business Days following receipt thereof. For a period of ninety (90) days following PG&E's receipt of the bona fide third party purchase offer, PG&E shall have the right to purchase such interest as set forth in the offer on the same terms and conditions set forth in such offer (excluding the required commitment to continue making the contributions in accordance with Section 5.3.1 of this Lease) and to conduct due diligence regarding the contemplated purchase. In the event that PG&E elects to exercise its right, PG&E and Citizens Pacific Transmission shall close the purchase and sale of the interest in this Lease upon such terms and conditions. In the event that PG&E elects not to exercise its right and subject to PG&E's prior written consent under Section 11.2 above, Citizens Pacific Transmission shall be free to sell such interest to the third party that made the offer on terms and conditions no less favorable to Citizens Pacific Transmission than those contained in the offer. In the event that

¹³ NTD: Bracketed proviso to be included in Leases that otherwise require Minimum Annual Low-Income Contributions to exceed fifty percent (50%) of applicable Net After-Tax Cash Flow.

such sale is not consummated within 12 months following PG&E's failure to exercise this right of first refusal, then PG&E's right of first refusal shall be revived with respect to such sale. In the event that there is a material revision in any offer in favor of any prospective purchaser, then PG&E's right of first refusal shall be revived so that PG&E again has the right of first refusal to purchase the interest in this Lease on the revised terms.

ARTICLE XII

DISPUTE RESOLUTION

12.1 Intent of the Parties.

The sole procedure to resolve any claim arising out of or relating to this Lease or any related agreement is the dispute resolution procedure set forth in this Article XII; provided, however, that either Party may seek a preliminary injunction or other provisional judicial remedy if such action is necessary to prevent irreparable harm or preserve the status quo, in which case both Parties nonetheless will continue to pursue resolution of the dispute by means of this procedure and nothing in this Section 12.1 shall restrict the rights of any party to file a complaint with FERC under relevant provisions of the Federal Power Act.

12.2 Management Negotiations.

The Parties will attempt in good faith to resolve any controversy or claim arising out of or relating to this Lease or any related agreements by prompt negotiations between each Party's authorized representative. If the matter is not resolved thereby, either Party's authorized representative may request in writing that the matter be referred to the designated senior officers of their respective companies that have corporate authority to settle the dispute. Within five (5) Business Days after such referral date (the "Referral Date"), each Party shall provide one another Notice confirming the referral and identifying the name and title of the senior officer who will represent such Party. Within five (5) Business Days after such Referral Date, the senior officers shall establish a mutually acceptable location and date to meet which shall not be greater than thirty (30) days after such Referral Date. After the initial meeting date, the senior officers shall meet, as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the dispute. All communication and writing exchanged between the Parties in connection with these negotiations shall be confidential and shall not be used or referred to in any subsequent binding adjudicatory process between the Parties. If the matter is not resolved within forty-five (45) days of such Referral Date, or if either Party refuses or does not meet within the thirty (30) day period specified above, either Party may initiate arbitration of the controversy or claim by providing notice of a demand for binding arbitration at any time thereafter.

12.3 Arbitration.

Any dispute that cannot be resolved by management negotiations as set forth in Section 12.2 above shall be resolved through binding arbitration by a retired judge or justice from the American Arbitration Association panel conducted in Oakland, California, administered by and in accordance with American Arbitration Association Commercial Arbitration Rules.

(a) The Parties shall cooperate in good faith with one another in selecting the arbitrator within sixty (60) days after Notice of the demand for arbitration. Absent mutual agreement on a different method of selecting an arbitrator within fifteen (15) days of a demand for arbitration, the Parties shall request a list of potential arbitrators having the minimum qualifications set forth in this Section 12.3 from the Commercial Roster of the American Arbitration Association. Each Party shall then strike the potential arbitrators unacceptable to it, and the Parties shall exchange lists of strikes until either (i) they have selected a single eligible and available arbitrator by mutual agreement, or (ii) they have selected a list of not more than five arbitrators acceptable to each Party. In the latter case, the Parties (if unable to agree on a single arbitrator) shall provide the list of five arbitrators to American Arbitration Association and request the American Arbitration Association to select the arbitrator. Any arbitrator shall have no affiliation with, financial or other interest in, or prior employment with either Party and shall have a minimum of ten years experience in the field of the dispute.

(b) Each Party shall provide the documents in its possession, custody or control which it believes to support its position in arbitration to the other Party within thirty (30) days of the demand, and shall supplement its provision of such documents in a reasonable manner as additional documents come to light. Each Party shall be entitled to make not more than two requests for production of documents prior to the commencement of the hearing. Depositions shall be limited to a maximum of three per Party and shall be held within thirty (30) days of the making of a request. Additional depositions may be scheduled only with the permission of the arbitrator, and for good cause shown. Each deposition shall be limited to a maximum of seven hours duration unless otherwise permitted by the arbitrator for good cause shown. All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary and confidential information. The arbitrator shall also have discretion to order the Parties to exchange relevant documents. The arbitrator shall also have discretion to order the Parties to answer not more than 25 interrogatories (including subparts), upon good cause shown.

(c) The arbitrator's award shall be made within nine months of the filing of the notice of intention to arbitrate (demand) and the arbitrator shall agree to comply with this schedule before accepting appointment. However, this time limit may be extended for one period of up to thirty (30) days by agreement of the Parties or by the arbitrator, if necessary.

(d) The prevailing Party in this dispute resolution process is entitled to recover its costs, including reasonable attorneys' fees, as determined by the arbitrator. Until such award is made, however, the Parties shall share equally in paying the costs of the arbitration.

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

(f) The existence, content, and results of any arbitration hereunder shall be confidential information subject to the provisions of Section 13.2.

12.4 Enforcement of Award.

By execution and delivery of this Lease, each Party hereby (a) accepts and consents to the use of binding arbitration pursuant to the American Arbitration Association's Commercial Arbitration Rules and other procedures described in this Article XII, and, solely for purposes of the enforcement of an arbitral award under this Section 12.4, to the jurisdiction of any court of competent jurisdiction, for itself and in respect of its property, and (b) waives, solely for purposes of the enforcement of an arbitral award under this Section 12.4, in respect of both itself and its property, all defenses it may have as to or based on jurisdiction, improper venue or forum non conveniens. Each Party hereby irrevocably consents to the service of process or other papers by the use of any of the methods and to the addresses set out for the giving of notices in Section 13.1 hereof. Nothing herein shall affect the right of each Party to serve such process or papers in any other manner permitted by law.

12.5 Performance during Arbitration.

While resolution of any dispute is pending, each Party shall continue to perform its obligations hereunder (unless such Party is otherwise entitled to suspend its performance hereunder or terminate this Lease in accordance with the terms hereof), and no Party shall refer or attempt to refer the matter in dispute to a court or other tribunal in any jurisdiction, except as provided in this Article XII.

ARTICLE XIII

MISCELLANEOUS

13.1 Notices.

Unless otherwise specified herein, all notices shall be in writing and delivered by hand, overnight mail or e-mail (if e-mail addresses are identified below or by subsequent notice) to the applicable addresses below. A notice delivered in accordance herewith shall be deemed received (i) on the date of delivery, if hand delivered, (ii) two (2) Business Days after the date of sending, if sent by a nationally recognized overnight courier, or at such earlier time as is confirmed by the receiving Party, (iii) three (3) Business Days after the date of mailing, if mailed by registered or certified mail, return receipt requested, or at such earlier time as is confirmed by the receiving Party, and (iv) on the Business Day on which such notice was transmitted by e-mail (where permitted); provided, however, that a notice delivered in accordance with this Section but received on any day other than a Business Day or after 5:00 p.m. in the place of receipt will be deemed received on the next Business Day. A Party may change its address for notices by providing notice of the same in accordance with this Section 13.1.

If to PG&E:
Pacific Gas and Electric Company
300 Lakeside Drive
Oakland, CA 94612
Attention: Michael Medeiros

Email: mjml@pge.com

With a copy to:

Jenner & Block LLP

1155 Avenue of the Americas

New York, NY 10036

Attention: Raunaq Kohli, Counsel to Pacific Gas and Electric Company

Fax: 212-891-1699

Email: rkohli@jenner.com

If to Citizens Pacific Transmission:

Citizens Pacific Transmission LLC

2 Seaport Lane, Suite 5C

Boston, MA 02210

Attention: Chief Executive Officer

Email: psmith@citizensenergy.com

With copies to:

Duncan & Allen LLP

1730 Rhode Island Avenue, N.W., Suite 700

Washington, D.C., 20036

Attention: Counsel to Citizens Energy Corporation

Email: amb@duncanallen.com

and

Hemenway & Barnes

60 State Street

Boston Massachusetts 02109-1899.

Attention: Stephen Kidder

Email: skidder@hembar.com

13.2 Confidentiality.

During the Term and for a period of three (3) years after the expiration or termination of this Lease, the Parties shall keep confidential any information relating to the Projects or obtained in connection with this Lease (such information, “Confidential Information”), and shall refrain from using, publishing or revealing such Confidential Information without the prior written consent of the Party whose Confidential Information the disclosing Party is seeking to disclose, unless (a) such Confidential Information is disclosed to its affiliates, legal advisors, auditors and/or Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and instructed to keep such Confidential Information confidential); (b) the disclosing Party is compelled to disclose such document or information to a securities exchange or by judicial, regulatory or administrative process or other provisions of law; (c) such Confidential Information is generally available to the public; (d) such Confidential Information was available to the disclosing Party on a non-confidential basis from a third party, provided that the disclosing Party does not know,

and, by reasonable effort, could not know that such third party is prohibited from transmitting the document or information to the receiving Party by a contractual, legal or fiduciary obligation; or (e) such Confidential Information is necessary to support a rate case or other regulatory filing with a Governmental Authority, provided that, the Party disclosing such document or information must make reasonable efforts to maintain confidentiality with respect to any proprietary information.

13.3 Public Relations.

The Parties will cooperate in good faith with each other and, to the extent reasonable, seek mutual approval with respect to any public announcements regarding this Lease or Citizens Pacific Transmission's participation in the Projects.

13.4 Governing Law.

This Lease and the obligations hereunder shall be governed by the laws of the State of California, without regard to principles of conflicts of law.

13.5 No Amendments or Modifications.

This Lease shall not be amended, modified, terminated, discharged or supplemented, nor any provision hereof waived, unless mutually agreed to in writing by the Parties. If and to the extent that the CAISO Agreements are amended or modified such that a Party or the Parties can no longer comply with the terms of this Lease, the Parties shall negotiate in good faith to amend or modify this Lease to effectuate the same intent and essential purpose of this Lease as of the Effective Date in light of the CAISO Agreements amendment or modification.

13.6 Further Assurances.

Citizens Pacific Transmission agrees, at PG&E's cost and expense, to promptly and duly execute and deliver to PG&E such further documents and agreements and take such further actions as PG&E may from time to time reasonably request in order to more effectively carry out the intent and purposes of this Lease, including the execution and delivery of supplements and/or amendments to any exhibit, appendix or other attachments to the Lease relating to upgrades, replacements, renewals and/or adjustments in Percentage Interests.

13.7 Delay and Waiver.

Except as otherwise provided in this Lease, no delay or omission to exercise any right, power or remedy accruing to the respective Parties hereto upon any breach or default of any other Party under this Lease shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character of any breach or default under this Lease, or any waiver of any provision or condition of this Lease, must be in writing and shall be effective only to the extent specifically set forth in such writing.

13.8 Entirety; Conflicts.

This Lease constitutes the entire agreement between the Parties hereto. There are no prior or contemporaneous agreements or representations affecting the same subject matter other than those herein expressed. In the event of any conflicts or inconsistencies between the terms Lease and the DCOA, the terms of this Lease shall govern and prevail.

13.9 Relationship of the Parties.

Except as otherwise set forth herein, this Lease shall not make any of the Parties partners or joint venturers one with the other, nor make any the agent of the others. Except as otherwise explicitly set forth herein, no Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party. Notwithstanding anything to the contrary, no fiduciary duty or fiduciary relationship shall exist between the Parties.

13.10 Good Faith.

In carrying out its obligations and duties under this Lease, each Party shall have an implied obligation of good faith.

13.11 Successors and Assigns.

This Lease shall inure to the benefit of, and be binding upon, the Parties hereto and their respective successors and permitted assigns.

13.12 Third Parties.

This Lease is intended solely for the benefit of the Parties. Nothing in this Lease shall be construed to create any duty or liability to, or standard of care with reference to, any Person other than the Parties.

13.13 Headings.

The headings contained in this Lease are solely for the convenience of the Parties and should not be used or relied upon in any manner in the construction or interpretation of this Lease.

13.14 Construction of Lease.

Ambiguities or uncertainties in the wording of this Lease shall not be construed for or against any Party either on account of such Party having drafted or provided any language in this Lease or otherwise, and shall be construed in accordance with the fair meaning of this Lease.

13.15 Counterparts; Electronic Execution.

This Lease may be executed in one or more counterparts, each of which shall be deemed an original. Receipt by facsimile or electronic transmission (including PDF) of any executed

signature page to this Lease shall constitute effective delivery of such signature page (upon its release from escrow, if applicable).

[Signature page follows]

IN WITNESS WHEREOF, the Parties have signed this Entitlements Lease as of the Effective Date.

PG&E:

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By: _____
Name:
Title:

CITIZENS PACIFIC TRANSMISSION:

CITIZENS PACIFIC TRANSMISSION LLC,
a Delaware limited liability company

By: _____
Name:
Title:

Exhibit A
Project List
(attached)¹⁴

¹⁴ NTD: The final project list as of the Effective Date will be attached to this Lease.

Exhibit B

Model for PG&E Representative Rate

(attached)¹⁵

¹⁵ NTD: The final model as of the Effective Date will be populated with inputs determined in accordance with Section 4.3.2. The model template for the PG&E Representative Rate, and the example PG&E Representative Rate as of the date of execution of the DCOA, is set forth in the file titled “PG&E Representative Rate Model.xlsx”.

For purposes of this filing, this attachment is being provided as a PDF. A native Excel version of the file is available upon request.

Capital-Related Revenue Requirement	Total	1 Year-1	2 Year-2	3 Year-3	4 Year-4	5 Year-5	6 Year-6	7 Year-7	8 Year-8	9 Year-9	10 Year-10	11 Year-11	12 Year-12	13 Year-13	14 Year-14
Depreciation Expense	202,000,000	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727
Return on Common Equity	236,889,505	10,369,102	10,046,847	9,678,695	9,331,521	9,003,350	8,692,395	8,394,213	8,101,964	7,812,320	7,525,105	7,240,159	6,957,330	6,676,477	6,397,468
Return on Preferred Equity	1,257,603	55,048	53,337	51,382	49,539	47,797	46,146	44,563	43,012	41,474	39,949	38,437	36,935	35,444	33,963
Return on Debt	146,665,629	6,419,832	6,220,314	5,992,380	5,777,434	5,574,253	5,381,731	5,197,117	5,016,177	4,836,849	4,659,026	4,482,607	4,307,499	4,133,614	3,960,871
Federal Income Taxes	65,798,673	2,816,317	2,730,200	2,631,817	2,539,040	2,451,342	2,368,244	2,288,560	2,210,461	2,133,058	2,056,305	1,980,157	1,904,576	1,829,522	1,754,962
State Income Taxes	30,384,059	1,300,500	1,260,733	1,215,302	1,172,461	1,131,964	1,093,592	1,056,795	1,020,732	984,989	949,546	914,384	879,482	844,824	810,394
Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue Requirement	682,995,468	24,633,527	23,984,158	23,242,304.4	22,542,722.8	21,881,433	21,254,836	20,653,975	20,065,073	19,481,417	18,902,659	18,328,471	17,758,549	17,192,609	16,630,385
Net Present Value (55 yrs)	226,060,813	23,654,906	21,237,744	18,978,083	16,973,398	15,192,437	13,608,138	12,193,654	10,923,460	9,779,785	8,750,259	7,823,724	6,990,110	6,240,331	5,566,182
Levelized Annual Amount (30yrs)	\$20,929,939														
Total nominal amount recovered by Citizens	627,898,167														

	Capital Ratio	Cost	WACC
Debt	49.75%	6.47%	3.22%
Preferred Equity	0.50%	5.52%	0.03%
Common Equity	49.75%	10.45%	5.20%
			8.45%

[illegible]

[illegible]

[illegible]

[illegible]

Model Inputs

Cost of Entitlements

AFUDC

5.54% 2/1/2024 Moodys Baa Utility Index

\$202,000,000

\$18,762,464

Calculation of Debt Cost as Input to Model

Adjustment to Bond Index

5.54%

0.93%

0.93% Last-12-months PG&E avg. spread to Moodys Baa Utility index

Total Debt Cost per Model

6.4700%

Calculation of WACC

<u>Calculation of WACC</u>	<u>Capital Ratio</u>	<u>Cost</u>	<u>WACC</u>
Debt	49.75%	6.47%	3.22%
Preferred Equity	0.50%	5.52%	0.03%
Common Equity	49.75%	10.45%	5.20%
			<u>8.45%</u>

Federal Income Tax Rate	21.000%
Federal Secondary Effect	-1.856%
Net Federal Income Tax Rate	19.144%
State Income Tax Rate	8.840%
Composite Income Tax Rate	27.984%

Net-to-Gross Multiplier	1.38857
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[illegible]

PG&E Representative Rate	\$20,929,939
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Nominal amount paid by customers	\$627,898,167
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PG&E and Citizens Lease No. [X]

Investment	202,000,000
Book Life Years	55

BOOK DEPRECIATION

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9	Year-10	Year-11	Year-12	Year-13	Year-14	Year-15
Depreciation Expense	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727
Accumulated Depreciation	3,672,727	7,345,455	11,018,182	14,690,909	18,363,636	22,036,364	25,709,091	29,381,818	33,054,545	36,727,273	40,400,000	44,072,727	47,745,455	51,418,182	55,090,909

Book Basis	192,618,768
Book Life Years	55

BOOK LIFE METHOD

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9	Year-10	Year-11	Year-12	Year-13	Year-14	Year-15
Depreciation Expense	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159
Accumulated Depreciation	3,502,159	7,004,319	10,506,478	14,008,638	17,510,797	21,012,956	24,515,116	28,017,275	31,519,435	35,021,594	38,523,754	42,025,913	45,528,072	49,030,232	52,532,391

Tax Basis	192,618,768
BONUS DEPRECIATION	0%
Federal Tax Life	15

FEDERAL TAX DEPRECIATION

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9	Year-10	Year-11	Year-12	Year-13	Year-14	Year-15
Depreciation Expense	9,630,938	18,298,783	16,468,905	14,822,014	13,339,813	12,005,831	11,373,946	11,373,946	11,373,946	11,373,946	11,373,946	11,373,946	11,373,946	11,373,946	11,373,946
Accumulated Depreciation	9,630,938	27,929,721	44,398,626	59,220,640	72,560,453	84,566,284	95,940,230	107,314,176	118,688,121	130,062,067	141,436,013	152,809,958	164,183,904	175,557,849	186,931,795

Federal Tax Rate	19.14%
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Federal Deferred Taxes

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9	Year-10	Year-11	Year-12	Year-13	Year-14	Year-15
Deferred tax Expense (BLM vs Fed)	(1,173,269)	(2,832,606)	(2,482,302)	(2,167,028)	(1,883,281)	(1,627,909)	(1,506,943)	(1,506,943)	(1,506,943)	(1,506,943)	(1,506,943)	(1,506,943)	(1,506,943)	(1,506,943)	(1,506,943)
Accumulated Deferred Taxes	(1,173,269)	(4,005,875)	(6,488,177)	(8,655,205)	(10,538,486)	(12,166,395)	(13,673,338)	(15,180,281)	(16,687,225)	(18,194,168)	(19,701,111)	(21,208,054)	(22,714,998)	(24,221,941)	(25,728,884)

Tax Basis	192,618,768
State Tax Life	30

STATE TAX DEPRECIATION

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9	Year-10	Year-11	Year-12	Year-13	Year-14	Year-15
Depreciation Expense	6,420,626	12,413,209	11,585,662	10,813,285	10,092,399	9,419,572	8,791,601	8,205,494	7,658,461	7,147,897	6,671,371	6,226,613	5,811,505	5,424,071	5,062,467
Accumulated Depreciation	6,420,626	18,833,835	30,419,497	41,232,782	51,325,181	60,744,753	69,536,354	77,741,849	85,400,310	92,548,207	99,219,578	105,446,191	111,257,696	116,681,767	121,744,234

State Tax Rate	8.84%
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State Deferred Taxes

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9	Year-10	Year-11	Year-12	Year-13	Year-14	Year-15
Deferred tax Expense (BLM vs State)	(257,992)	(787,737)	(714,582)	(646,303)	(582,577)	(523,099)	(467,587)	(415,775)	(367,417)	(322,283)	(280,158)	(240,842)	(204,146)	(169,897)	(137,931)
Accumulated Deferred Taxes	(257,992)	(1,045,729)	(1,760,311)	(2,406,614)	(2,989,192)	(3,512,291)	(3,979,877)	(4,395,652)	(4,763,069)	(5,085,353)	(5,365,511)	(5,606,353)	(5,810,499)	(5,980,396)	(6,118,327)

RATEBASE

	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9	Year-10	Year-11	Year-12	Year-13	Year-14	Year-15
Investment	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000
Accumulated Depreciation	(3,672,727)	(7,345,455)	(11,018,182)	(14,690,909)	(18,363,636)	(22,036,364)	(25,709,091)	(29,381,818)	(33,054,545)	(36,727,273)	(40,400,000)	(44,072,727)	(47,745,455)	(51,418,182)	(55,090,909)
Accumulated Federal Deferred Taxes	(1,173,269)	(4,005,875)	(6,488,177)	(8,655,205)	(10,538,486)	(12,166,395)	(13,673,338)	(15,180,281)	(16,687,225)	(18,194,168)	(19,701,111)	(21,208,054)	(22,714,998)	(24,221,941)	(25,728,884)
Accumulated State Deferred Taxes	(257,992)	(1,045,729)	(1,760,311)	(2,406,614)	(2,989,192)	(3,512,291)	(3,979,877)	(4,395,652)	(4,763,069)	(5,085,353)	(5,365,511)	(5,606,353)	(5,810,499)	(5,980,396)	(6,118,327)

Net Ratebase	202,000,000	196,896,011	189,602,941	182,733,330	176,247,272	170,108,686	164,284,951	158,637,693	153,042,248	147,495,160	141,993,207	136,533,378	131,112,866	125,729,049	120,379,481	115,061,880
Average Ratebase		199,448,006	193,249,476	186,168,135	179,490,301	173,177,979	167,196,818	161,461,322	155,839,971	150,268,704	144,744,184	139,263,292	133,823,122	128,420,957	123,054,265	117,720,681
Return on Rate Base		16,843,982	16,320,498	15,722,458	15,158,494	14,625,400	14,120,273	13,635,893	13,161,153	12,690,643	12,224,081	11,761,203	11,301,764	10,845,535	10,392,302	9,941,865

Interest Expense on LTD	6,419,832	6,220,314	5,992,380	5,777,434	5,574,253	5,381,731	5,197,117	5,016,177	4,836,849	4,659,026	4,482,607	4,307,499	4,133,614	3,960,871	3,789,193
Return on Preferred Equity	55,048	53,337	51,382	49,539	47,797	46,146	44,563	43,012	41,474	39,949	38,437	36,935	35,444	33,963	32,491
Return on Common Equity	10,369,102	10,046,847	9,678,695	9,331,521	9,003,350	8,692,395	8,394,213	8,101,964	7,812,320	7,525,105	7,240,159	6,957,330	6,676,477	6,397,468	6,120,180
Check	10,369,102	10,046,847	9,678,695	9,331,521	9,003,350	8,692,395	8,394,213	8,101,964	7,812,320	7,525,105	7,240,159	6,957,330	6,676,477	6,397,468	6,120,180
Year End Net Plant	197,154,004	190,648,670	184,493,641	178,653,886	173,097,878	167,797,241	162,617,571	157,437,900	152,258,230	147,078,559	141,898,889	136,719,218	131,539,548	126,359,877	121,180,207
Property Taxes	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	<u>Capital Ratio</u>	<u>Cost</u>	<u>WACC</u>
Debt	49.75%	6.47%	3.22%
Preferred Equity	0.50%	5.52%	0.03%
Common Equity	49.75%	10.45%	5.20%
			8.45%

Percentage	100.00														
Federal Tax Life (w/ Bonus D)	5.00	9.50	8.55	7.70	6.93	6.23	5.90	5.90	5.90	5.90	5.90	5.90	5.90	5.90	5.90
State Tax Life	3.33	6.44	6.01	5.61	5.24	4.89	4.56	4.26	3.98	3.71	3.46	3.23	3.02	2.82	2.63

Revenue Requirement	Total	1 Year-1	2 Year-2	3 Year-3	4 Year-4	5 Year-5	6 Year-6	7 Year-7	8 Year-8	9 Year-9	10 Year-10	11 Year-11	12 Year-12	13 Year-13	14 Year-14	15 Year-15
Franchise Fees & Uncollectibles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
O&M Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation Expense	202,000,000	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727
Return on Common Equity	236,889,505	10,369,102	10,046,847	9,678,695	9,331,521	9,003,350	8,692,395	8,394,213	8,101,964	7,812,320	7,525,105	7,240,159	6,957,330	6,676,477	6,397,468	6,120,180
Return on Preferred Equity	1,257,603	55,048	53,337	51,382	49,539	47,797	46,146	44,563	43,012	41,474	39,949	38,437	36,935	35,444	33,963	32,491
Return on Debt	146,665,629	6,419,832	6,220,314	5,992,380	5,777,434	5,574,253	5,381,731	5,197,117	5,016,177	4,836,849	4,659,026	4,482,607	4,307,499	4,133,614	3,960,871	3,789,193
Federal Income Taxes	65,798,673	2,816,317	2,730,200	2,631,817	2,539,040	2,451,342	2,368,244	2,288,560	2,210,461	2,133,058	2,056,305	1,980,157	1,904,576	1,829,522	1,754,962	1,680,861
State Income Taxes	30,384,059	1,300,500	1,260,733	1,215,302	1,172,461	1,131,964	1,093,592	1,056,795	1,020,732	984,989	949,546	914,384	879,482	844,824	810,394	776,176
Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue Requirement	682,995,468	24,633,527	23,984,158	23,242,304	22,542,723	21,881,433	21,254,836	20,653,975	20,065,073	19,481,417	18,902,659	18,328,471	17,758,549	17,192,609	16,630,385	16,071,629

PG&E and Citizens Lease No. [X]

Investment	202,000,000
Book Life Years	55

BOOK DEPRECIATION

	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
	Year-16	Year-17	Year-18	Year-19	Year-20	Year-21	Year-22	Year-23	Year-24	Year-25	Year-26	Year-27	Year-28	Year-29	Year-30
Depreciation Expense	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727
Accumulated Depreciation	58,763,636	62,436,364	66,109,091	69,781,818	73,454,545	77,127,273	80,800,000	84,472,727	88,145,455	91,818,182	95,490,909	99,163,636	102,836,364	106,509,091	110,181,818

Book Basis	192,618,768
Book Life Years	55

BOOK LIFE METHOD

	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
	Year-16	Year-17	Year-18	Year-19	Year-20	Year-21	Year-22	Year-23	Year-24	Year-25	Year-26	Year-27	Year-28	Year-29	Year-30
Depreciation Expense	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159
Accumulated Depreciation	56,034,551	59,536,710	63,038,869	66,541,029	70,043,188	73,545,348	77,047,507	80,549,667	84,051,826	87,553,985	91,056,145	94,558,304	98,060,464	101,562,623	105,064,782

Tax Basis	192,618,768
BONUS DEPRECIATION	
Federal Tax Life	15

	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
	Year-16	Year-17	Year-18	Year-19	Year-20	Year-21	Year-22	Year-23	Year-24	Year-25	Year-26	Year-27	Year-28	Year-29	Year-30
Federal Tax Life	2.95%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

FEDERAL TAX DEPRECIATION

	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
	Year-16	Year-17	Year-18	Year-19	Year-20	Year-21	Year-22	Year-23	Year-24	Year-25	Year-26	Year-27	Year-28	Year-29	Year-30
Depreciation Expense	5,686,973	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768

Federal Tax Rate	19.14%
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Federal Deferred Taxes

	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
	Year-16	Year-17	Year-18	Year-19	Year-20	Year-21	Year-22	Year-23	Year-24	Year-25	Year-26	Year-27	Year-28	Year-29	Year-30
Deferred tax Expense (BLM vs Fed)	(418,252)	670,439	670,439	670,439	670,439	670,439	670,439	670,439	670,439	670,439	670,439	670,439	670,439	670,439	670,439
Accumulated Deferred Taxes	(26,147,136)	(25,476,697)	(24,806,257)	(24,135,818)	(23,465,379)	(22,794,939)	(22,124,500)	(21,454,060)	(20,783,621)	(20,113,182)	(19,442,742)	(18,772,303)	(18,101,864)	(17,431,424)	(16,760,985)

Tax Basis	192,618,768
State Tax Life	30

	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
	Year-16	Year-17	Year-18	Year-19	Year-20	Year-21	Year-22	Year-23	Year-24	Year-25	Year-26	Year-27	Year-28	Year-29	Year-30
State Tax Life	2.45%	2.37%	2.37%	2.37%	2.37%	2.37%	2.37%	2.37%	2.37%	2.37%	2.37%	2.37%	2.37%	2.37%	2.37%

STATE TAX DEPRECIATION

	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
	Year-16	Year-17	Year-18	Year-19	Year-20	Year-21	Year-22	Year-23	Year-24	Year-25	Year-26	Year-27	Year-28	Year-29	Year-30
Depreciation Expense	4,724,969	4,562,039	4,562,039	4,562,039	4,562,039	4,562,039	4,562,039	4,562,039	4,562,039	4,562,039	4,562,039	4,562,039	4,562,039	4,562,039	4,562,039
Accumulated Depreciation	126,469,203	131,031,242	135,593,281	140,155,320	144,717,359	149,279,398	153,841,437	158,403,476	162,965,515	167,527,554	172,089,592	176,651,631	181,213,670	185,775,709	190,337,748

State Tax Rate	8.84%
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State Deferred Taxes

	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
	Year-16	Year-17	Year-18	Year-19	Year-20	Year-21	Year-22	Year-23	Year-24	Year-25	Year-26	Year-27	Year-28	Year-29	Year-30
Deferred tax Expense (BLM vs State)	(108,096)	(93,693)	(93,693)	(93,693)	(93,693)	(93,693)	(93,693)	(93,693)	(93,693)	(93,693)	(93,693)	(93,693)	(93,693)	(93,693)	(93,693)
Accumulated Deferred Taxes	(6,226,423)	(6,320,117)	(6,413,810)	(6,507,503)	(6,601,197)	(6,694,890)	(6,788,583)	(6,882,277)	(6,975,970)	(7,069,663)	(7,163,357)	(7,257,050)	(7,350,743)	(7,444,437)	(7,538,130)

RATEBASE

	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
	Year-16	Year-17	Year-18	Year-19	Year-20	Year-21	Year-22	Year-23	Year-24	Year-25	Year-26	Year-27	Year-28	Year-29	Year-30
Investment	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000
Accumulated Depreciation	(58,763,636)	(62,436,364)	(66,109,091)	(69,781,818)	(73,454,545)	(77,127,273)	(80,800,000)	(84,472,727)	(88,145,455)	(91,818,182)	(95,490,909)	(99,163,636)	(102,836,364)	(106,509,091)	(110,181,818)
Accumulated Federal Deferred Taxes	(26,147,136)	(25,476,697)	(24,806,257)	(24,135,818)	(23,465,379)	(22,794,939)	(22,124,500)	(21,454,060)	(20,783,621)	(20,113,182)	(19,442,742)	(18,772,303)	(18,101,864)	(17,431,424)	(16,760,985)
Accumulated State Deferred Taxes	(6,226,423)	(6,320,117)	(6,413,810)	(6,507,503)	(6,601,197)	(6,694,890)	(6,788,583)	(6,882,277)	(6,975,970)	(7,069,663)	(7,163,357)	(7,257,050)	(7,350,743)	(7,444,437)	(7,538,130)

Net Ratebase	202,000,000	110,862,804	107,766,823	104,670,842	101,574,860	98,478,879	95,382,898	92,286,917	89,190,936	86,094,954	82,998,973	79,902,992	76,807,011	73,711,029	70,615,048	67,519,067
Average Ratebase		112,962,342	109,314,814	106,218,832	103,122,851	100,026,870	96,930,889	93,834,907	90,738,926	87,642,945	84,546,964	81,450,982	78,355,001	75,259,020	72,163,039	69,067,058
Return on Rate Base		9,540,009	9,231,964	8,970,499	8,709,034	8,447,569	8,186,104	7,924,639	7,663,175	7,401,710	7,140,245	6,878,780	6,617,315	6,355,850	6,094,385	5,832,920

Interest Expense on LTD	3,636,032	3,518,625	3,418,972	3,319,318	3,219,665	3,120,011	3,020,358	2,920,705	2,821,051	2,721,398	2,621,744	2,522,091	2,422,437	2,322,784	2,223,130
Return on Preferred Equity	31,178	30,171	29,316	28,462	27,607	26,753	25,898	25,044	24,189	23,335	22,480	21,626	20,771	19,917	19,063
Return on Common Equity	5,872,799	5,683,168	5,522,211	5,361,254	5,200,297	5,039,340	4,878,383	4,717,426	4,556,469	4,395,512	4,234,555	4,073,598	3,912,641	3,751,684	3,590,727
Check	5,872,799	5,683,168	5,522,211	5,361,254	5,200,297	5,039,340	4,878,383	4,717,426	4,556,469	4,395,512	4,234,555	4,073,598	3,912,641	3,751,684	3,590,727
Year End Net Plant	117,089,227	114,086,940	111,084,652	108,082,364	105,080,076	102,077,788	99,075,500	96,073,212	93,070,924	90,068,636	87,066,349	84,064,061	81,061,773	78,059,485	75,057,197
Property Taxes	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Debt
Preferred Equity
Common Equity

Percentage	100.00														
Federal Tax Life (w/ Bonus D)	2.95	0.00	0.00	0.00	0.00	0.00	0.00	0.00							
State Tax Life	2.45	2.37	2.37	2.37	2.37	2.37	2.37	2.37	2.37	2.37	2.37	2.37	2.37	2.37	2.37

Revenue Requirement	Total	16 Year-16	17 Year-17	18 Year-18	19 Year-19	20 Year-20	21 Year-21	22 Year-22	23 Year-23	24 Year-24	25 Year-25	26 Year-26	27 Year-27	28 Year-28	29 Year-29	30 Year-30
Franchise Fees & Uncollectibles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
O&M Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation Expense	202,000,000	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727
Return on Common Equity	236,889,505	5,872,799	5,683,168	5,522,211	5,361,254	5,200,297	5,039,340	4,878,383	4,717,426	4,556,469	4,395,512	4,234,555	4,073,598	3,912,641	3,751,684	3,590,727
Return on Preferred Equity	1,257,603	31,178	30,171	29,316	28,462	27,607	26,753	25,898	25,044	24,189	23,335	22,480	21,626	20,771	19,917	19,063
Return on Debt	146,665,629	3,636,032	3,518,625	3,418,972	3,319,318	3,219,665	3,120,011	3,020,358	2,920,705	2,821,051	2,721,398	2,621,744	2,522,091	2,422,437	2,322,784	2,223,130
Federal Income Taxes	65,798,673	1,614,752	1,564,076	1,521,063	1,478,050	1,435,037	1,392,024	1,349,011	1,305,997	1,262,984	1,219,971	1,176,958	1,133,945	1,090,932	1,047,918	1,004,905
State Income Taxes	30,384,059	745,649	722,248	702,386	682,524	662,661	642,799	622,937	603,075	583,212	563,350	543,488	523,625	503,763	483,901	464,038
Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue Requirement	682,995,468	15,573,138	15,191,016	14,866,676	14,542,335	14,217,995	13,893,655	13,569,314	13,244,974	12,920,633	12,596,293	12,271,952	11,947,612	11,623,272	11,298,931	10,974,591

PG&E and Citizens Lease No. [X]	
Investment	202,000,000
Book Life Years	55

BOOK DEPRECIATION

	31	32	33	34	35	36	37	38	39	40	41	42	43	44
	Year-31	Year-32	Year-33	Year-34	Year-35	Year-36	Year-37	Year-38	Year-39	Year-40	Year-41	Year-42	Year-43	Year-44
Depreciation Expense	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727
Accumulated Depreciation	113,854,545	117,527,273	121,200,000	124,872,727	128,545,455	132,218,182	135,890,909	139,563,636	143,236,364	146,909,091	150,581,818	154,254,545	157,927,273	161,600,000

Book Basis	192,618,768
Book Life Years	55

BOOK LIFE METHOD

	31	32	33	34	35	36	37	38	39	40	41	42	43	44
	Year-31	Year-32	Year-33	Year-34	Year-35	Year-36	Year-37	Year-38	Year-39	Year-40	Year-41	Year-42	Year-43	Year-44
Depreciation Expense	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159
Accumulated Depreciation	108,566,942	112,069,101	115,571,261	119,073,420	122,575,580	126,077,739	129,579,898	133,082,058	136,584,217	140,086,377	143,588,536	147,090,695	150,592,855	154,095,014

Tax Basis	192,618,768														
BONUS DEPRECIATION															
Federal Tax Life	15	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

FEDERAL TAX DEPRECIATION

	31	32	33	34	35	36	37	38	39	40	41	42	43	44
	Year-31	Year-32	Year-33	Year-34	Year-35	Year-36	Year-37	Year-38	Year-39	Year-40	Year-41	Year-42	Year-43	Year-44
Depreciation Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768

Federal Tax Rate	19.14%
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Federal Deferred Taxes

	31	32	33	34	35	36	37	38	39	40	41	42	43	44
	Year-31	Year-32	Year-33	Year-34	Year-35	Year-36	Year-37	Year-38	Year-39	Year-40	Year-41	Year-42	Year-43	Year-44
Deferred tax Expense (BLM vs Fed)	670,439	670,439	670,439	670,439	670,439	670,439	670,439	670,439	670,439	670,439	670,439	670,439	670,439	670,439
Accumulated Deferred Taxes	(16,090,545)	(15,420,106)	(14,749,667)	(14,079,227)	(13,408,788)	(12,738,348)	(12,067,909)	(11,397,470)	(10,727,030)	(10,056,591)	(9,386,151)	(8,715,712)	(8,045,273)	(7,374,833)

Tax Basis	192,618,768														
State Tax Life	30	1.18%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

STATE TAX DEPRECIATION

	31	32	33	34	35	36	37	38	39	40	41	42	43	44
	Year-31	Year-32	Year-33	Year-34	Year-35	Year-36	Year-37	Year-38	Year-39	Year-40	Year-41	Year-42	Year-43	Year-44
Depreciation Expense	2,281,019	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768

State Tax Rate	8.84%
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State Deferred Taxes

	31	32	33	34	35	36	37	38	39	40	41	42	43	44
	Year-31	Year-32	Year-33	Year-34	Year-35	Year-36	Year-37	Year-38	Year-39	Year-40	Year-41	Year-42	Year-43	Year-44
Deferred tax Expense (BLM vs State)	107,949	309,591	309,591	309,591	309,591	309,591	309,591	309,591	309,591	309,591	309,591	309,591	309,591	309,591
Accumulated Deferred Taxes	(7,430,181)	(7,120,591)	(6,811,000)	(6,501,409)	(6,191,818)	(5,882,227)	(5,572,636)	(5,263,045)	(4,953,454)	(4,643,863)	(4,334,272)	(4,024,682)	(3,715,091)	(3,405,500)

RATEBASE

	Year-31	Year-32	Year-33	Year-34	Year-35	Year-36	Year-37	Year-38	Year-39	Year-40	Year-41	Year-42	Year-43	Year-44
Investment	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000
Accumulated Depreciation	(113,854,545)	(117,527,273)	(121,200,000)	(124,872,727)	(128,545,455)	(132,218,182)	(135,890,909)	(139,563,636)	(143,236,364)	(146,909,091)	(150,581,818)	(154,254,545)	(157,927,273)	(161,600,000)
Accumulated Federal Deferred Taxes	(16,090,545)	(15,420,106)	(14,749,667)	(14,079,227)	(13,408,788)	(12,738,348)	(12,067,909)	(11,397,470)	(10,727,030)	(10,056,591)	(9,386,151)	(8,715,712)	(8,045,273)	(7,374,833)
Accumulated State Deferred Taxes	(7,430,181)	(7,120,591)	(6,811,000)	(6,501,409)	(6,191,818)	(5,882,227)	(5,572,636)	(5,263,045)	(4,953,454)	(4,643,863)	(4,334,272)	(4,024,682)	(3,715,091)	(3,405,500)

Net Ratebase	202,000,000	64,624,728	61,932,031	59,239,334	56,546,637	53,853,940	51,161,243	48,468,546	45,775,849	43,083,152	40,390,455	37,697,758	35,005,061	32,312,364	29,619,667
Average Ratebase		66,071,897	63,278,379	60,585,682	57,892,985	55,200,288	52,507,591	49,814,894	47,122,197	44,429,500	41,736,803	39,044,106	36,351,409	33,658,712	30,966,015
Return on Rate Base		5,579,970	5,344,049	5,116,643	4,889,236	4,661,830	4,434,424	4,207,017	3,979,611	3,752,205	3,524,798	3,297,392	3,069,986	2,842,579	2,615,173

Interest Expense on LTD	2,126,722	2,036,804	1,950,132	1,863,459	1,776,787	1,690,114	1,603,442	1,516,769	1,430,097	1,343,424	1,256,752	1,170,079	1,083,407	996,734
Return on Preferred Equity	18,236	17,465	16,722	15,978	15,235	14,492	13,749	13,006	12,263	11,519	10,776	10,033	9,290	8,547
Return on Common Equity	3,435,012	3,289,780	3,149,789	3,009,798	2,869,808	2,729,817	2,589,827	2,449,836	2,309,845	2,169,855	2,029,864	1,889,873	1,749,883	1,609,892
Check	3,435,012	3,289,780	3,149,789	3,009,798	2,869,808	2,729,817	2,589,827	2,449,836	2,309,845	2,169,855	2,029,864	1,889,873	1,749,883	1,609,892
Year End Net Plant	72,054,909	69,052,621	66,050,333	63,048,046	60,045,758	57,043,470	54,041,182	51,038,894	48,036,606	45,034,318	42,032,030	39,029,742	36,027,455	33,025,167
Property Taxes	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-

Debt
Preferred Equity
Common Equity

Percentage 100.00
Federal Tax Life (w/ Bonus D)
State Tax Life 1.18 0.00

Revenue Requirement	Total	31 Year-31	32 Year-32	33 Year-33	34 Year-34	35 Year-35	36 Year-36	37 Year-37	38 Year-38	39 Year-39	40 Year-40	41 Year-41	42 Year-42	43 Year-43	44 Year-44
Franchise Fees & Uncollectibles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
O&M Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation Expense	202,000,000	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727
Return on Common Equity	236,889,505	3,435,012	3,289,780	3,149,789	3,009,798	2,869,808	2,729,817	2,589,827	2,449,836	2,309,845	2,169,855	2,029,864	1,889,873	1,749,883	1,609,892
Return on Preferred Equity	1,257,603	18,236	17,465	16,722	15,978	15,235	14,492	13,749	13,006	12,263	11,519	10,776	10,033	9,290	8,547
Return on Debt	146,665,629	2,126,722	2,036,804	1,950,132	1,863,459	1,776,787	1,690,114	1,603,442	1,516,769	1,430,097	1,343,424	1,256,752	1,170,079	1,083,407	996,734
Federal Income Taxes	65,798,673	963,293	924,482	887,072	849,661	812,251	774,841	737,430	700,020	662,610	625,200	587,789	550,379	512,969	475,559
State Income Taxes	30,384,059	444,823	426,901	409,626	392,351	375,076	357,801	340,526	323,251	305,975	288,700	271,425	254,150	236,875	219,600
Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue Requirement	682,995,468	10,660,813	10,368,159	10,086,067	9,803,976	9,521,884	9,239,792	8,957,701	8,675,609	8,393,517	8,111,426	7,829,334	7,547,242	7,265,151	6,983,059

PG&E and Citizens Lease No. [X]

Investment	202,000,000
Book Life Years	55

BOOK DEPRECIATION

	45	46	47	48	49	50	51	52	53	54	55
	Year-45	Year-46	Year-47	Year-48	Year-49	Year-50	Year-51	Year-52	Year-53	Year-54	Year-55
Depreciation Expense	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727
Accumulated Depreciation	165,272,727	168,945,455	172,618,182	176,290,909	179,963,636	183,636,364	187,309,091	190,981,818	194,654,545	198,327,273	202,000,000

Book Basis	192,618,768
Book Life Years	55

BOOK LIFE METHOD

	45	46	47	48	49	50	51	52	53	54	55
	Year-45	Year-46	Year-47	Year-48	Year-49	Year-50	Year-51	Year-52	Year-53	Year-54	Year-55
Depreciation Expense	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159	3,502,159
Accumulated Depreciation	157,597,174	161,099,333	164,601,493	168,103,652	171,605,811	175,107,971	178,610,130	182,112,290	185,614,449	189,116,608	192,618,768

Tax Basis	192,618,768
BONUS DEPRECIATION	
Federal Tax Life	15

0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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FEDERAL TAX DEPRECIATION

	45	46	47	48	49	50	51	52	53	54	55
	Year-45	Year-46	Year-47	Year-48	Year-49	Year-50	Year-51	Year-52	Year-53	Year-54	Year-55
Depreciation Expense	-	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768

Federal Tax Rate	19.14%
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Federal Deferred Taxes

	45	46	47	48	49	50	51	52	53	54	55
	Year-45	Year-46	Year-47	Year-48	Year-49	Year-50	Year-51	Year-52	Year-53	Year-54	Year-55
Deferred tax Expense (BLM vs Fed)	670,439	670,439	670,439	670,439	670,439	670,439	670,439	670,439	670,439	670,439	670,439
Accumulated Deferred Taxes	(6,704,394)	(6,033,955)	(5,363,515)	(4,693,076)	(4,022,636)	(3,352,197)	(2,681,758)	(2,011,318)	(1,340,879)	(670,439)	0

Tax Basis	192,618,768
State Tax Life	30

0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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STATE TAX DEPRECIATION

	45	46	47	48	49	50	51	52	53	54	55
	Year-45	Year-46	Year-47	Year-48	Year-49	Year-50	Year-51	Year-52	Year-53	Year-54	Year-55
Depreciation Expense	-	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768	192,618,768

State Tax Rate	8.84%
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State Deferred Taxes

	45	46	47	48	49	50	51	52	53	54	55
	Year-45	Year-46	Year-47	Year-48	Year-49	Year-50	Year-51	Year-52	Year-53	Year-54	Year-55
Deferred tax Expense (BLM vs State)	309,591	309,591	309,591	309,591	309,591	309,591	309,591	309,591	309,591	309,591	309,591
Accumulated Deferred Taxes	(3,095,909)	(2,786,318)	(2,476,727)	(2,167,136)	(1,857,545)	(1,547,954)	(1,238,364)	(928,773)	(619,182)	(309,591)	0

RATEBASE

	Year-45	Year-46	Year-47	Year-48	Year-49	Year-50	Year-51	Year-52	Year-53	Year-54	Year-55
Investment	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000	202,000,000
Accumulated Depreciation	(165,272,727)	(168,945,455)	(172,618,182)	(176,290,909)	(179,963,636)	(183,636,364)	(187,309,091)	(190,981,818)	(194,654,545)	(198,327,273)	(202,000,000)
Accumulated Federal Deferred Taxes	(6,704,394)	(6,033,955)	(5,363,515)	(4,693,076)	(4,022,636)	(3,352,197)	(2,681,758)	(2,011,318)	(1,340,879)	(670,439)	0
Accumulated State Deferred Taxes	(3,095,909)	(2,786,318)	(2,476,727)	(2,167,136)	(1,857,545)	(1,547,954)	(1,238,364)	(928,773)	(619,182)	(309,591)	0

Net Ratebase	202,000,000	26,926,970	24,234,273	21,541,576	18,848,879	16,156,182	13,463,485	10,770,788	8,078,091	5,385,394	2,692,697	(0)
Average Ratebase		28,273,318	25,580,621	22,887,924	20,195,227	17,502,530	14,809,833	12,117,136	9,424,439	6,731,742	4,039,045	1,346,348
Return on Rate Base		2,387,767	2,160,360	1,932,954	1,705,548	1,478,141	1,250,735	1,023,329	795,922	568,516	341,110	113,703

Interest Expense on LTD	910,062	823,389	736,717	650,044	563,371	476,699	390,026	303,354	216,681	130,009	43,336
Return on Preferred Equity	7,803	7,060	6,317	5,574	4,831	4,088	3,344	2,601	1,858	1,115	372
Return on Common Equity	1,469,902	1,329,911	1,189,920	1,049,930	909,939	769,948	629,958	489,967	349,977	209,986	69,995
Check	1,469,902	1,329,911	1,189,920	1,049,930	909,939	769,948	629,958	489,967	349,977	209,986	69,995
Year End Net Plant	30,022,879	27,020,591	24,018,303	21,016,015	18,013,727	15,011,439	12,009,152	9,006,864	6,004,576	3,002,288	(0)
Property Taxes	0.0%	-	-	-	-	-	-	-	-	-	-

Debt
Preferred Equity
Common Equity

Percentage 100.00
Federal Tax Life (w/ Bonus D)
State Tax Life

Revenue Requirement	Total	45 Year-45	46 Year-46	47 Year-47	48 Year-48	49 Year-49	50 Year-50	51 Year-51	52 Year-52	53 Year-53	54 Year-54	55 Year-55
Franchise Fees & Uncollectibles	-	-	-	-	-	-	-	-	-	-	-	-
O&M Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation Expense	202,000,000	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727
Return on Common Equity	236,889,505	1,469,902	1,329,911	1,189,920	1,049,930	909,939	769,948	629,958	489,967	349,977	209,986	69,995
Return on Preferred Equity	1,257,603	7,803	7,060	6,317	5,574	4,831	4,088	3,344	2,601	1,858	1,115	372
Return on Debt	146,665,629	910,062	823,389	736,717	650,044	563,371	476,699	390,026	303,354	216,681	130,009	43,336
Federal Income Taxes	65,798,673	438,148	400,738	363,328	325,918	288,507	251,097	213,687	176,277	138,866	101,456	64,046
State Income Taxes	30,384,059	202,325	185,050	167,775	150,500	133,225	115,950	98,675	81,400	64,125	46,850	29,575
Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue Requirement	682,995,468	6,700,968	6,418,876	6,136,784	5,854,693	5,572,601	5,290,509	5,008,418	4,726,326	4,444,234	4,162,143	3,880,051

CALCULATION OF FEDERAL & STATE INCOME TAX EXPENSE

Description	Rate	1 Year-1	2 Year-2	3 Year-3	4 Year-4	5 Year-5	6 Year-6	7 Year-7	8 Year-8	9 Year-9	10 Year-10	11 Year-11	12 Year-12	13 Year-13	14 Year-14
RATEBASE ROR		199,448,006 8.45%	193,249,476 8.45%	186,168,135 8.45%	179,490,301 8.45%	173,177,979 8.45%	167,196,818 8.45%	161,461,322 8.45%	155,839,971 8.45%	150,268,704 8.45%	144,744,184 8.45%	139,263,292 8.45%	133,823,122 8.45%	128,420,957 8.45%	123,054,265 8.45%
Net Operating Income		16,843,982	16,320,498	15,722,458	15,158,494	14,625,400	14,120,273	13,635,893	13,161,153	12,690,643	12,224,081	11,761,203	11,301,764	10,845,535	10,392,302
RATEBASE WACost of Debt		199,448,006 3.22%	193,249,476 3.22%	186,168,135 3.22%	179,490,301 3.22%	173,177,979 3.22%	167,196,818 3.22%	161,461,322 3.22%	155,839,971 3.22%	150,268,704 3.22%	144,744,184 3.22%	139,263,292 3.22%	133,823,122 3.22%	128,420,957 3.22%	123,054,265 3.22%
Interest		6,419,832 1.206	6,220,314	5,992,380	5,777,434	5,574,253	5,381,731	5,197,117	5,016,177	4,836,849	4,659,026	4,482,607	4,307,499	4,133,614	3,960,871
FEDERAL ADJUSTMENTS:															
Book Depreciation (Not shown as an adjustment)	19.14%	703,092	703,092	703,092	703,092	703,092	703,092	703,092	703,092	703,092	703,092	703,092	703,092	703,092	703,092
BLM Depreciation	19.14%	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)
Fixed Charges - Operating (Interest Expense)	19.14%	(1,228,987)	(1,190,792)	(1,147,157)	(1,106,009)	(1,067,113)	(1,030,257)	(994,915)	(960,277)	(925,947)	(891,905)	(858,132)	(824,610)	(791,322)	(758,253)
Cost of Removal	19.14%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Percentage Repair Allowance	19.14%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
P/Y CCFT	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50% of Meals & Entertainment	19.14%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ad Valorem Tax - Fiscal/Calendar	19.14%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Federal Tax Adj. (Deduction)		(1,196,334)	(1,158,139)	(1,114,504)	(1,073,356)	(1,034,460)	(997,604)	(962,262)	(927,624)	(893,294)	(859,252)	(825,479)	(791,957)	(758,670)	(725,600)
STATE ADJUSTMENTS:															
Book Depreciation (Not shown as an adjustment)	8.84%	324,669	324,669	324,669	324,669	324,669	324,669	324,669	324,669	324,669	324,669	324,669	324,669	324,669	324,669
BLM Depreciation	8.84%	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)
Fixed Charges - Operating (Interest Expense)	8.84%	(367,513)	(349,876)	(329,726)	(310,725)	(292,764)	(275,745)	(259,425)	(243,430)	(227,577)	(211,858)	(196,262)	(180,783)	(165,411)	(150,141)
Cost of Removal	8.84%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Percentage Repair Allowance	8.84%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50% of Meals & Entertainment	8.84%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ad Valorem Tax - Fiscal/Calendar	8.84%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total State Tax Adj. (Deduction)		(552,435)	(534,798)	(514,648)	(495,647)	(477,686)	(460,667)	(444,347)	(428,352)	(412,499)	(396,780)	(381,184)	(365,705)	(350,333)	(335,063)
Adjustments		(107)													
ITC Amortization		-	-	-	-	-	-	-	-	-	-	-	-	-	-
ARAM		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Adjustments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL		15,095,213	14,627,561	14,093,305	13,589,491	13,113,254	12,662,002	12,229,284	11,805,177	11,384,849	10,968,048	10,554,539	10,144,102	9,736,532	9,331,639
N-T-G Multiplier	1.38857														
Book Income before Tax		20,960,800	20,311,431	19,569,577	18,869,996	18,208,706	17,582,109	16,981,248	16,392,346	15,808,690	15,229,932	14,655,744	14,085,822	13,519,882	12,957,658
Book Income before Tax		20,960,800	20,311,431	19,569,577	18,869,996	18,208,706	17,582,109	16,981,248	16,392,346	15,808,690	15,229,932	14,655,744	14,085,822	13,519,882	12,957,658
Book Depreciation		3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727
Book Income before Tax & Depreciation		24,633,527	23,984,158	23,242,304	22,542,723	21,881,433	21,254,836	20,653,975	20,065,073	19,481,417	18,902,659	18,328,471	17,758,549	17,192,609	16,630,385
Misc. Taxes (other than property & income)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
O & M		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Income		24,633,527	23,984,158	23,242,304	22,542,723	21,881,433	21,254,836	20,653,975	20,065,073	19,481,417	18,902,659	18,328,471	17,758,549	17,192,609	16,630,385
TOTAL REVENUE REQUIREMENT		24,633,527	23,984,158	23,242,304	22,542,723	21,881,433	21,254,836	20,653,975	20,065,073	19,481,417	18,902,659	18,328,471	17,758,549	17,192,609	16,630,385
CALCULATION OF FIT															
Book Income before Tax		20,960,800	20,311,431	19,569,577	18,869,996	18,208,706	17,582,109	16,981,248	16,392,346	15,808,690	15,229,932	14,655,744	14,085,822	13,519,882	12,957,658
Tax Adjustments - Before Tax Effect		(6,249,265)	(6,049,746)	(5,821,812)	(5,606,866)	(5,403,685)	(5,211,163)	(5,026,549)	(4,845,609)	(4,666,281)	(4,488,458)	(4,312,039)	(4,136,931)	(3,963,046)	(3,790,303)
Tax Rate	19.14%	14,711,535	14,261,684	13,747,765	13,263,130	12,805,021	12,370,945	11,954,699	11,546,736	11,142,409	10,741,474	10,343,705	9,948,891	9,556,836	9,167,355
		2,816,317	2,730,200	2,631,817	2,539,040	2,451,342	2,368,244	2,288,560	2,210,461	2,133,058	2,056,305	1,980,157	1,904,576	1,829,522	1,754,962
Adjustments (ITC)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
FIT		2,816,317	2,730,200	2,631,817	2,539,040	2,451,342	2,368,244	2,288,560	2,210,461	2,133,058	2,056,305	1,980,157	1,904,576	1,829,522	1,754,962
	0														
CALCULATION OF SIT															
Book Income before Tax		20,960,800	20,311,431	19,569,577	18,869,996	18,208,706	17,582,109	16,981,248	16,392,346	15,808,690	15,229,932	14,655,744	14,085,822	13,519,882	12,957,658
Tax Adjustments - Before Tax Effect		(6,249,265)	(6,049,746)	(5,821,812)	(5,606,866)	(5,403,685)	(5,211,163)	(5,026,549)	(4,845,609)	(4,666,281)	(4,488,458)	(4,312,039)	(4,136,931)	(3,963,046)	(3,790,303)

CHECK: FERC Formula Rate Income Tax Calculation from TO21														
Federal Income Tax Rate	21.000%													
State Income Tax Rate	8.840%													
Composite Tax Rate	27.984%													
Income Taxes:														
(RB * ER)	10,424,150	10,100,184	9,730,078	9,381,061	9,051,147	8,738,542	8,438,776	8,144,976	7,853,794	7,565,055	7,278,596	6,994,265	6,711,921	6,431,431
+ FPD	170,568	170,568	170,568	170,568	170,568	170,568	170,568	170,568	170,568	170,568	170,568	170,568	170,568	170,568
* (CTR/(1 – CTR))	0.38857	0.38857	0.38857	0.38857	0.38857	0.38857	0.38857	0.38857	0.38857	0.38857	0.38857	0.38857	0.38857	0.38857
+ CO/(1 – CTR)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Income Taxes	4,116,817	3,990,933	3,847,120	3,711,501	3,583,306	3,461,836	3,345,355	3,231,193	3,118,047	3,005,851	2,894,541	2,784,058	2,674,347	2,565,356
Income Taxes Calculated by the Model	(4,116,817)	(3,990,933)	(3,847,120)	(3,711,501)	(3,583,306)	(3,461,836)	(3,345,355)	(3,231,193)	(3,118,047)	(3,005,851)	(2,894,541)	(2,784,058)	(2,674,347)	(2,565,356)
Difference (S/B=0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income Taxes = (((RB * ER) + FPD - RAP) * (CTR/(1 – CTR))) + CO/(1 – CTR))														
Where:														
RB = Rate Base														
ER = Equity Rate of Return Including Common and Preferred Stock														
CTR = Composite Tax Rate														
CO = Credits and Other														
FPD = Flowback and Permanent Tax Deductions														

15 Year-15	16 Year-16	17 Year-17	18 Year-18	19 Year-19	20 Year-20	21 Year-21	22 Year-22	23 Year-23	24 Year-24	25 Year-25	26 Year-26	27 Year-27	28 Year-28	29 Year-29	30 Year-30	31 Year-31	32 Year-32	33 Year-33	34 Year-34	35 Year-35	36 Year-36
117,720,681 8.45%	112,962,342 8.45%	109,314,814 8.45%	106,218,832 8.45%	103,122,851 8.45%	100,026,870 8.45%	96,930,889 8.45%	93,834,907 8.45%	90,738,926 8.45%	87,642,945 8.45%	84,546,964 8.45%	81,450,982 8.45%	78,355,001 8.45%	75,259,020 8.45%	72,163,039 8.45%	69,067,058 8.45%	66,071,897 8.45%	63,278,379 8.45%	60,585,682 8.45%	57,892,985 8.45%	55,200,288 8.45%	52,507,591 8.45%
9,941,865	9,540,009	9,231,964	8,970,499	8,709,034	8,447,569	8,186,104	7,924,639	7,663,175	7,401,710	7,140,245	6,878,780	6,617,315	6,355,850	6,094,385	5,832,920	5,579,970	5,344,049	5,116,643	4,889,236	4,661,830	4,434,424
117,720,681 3.22%	112,962,342 3.22%	109,314,814 3.22%	106,218,832 3.22%	103,122,851 3.22%	100,026,870 3.22%	96,930,889 3.22%	93,834,907 3.22%	90,738,926 3.22%	87,642,945 3.22%	84,546,964 3.22%	81,450,982 3.22%	78,355,001 3.22%	75,259,020 3.22%	72,163,039 3.22%	69,067,058 3.22%	66,071,897 3.22%	63,278,379 3.22%	60,585,682 3.22%	57,892,985 3.22%	55,200,288 3.22%	52,507,591 3.22%
3,789,193	3,636,032	3,518,625	3,418,972	3,319,318	3,219,665	3,120,011	3,020,358	2,920,705	2,821,051	2,721,398	2,621,744	2,522,091	2,422,437	2,322,784	2,223,130	2,126,722	2,036,804	1,950,132	1,863,459	1,776,787	1,690,114
703,092 (670,439) (725,388)	703,092 (670,439) (696,067)	703,092 (670,439) (673,592)	703,092 (670,439) (654,514)	703,092 (670,439) (635,437)	703,092 (670,439) (616,360)	703,092 (670,439) (597,283)	703,092 (670,439) (578,205)	703,092 (670,439) (559,128)	703,092 (670,439) (540,051)	703,092 (670,439) (520,973)	703,092 (670,439) (501,896)	703,092 (670,439) (482,819)	703,092 (670,439) (463,742)	703,092 (670,439) (444,664)	703,092 (670,439) (425,587)	703,092 (670,439) (407,131)	703,092 (670,439) (389,918)	703,092 (670,439) (373,325)	703,092 (670,439) (356,733)	703,092 (670,439) (340,141)	703,092 (670,439) (323,549)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(692,735)	(663,415)	(640,939)	(621,861)	(602,784)	(583,707)	(564,630)	(545,552)	(526,475)	(507,398)	(488,321)	(469,243)	(450,166)	(431,089)	(412,012)	(392,934)	(374,478)	(357,265)	(340,673)	(324,080)	(307,488)	(290,896)
324,669 (309,591) (334,965)	324,669 (309,591) (321,425)	324,669 (309,591) (311,046)	324,669 (309,591) (302,237)	324,669 (309,591) (293,428)	324,669 (309,591) (284,618)	324,669 (309,591) (275,809)	324,669 (309,591) (267,000)	324,669 (309,591) (258,190)	324,669 (309,591) (249,381)	324,669 (309,591) (240,572)	324,669 (309,591) (231,762)	324,669 (309,591) (222,953)	324,669 (309,591) (214,143)	324,669 (309,591) (205,334)	324,669 (309,591) (196,525)	324,669 (309,591) (188,002)	324,669 (309,591) (180,054)	324,669 (309,591) (172,392)	324,669 (309,591) (164,730)	324,669 (309,591) (157,068)	324,669 (309,591) (149,406)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(319,886)	(306,347)	(295,968)	(287,159)	(278,350)	(269,540)	(260,731)	(251,921)	(243,112)	(234,303)	(225,493)	(216,684)	(207,875)	(199,065)	(190,256)	(181,447)	(172,924)	(164,975)	(157,313)	(149,652)	(141,990)	(134,328)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8,929,243	8,570,247	8,295,057	8,061,479	7,827,900	7,594,322	7,360,744	7,127,166	6,893,587	6,660,009	6,426,431	6,192,852	5,959,274	5,725,696	5,492,118	5,258,539	5,032,568	4,821,809	4,618,657	4,415,504	4,212,352	4,009,200
12,398,902	11,900,410	11,518,289	11,193,948	10,869,608	10,545,268	10,220,927	9,896,587	9,572,246	9,247,906	8,923,566	8,599,225	8,274,885	7,950,544	7,626,204	7,301,864	6,988,085	6,695,432	6,413,340	6,131,248	5,849,157	5,567,065
12,398,902 3,672,727	11,900,410 3,672,727	11,518,289 3,672,727	11,193,948 3,672,727	10,869,608 3,672,727	10,545,268 3,672,727	10,220,927 3,672,727	9,896,587 3,672,727	9,572,246 3,672,727	9,247,906 3,672,727	8,923,566 3,672,727	8,599,225 3,672,727	8,274,885 3,672,727	7,950,544 3,672,727	7,626,204 3,672,727	7,301,864 3,672,727	6,988,085 3,672,727	6,695,432 3,672,727	6,413,340 3,672,727	6,131,248 3,672,727	5,849,157 3,672,727	5,567,065 3,672,727
16,071,629	15,573,138	15,191,016	14,866,676	14,542,335	14,217,995	13,893,655	13,569,314	13,244,974	12,920,633	12,596,293	12,271,952	11,947,612	11,623,272	11,298,931	10,974,591	10,660,813	10,368,159	10,086,067	9,803,976	9,521,884	9,239,792
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16,071,629	15,573,138	15,191,016	14,866,676	14,542,335	14,217,995	13,893,655	13,569,314	13,244,974	12,920,633	12,596,293	12,271,952	11,947,612	11,623,272	11,298,931	10,974,591	10,660,813	10,368,159	10,086,067	9,803,976	9,521,884	9,239,792
16,071,629	15,573,138	15,191,016	14,866,676	14,542,335	14,217,995	13,893,655	13,569,314	13,244,974	12,920,633	12,596,293	12,271,952	11,947,612	11,623,272	11,298,931	10,974,591	10,660,813	10,368,159	10,086,067	9,803,976	9,521,884	9,239,792
12,398,902 (3,618,625)	11,900,410 (3,465,464)	11,518,289 (3,348,057)	11,193,948 (3,248,404)	10,869,608 (3,148,750)	10,545,268 (3,049,097)	10,220,927 (2,949,444)	9,896,587 (2,849,790)	9,572,246 (2,750,137)	9,247,906 (2,650,483)	8,923,566 (2,550,830)	8,599,225 (2,451,176)	8,274,885 (2,351,523)	7,950,544 (2,251,869)	7,626,204 (2,152,216)	7,301,864 (2,052,563)	6,988,085 (1,956,154)	6,695,432 (1,866,237)	6,413,340 (1,779,564)	6,131,248 (1,692,892)	5,849,157 (1,606,219)	5,567,065 (1,519,546)
8,780,277	8,434,946	8,170,231	7,945,545	7,720,858	7,496,171	7,271,484	7,046,797	6,822,110	6,597,423	6,372,736	6,148,049	5,923,362	5,698,675	5,473,988	5,249,301	5,031,931	4,829,195	4,633,776	4,438,357	4,242,938	4,047,519
1,680,861	1,614,752	1,564,076	1,521,063	1,478,050	1,435,037	1,392,024	1,349,011	1,305,997	1,262,984	1,219,971	1,176,958	1,133,945	1,090,932	1,047,918	1,004,905	963,293	924,482	887,072	849,661	812,251	774,841
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,680,861	1,614,752	1,564,076	1,521,063	1,478,050	1,435,037	1,392,024	1,349,011	1,305,997	1,262,984	1,219,971	1,176,958	1,133,945	1,090,932	1,047,918	1,004,905	963,293	924,482	887,072	849,661	812,251	774,841
12,398,902 (3,618,625)	11,900,410 (3,465,464)	11,518,289 (3,348,057)	11,193,948 (3,248,404)	10,869,608 (3,148,750)	10,545,268 (3,049,097)	10,220,927 (2,949,444)	9,896,587 (2,849,790)	9,572,246 (2,750,137)	9,247,906 (2,650,483)	8,923,566 (2,550,830)	8,599,225 (2,451,176)	8,274,885 (2,351,523)	7,950,544 (2,251,869)	7,626,204 (2,152,216)	7,301,864 (2,052,563)	6,988,085 (1,956,154)	6,695,432 (1,866,237)	6,413,340 (1,779,564)	6,131,248 (1,692,892)	5,849,157 (1,606,219)	5,567,065 (1,519,546)

[illegible]

37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55
Year-37	Year-38	Year-39	Year-40	Year-41	Year-42	Year-43	Year-44	Year-45	Year-46	Year-47	Year-48	Year-49	Year-50	Year-51	Year-52	Year-53	Year-54	Year-55
49,814,894	47,122,197	44,429,500	41,736,803	39,044,106	36,351,409	33,658,712	30,966,015	28,273,318	25,580,621	22,887,924	20,195,227	17,502,530	14,809,833	12,117,136	9,424,439	6,731,742	4,039,045	1,346,348
8.45%	8.45%	8.45%	8.45%	8.45%	8.45%	8.45%	8.45%	8.45%	8.45%	8.45%	8.45%	8.45%	8.45%	8.45%	8.45%	8.45%	8.45%	8.45%
4,207,017	3,979,611	3,752,205	3,524,798	3,297,392	3,069,986	2,842,579	2,615,173	2,387,767	2,160,360	1,932,954	1,705,548	1,478,141	1,250,735	1,023,329	795,922	568,516	341,110	113,703
49,814,894	47,122,197	44,429,500	41,736,803	39,044,106	36,351,409	33,658,712	30,966,015	28,273,318	25,580,621	22,887,924	20,195,227	17,502,530	14,809,833	12,117,136	9,424,439	6,731,742	4,039,045	1,346,348
3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%
1,603,442	1,516,769	1,430,097	1,343,424	1,256,752	1,170,079	1,083,407	996,734	910,062	823,389	736,717	650,044	563,371	476,699	390,026	303,354	216,681	130,009	43,336
703,092	703,092	703,092	703,092	703,092	703,092	703,092	703,092	703,092	703,092	703,092	703,092	703,092	703,092	703,092	703,092	703,092	703,092	703,092
(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)	(670,439)
(306,956)	(290,364)	(273,772)	(257,180)	(240,588)	(223,995)	(207,403)	(190,811)	(174,219)	(157,626)	(141,034)	(124,442)	(107,850)	(91,257)	(74,665)	(58,073)	(41,481)	(24,888)	(8,296)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(274,304)	(257,711)	(241,119)	(224,527)	(207,935)	(191,342)	(174,750)	(158,158)	(141,566)	(124,973)	(108,381)	(91,789)	(75,197)	(58,605)	(42,012)	(25,420)	(8,828)	7,764	24,357
324,669	324,669	324,669	324,669	324,669	324,669	324,669	324,669	324,669	324,669	324,669	324,669	324,669	324,669	324,669	324,669	324,669	324,669	324,669
(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)	(309,591)
(141,744)	(134,082)	(126,421)	(118,759)	(111,097)	(103,435)	(95,773)	(88,111)	(80,449)	(72,788)	(65,126)	(57,464)	(49,802)	(42,140)	(34,478)	(26,816)	(19,155)	(11,493)	(3,831)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(126,666)	(119,004)	(111,342)	(103,681)	(96,019)	(88,357)	(80,695)	(73,033)	(65,371)	(57,709)	(50,048)	(42,386)	(34,724)	(27,062)	(19,400)	(11,738)	(4,076)	3,585	11,247
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3,806,048	3,602,895	3,399,743	3,196,591	2,993,439	2,790,286	2,587,134	2,383,982	2,180,830	1,977,677	1,774,525	1,571,373	1,368,221	1,165,068	961,916	758,764	555,612	352,459	149,307
5,284,973	5,002,882	4,720,790	4,438,698	4,156,607	3,874,515	3,592,424	3,310,332	3,028,240	2,746,149	2,464,057	2,181,965	1,899,874	1,617,782	1,335,690	1,053,599	771,507	489,415	207,324
5,284,973	5,002,882	4,720,790	4,438,698	4,156,607	3,874,515	3,592,424	3,310,332	3,028,240	2,746,149	2,464,057	2,181,965	1,899,874	1,617,782	1,335,690	1,053,599	771,507	489,415	207,324
3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727	3,672,727
8,957,701	8,675,609	8,393,517	8,111,426	7,829,334	7,547,242	7,265,151	6,983,059	6,700,968	6,418,876	6,136,784	5,854,693	5,572,601	5,290,509	5,008,418	4,726,326	4,444,234	4,162,143	3,880,051
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8,957,701	8,675,609	8,393,517	8,111,426	7,829,334	7,547,242	7,265,151	6,983,059	6,700,968	6,418,876	6,136,784	5,854,693	5,572,601	5,290,509	5,008,418	4,726,326	4,444,234	4,162,143	3,880,051
8,957,701	8,675,609	8,393,517	8,111,426	7,829,334	7,547,242	7,265,151	6,983,059	6,700,968	6,418,876	6,136,784	5,854,693	5,572,601	5,290,509	5,008,418	4,726,326	4,444,234	4,162,143	3,880,051
5,284,973	5,002,882	4,720,790	4,438,698	4,156,607	3,874,515	3,592,424	3,310,332	3,028,240	2,746,149	2,464,057	2,181,965	1,899,874	1,617,782	1,335,690	1,053,599	771,507	489,415	207,324
(1,432,874)	(1,346,201)	(1,259,529)	(1,172,856)	(1,086,184)	(999,511)	(912,839)	(826,166)	(739,494)	(652,821)	(566,149)	(479,476)	(392,804)	(306,131)	(219,459)	(132,786)	(46,113)	40,559	127,232
3,852,099	3,656,680	3,461,261	3,265,842	3,070,423	2,875,004	2,679,585	2,484,166	2,288,747	2,093,327	1,897,908	1,702,489	1,507,070	1,311,651	1,116,232	920,813	725,394	529,975	334,555
737,430	700,020	662,610	625,200	587,789	550,379	512,969	475,559	438,148	400,738	363,328	325,918	288,507	251,097	213,687	176,277	138,866	101,456	64,046
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
737,430	700,020	662,610	625,200	587,789	550,379	512,969	475,559	438,148	400,738	363,328	325,918	288,507	251,097	213,687	176,277	138,866	101,456	64,046
5,284,973	5,002,882	4,720,790	4,438,698	4,156,607	3,874,515	3,592,424	3,310,332	3,028,240	2,746,149	2,464,057	2,181,965	1,899,874	1,617,782	1,335,690	1,053,599	771,507	489,415	207,324
(1,432,874)	(1,346,201)	(1,259,529)	(1,172,856)	(1,086,184)	(999,511)	(912,839)	(826,166)	(739,494)	(652,821)	(566,149)	(479,476)	(392,804)	(306,131)	(219,459)	(132,786)	(46,113)	40,559	127,232

3,852,099	3,656,680	3,461,261	3,265,842	3,070,423	2,875,004	2,679,585	2,484,166	2,288,747	2,093,327	1,897,908	1,702,489	1,507,070	1,311,651	1,116,232	920,813	725,394	529,975	334,555
340,526	323,251	305,975	288,700	271,425	254,150	236,875	219,600	202,325	185,050	167,775	150,500	133,225	115,950	98,675	81,400	64,125	46,850	29,575
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
340,526	323,251	305,975	288,700	271,425	254,150	236,875	219,600	202,325	185,050	167,775	150,500	133,225	115,950	98,675	81,400	64,125	46,850	29,575
8,957,701	8,675,609	8,393,517	8,111,426	7,829,334	7,547,242	7,265,151	6,983,059	6,700,968	6,418,876	6,136,784	5,854,693	5,572,601	5,290,509	5,008,418	4,726,326	4,444,234	4,162,143	3,880,051
(3,672,727)	(3,672,727)	(3,672,727)	(3,672,727)	(3,672,727)	(3,672,727)	(3,672,727)	(3,672,727)	(3,672,727)	(3,672,727)	(3,672,727)	(3,672,727)	(3,672,727)	(3,672,727)	(3,672,727)	(3,672,727)	(3,672,727)	(3,672,727)	(3,672,727)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5,284,973	5,002,882	4,720,790	4,438,698	4,156,607	3,874,515	3,592,424	3,310,332	3,028,240	2,746,149	2,464,057	2,181,965	1,899,874	1,617,782	1,335,690	1,053,599	771,507	489,415	207,324
(1,077,956)	(1,023,271)	(968,585)	(913,900)	(859,215)	(804,530)	(749,844)	(695,159)	(640,474)	(585,788)	(531,103)	(476,418)	(421,732)	(367,047)	(312,362)	(257,677)	(202,991)	(148,306)	(93,621)
4,207,017	3,979,611	3,752,205	3,524,798	3,297,392	3,069,986	2,842,579	2,615,173	2,387,767	2,160,360	1,932,954	1,705,548	1,478,141	1,250,735	1,023,329	795,922	568,516	341,110	113,703
4,207,017	3,979,611	3,752,205	3,524,798	3,297,392	3,069,986	2,842,579	2,615,173	2,387,767	2,160,360	1,932,954	1,705,548	1,478,141	1,250,735	1,023,329	795,922	568,516	341,110	113,703
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Exhibit C

Accrual of Prepaid Rent

(attached)¹⁶

¹⁶ NTD: The final table as of the Effective Date will be populated with the actual Prepaid Rent and AFR which will be known at the time of execution. The model template is set forth in the file titled “Citizens_Section 467 Lease Schedule 02-01-2024 Feb AFR.xlsx”.

For purposes of this filing, this attachment is being provided as a PDF. A native Excel version of the file is available upon request.

IRC Section 467 Analysis

Master Lease Term 60 semi-annual periods

110% of AFR on first day of rental period 4.55%
February 2024 110% AFR > Long-term, Semi-annual

1 NPV of cash payments 200,000,000
2 NPV of accrued rent 200,000,000
3 NPV of (A) Sec. 467 Rent 200,000,000

	(a)	(b)	(c)	(d) = (a)x(c)	(e) = (d)-(b)	(f)	(g) = (d)+(f)
Period	rent allocated over life of lease	required payments	sec. 467 fraction	(A) sec. 467 rent	sec. 467 current period activity	loan interest/ (income) sec. 467 loan/ (prepayment) balance	Total sec 467 deductions or (income)
		200,000,000				(200,000,000)	
1	6,142,977	-	1.000000	6,142,977	(193,857,023)	(4,550,000)	1,592,977
2	6,142,977	-	1.000000	6,142,977	6,142,977	(4,513,760)	1,629,218
3	6,142,977	-	1.000000	6,142,977	6,142,977	(4,476,695)	1,666,282
4	6,142,977	-	1.000000	6,142,977	6,142,977	(4,438,787)	1,704,190
5	6,142,977	-	1.000000	6,142,977	6,142,977	(4,400,017)	1,742,961
6	6,142,977	-	1.000000	6,142,977	6,142,977	(4,360,364)	1,782,613
7	6,142,977	-	1.000000	6,142,977	6,142,977	(4,319,810)	1,823,167
8	6,142,977	-	1.000000	6,142,977	6,142,977	(4,278,333)	1,864,645
9	6,142,977	-	1.000000	6,142,977	6,142,977	(4,235,912)	1,907,065
10	6,142,977	-	1.000000	6,142,977	6,142,977	(4,192,527)	1,950,451
11	6,142,977	-	1.000000	6,142,977	6,142,977	(4,148,154)	1,994,824
12	6,142,977	-	1.000000	6,142,977	6,142,977	(4,102,772)	2,040,206
13	6,142,977	-	1.000000	6,142,977	6,142,977	(4,056,357)	2,086,621
14	6,142,977	-	1.000000	6,142,977	6,142,977	(4,008,886)	2,134,091
15	6,142,977	-	1.000000	6,142,977	6,142,977	(3,960,336)	2,182,642
16	6,142,977	-	1.000000	6,142,977	6,142,977	(3,910,681)	2,232,297
17	6,142,977	-	1.000000	6,142,977	6,142,977	(3,859,896)	2,283,082
18	6,142,977	-	1.000000	6,142,977	6,142,977	(3,807,956)	2,335,022
19	6,142,977	-	1.000000	6,142,977	6,142,977	(3,754,834)	2,388,143
20	6,142,977	-	1.000000	6,142,977	6,142,977	(3,700,504)	2,442,474
21	6,142,977	-	1.000000	6,142,977	6,142,977	(3,644,937)	2,498,040
22	6,142,977	-	1.000000	6,142,977	6,142,977	(3,588,107)	2,554,870
23	6,142,977	-	1.000000	6,142,977	6,142,977	(3,529,984)	2,612,994
24	6,142,977	-	1.000000	6,142,977	6,142,977	(3,470,538)	2,672,439
25	6,142,977	-	1.000000	6,142,977	6,142,977	(3,409,740)	2,733,237
26	6,142,977	-	1.000000	6,142,977	6,142,977	(3,347,559)	2,795,419
27	6,142,977	-	1.000000	6,142,977	6,142,977	(3,283,963)	2,859,014
28	6,142,977	-	1.000000	6,142,977	6,142,977	(3,218,921)	2,924,057
29	6,142,977	-	1.000000	6,142,977	6,142,977	(3,152,398)	2,990,579
30	6,142,977	-	1.000000	6,142,977	6,142,977	(3,084,363)	3,058,615
31	6,142,977	-	1.000000	6,142,977	6,142,977	(3,014,779)	3,128,198
32	6,142,977	-	1.000000	6,142,977	6,142,977	(2,943,613)	3,199,365
33	6,142,977	-	1.000000	6,142,977	6,142,977	(2,870,827)	3,272,150
34	6,142,977	-	1.000000	6,142,977	6,142,977	(2,796,386)	3,346,592
35	6,142,977	-	1.000000	6,142,977	6,142,977	(2,720,251)	3,422,727
36	6,142,977	-	1.000000	6,142,977	6,142,977	(2,642,384)	3,500,594
37	6,142,977	-	1.000000	6,142,977	6,142,977	(2,562,745)	3,580,232
38	6,142,977	-	1.000000	6,142,977	6,142,977	(2,481,295)	3,661,683
39	6,142,977	-	1.000000	6,142,977	6,142,977	(2,397,992)	3,744,986
40	6,142,977	-	1.000000	6,142,977	6,142,977	(2,312,793)	3,830,184
41	6,142,977	-	1.000000	6,142,977	6,142,977	(2,225,656)	3,917,321
42	6,142,977	-	1.000000	6,142,977	6,142,977	(2,136,537)	4,006,440
43	6,142,977	-	1.000000	6,142,977	6,142,977	(2,045,391)	4,097,587
44	6,142,977	-	1.000000	6,142,977	6,142,977	(1,952,171)	4,190,807
45	6,142,977	-	1.000000	6,142,977	6,142,977	(1,856,830)	4,286,147
46	6,142,977	-	1.000000	6,142,977	6,142,977	(1,759,320)	4,383,657
47	6,142,977	-	1.000000	6,142,977	6,142,977	(1,659,592)	4,483,386
48	6,142,977	-	1.000000	6,142,977	6,142,977	(1,557,595)	4,585,383
49	6,142,977	-	1.000000	6,142,977	6,142,977	(1,453,277)	4,689,700
50	6,142,977	-	1.000000	6,142,977	6,142,977	(1,346,587)	4,796,391
51	6,142,977	-	1.000000	6,142,977	6,142,977	(1,237,469)	4,905,509
52	6,142,977	-	1.000000	6,142,977	6,142,977	(1,125,869)	5,017,109
53	6,142,977	-	1.000000	6,142,977	6,142,977	(1,011,729)	5,131,248
54	6,142,977	-	1.000000	6,142,977	6,142,977	(894,993)	5,247,984
55	6,142,977	-	1.000000	6,142,977	6,142,977	(775,602)	5,367,376
56	6,142,977	-	1.000000	6,142,977	6,142,977	(653,494)	5,489,483
57	6,142,977	-	1.000000	6,142,977	6,142,977	(528,608)	5,614,369
58	6,142,977	-	1.000000	6,142,977	6,142,977	(400,881)	5,742,096
59	6,142,977	-	1.000000	6,142,977	6,142,977	(270,249)	5,872,729
60	6,142,977	-	1.000000	6,142,977	6,142,977	(136,644)	6,006,333
	368,578,647	200,000,000		368,578,648	168,578,648	(168,578,648)	200,000,000
		(W)		(X)		(Y)	

Present Value 200,000,000

(A) Rent expense is calculated by taking the percentage of the net present value of the cash payments divided by the net present value of the lease accrual and multiplying that by the annual lease allocation.

Total rent expense (X)	368,578,648
Net interest expense/(income) (Y)	(168,578,648)
Net deduction /(income)	200,000,000
Required payments (W)	(200,000,000)
Difference	0

REV. RUL. 2024-03 TABLE 1

Applicable Federal Rates (AFR) for February 2024

	<u>Annual</u>	<u>Period for Compounding</u>		<u>Monthly</u>
		<u>Semiannual</u>	<u>Quarterly</u>	
<u>Short-term</u>				
AFR	4.68%	4.63%	4.60%	4.59%
110% AFR	5.15%	5.09%	5.06%	5.04%
120% AFR	5.64%	5.56%	5.52%	5.50%
130% AFR	6.11%	6.02%	5.98%	5.95%
<u>Mid-term</u>				
AFR	3.98%	3.94%	3.92%	3.91%
110% AFR	4.38%	4.33%	4.31%	4.29%
120% AFR	4.79%	4.73%	4.70%	4.68%
130% AFR	5.19%	5.12%	5.09%	5.07%
150% AFR	6.00%	5.91%	5.87%	5.84%
175% AFR	7.02%	6.90%	6.84%	6.80%
<u>Long-term</u>				
AFR	4.18%	4.14%	4.12%	4.10%
110% AFR	4.60%	4.55%	4.52%	4.51%
120% AFR	5.03%	4.97%	4.94%	4.92%
130% AFR	5.45%	5.38%	5.34%	5.32%

Exhibit D

Form of Collateral Assignment

(attached)

Form of Collateral Assignment

CONSENT AND AGREEMENT

This CONSENT AND AGREEMENT ("Consent") is entered into as of [____], 20[____] among Pacific Gas and Electric Company ("PG&E"), Citizens Pacific Transmission LLC, a limited liability company duly organized and validly existing under the laws of the State of Delaware (the "Assignor"), and [____], in its capacity as collateral agent under the [Security Document] referred to below (the "Assignee").

RECITALS

WHEREAS, the Assignor is a party to a [Note Purchase Agreement dated as of [the date hereof] (as amended, modified and supplemented and in effect from time to time, the ["Note Purchase Agreement"])] with the Purchasers referred to therein];

WHEREAS, the Assignor, the Purchasers, the Assignee (together with the Purchasers, the "Secured Parties"), and [____], in its capacity as the Depositary Bank, are parties to the [Collateral Agency and Security Agreement dated as of [the date hereof] (as amended, modified and supplemented and in effect from time to time, the "Security Document")];

WHEREAS, PG&E and the Assignor entered into that certain [First/Second/Third/Fourth/Fifth] Entitlements Lease dated as of [the date hereof] (as amended, supplemented or modified and in effect from time to time, the "Assigned Agreement") in order for PG&E to lease to the Assignor certain entitlements in certain transmission facilities, upgrades, rebuilds and/or expansions, as further specified therein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto agree as follows:

1. Definitions. Any capitalized term used but not defined herein shall have the meaning specified for such term in the Assigned Agreement.

2. Consent and Agreement.

2.1 Consent to Assignment.

(a) Under the terms and conditions set forth in this Consent, PG&E hereby consents to (i) the collateral assignment by the Assignor of all its right, title and interest in, to and under the Assigned Agreement to the Assignee, as collateral security for the obligations as and to the extent provided in the Security Document, and (ii) the collateral assignment by the Assignor to any transferee or assignee of, or successor to, the Assignee (provided that any transferee or nominee is a Qualified Transferee). "Qualified Transferee" shall mean any transferee or assignee of, or successor to, the Assignee that (A) has the same financial capability to perform under the

Assigned Agreement as the Assignor has on the date hereof (taking into account the fact that such transferee or nominee may be, like the Assignor, a special purpose vehicle whose sole asset is or will be the Assigned Agreement), in each case as reasonably determined by PG&E, and (B) is not (1) listed on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control of the United States Department of the Treasury pursuant to any authorizing statute, Executive Order or regulation or (2) either (x) included within the term 'designated national' as defined in the Cuban Assets Control Regulations, 31 C.F.R. Part 515, or (y) designated under Sections 1(a), 1(c) or 1(d) of Executive Order No. 13224, 66 Fed Reg. 49079 (published September 25, 2001) or similarly designated under any related enabling legislation or any other similar Executive Orders (clauses (1) and (2) together, a "Sanctioned Person").

(b) The Assignor agrees that it shall remain liable to PG&E for all obligations of the Assignor under the Assigned Agreement, notwithstanding the collateral assignment contemplated in the Security Document.

(c) If the Assignee elects to exercise its remedies under the Security Document to foreclose on its lien in the Assigned Agreement, the Assignee shall notify PG&E pursuant to Section 5.6 of this Consent. Upon completion of such foreclosure, and provided that (x) any and all regulatory approvals required for such exercise of remedies have been received and (y) the Assignee is not a Sanctioned Person, the Assignee (or its permitted assignee or transferee or successor thereof) (i) shall be entitled to all of the benefits of the Assigned Agreement, (ii) shall assume in writing and be liable for each and every duty, obligation and liability of the Assignor under the Assigned Agreement, including but not limited to the duties and obligations that arose or accrued prior to the date of execution of this Consent, and (iii) shall cure or cause to be cured any and all Events of Default by the Assignor that then exist as of the date of the assumption of the Assigned Agreement by Assignee (or its permitted assignee or transferee or successor thereof) except for any such Events of Default that, by their nature, are not capable of being cured by Assignee (or its permitted assignee or transferee or successor thereof); provided, that PG&E's sole remedies for the Assignee's failure to cure or cause to be cured such Events of Default shall be PG&E's remedies under the Assigned Agreement for such Events of Default and the enforcement of its rights under this Consent. Except as otherwise set forth in the immediately preceding sentence, none of the Secured Parties shall be liable for the performance or observance of any of the obligations or duties of the Assignor under the Assigned Agreement, and the assignment of the Assigned Agreement by the Assignor to the Assignee for the benefit of the Secured Parties pursuant to the Security Document, shall not give rise to any duties or obligations whatsoever on the part of the Secured Parties owing to PG&E until assumption of the Assigned Agreement by Assignee (or its permitted assignee or transferee or successor thereof).

2.2 No Material Amendments. PG&E and the Assignor will not enter into any amendment, supplement or other modification of the Assigned Agreement (an "Amendment") without the consent of the Assignee, unless such Amendment could not reasonably be expected to result in a Material Adverse Effect (as defined in the Note Purchase Agreement); provided, that any Amendment with respect to Section 2.1, 2.2,

4.1.1, 6.1.4, 6.1.5 or 11.2, or Article IX, of the Assigned Agreement shall require the consent of the Assignee. PG&E and the Assignor shall provide the Assignee with a written proposal (an “Amendment Proposal”) for any Amendment requiring the consent of the Assignee pursuant to the preceding sentence, and the Assignee shall provide its written consent or objection to such Amendment within ten (10) Business Days of its receipt of such Amendment Proposal. If the Assignee fails to object in writing to an Amendment within ten (10) Business Days of its receipt of the applicable Amendment Proposal and provided that the Assignee is not diligently negotiating the terms of such Amendment with PG&E and the Assignor, the Assignee shall be deemed to have consented to such Amendment.

2.3 Notices of Default and Right to Cure.

(a) PG&E shall deliver to the Assignee at the address set forth on the signature pages hereof, or at such other address as the Assignee may designate in writing from time to time to PG&E, concurrently with the delivery thereof to the Assignor, a copy of each notice of default under the Assigned Agreement. Notwithstanding anything to the contrary contained in the Assigned Agreement, such notice shall be coupled with an opportunity to cure any such default within sixty (60) days after the last day of the cure period available to the Assignor in the Assigned Agreement with respect to such default (except with respect to payment defaults, which cure must be made within ten (10) Business Days after the last day of the cure period available to the Assignor in the Assigned Agreement with respect to payment defaults), such cure period to commence upon receipt of notice by the Assignee. If possession of the Citizens Entitlements is necessary to cure any Event of Default by the Assignor under the Assigned Agreement, and the Assignee commences foreclosure proceedings against the Assignor, the Assignee will be allowed an additional sixty (60) days to complete such proceedings. In order for the Assignee to cure a default under Section 6.1.5 of the Assigned Agreement, the Assignee shall secure, as soon as reasonably practical after such default, an order from the court (the “Bankruptcy Court”) administering the proceeding under which the Assignor is a debtor in a proceeding under Title 11 of the United States Code, as amended (the “Bankruptcy Code”) in a form reasonably acceptable to PG&E which authorizes (i) the Assignor to pledge collateral to secure the Assignor’s obligations under the Assigned Agreement (whether by the maintenance or provision of a letter of credit or otherwise) whether such obligations arose prior to or following the default under Section 6.1.5 of the Assigned Agreement, (ii) PG&E to terminate the Assigned Agreement upon a subsequent default and expiration of cure periods described herein with respect to the Assignor (including, without limitation, the conversion of a case under Chapter 11 of the Bankruptcy Code to a case under Chapter 7 of the Bankruptcy Code), and to exercise rights of netting or setoff of obligations upon such termination, in each case without regard to Section 362 of the Bankruptcy Code and without regard to whether the amounts to be netted or setoff were incurred pre-petition or post-petition, (iii) that the rights of PG&E specified in the foregoing clause (ii) not be subject to being modified, stayed, avoided or otherwise limited by any further order of the Bankruptcy Court or any court proceeding under the Bankruptcy Code, and (iv) the assumption by Assignor of the Assigned Agreement (a “Bankruptcy Order”).

(b) Except to the extent that automatic cancellation, suspension or termination occurs pursuant to the Assigned Agreement, no cancellation, suspension or termination of the Assigned Agreement by PG&E, shall be binding upon the Assignee without such notice and the opportunity to cure during the applicable extended cure periods specified in this Section 2.3. If the Assignee fails to fully cure the effect of a default within the extended cure periods specified in this Section 2.3, PG&E shall have all its rights and remedies with respect to such default set forth in the Assigned Agreement.

2.4 Replacement Agreement. In the event that (a) the Assigned Agreement is rejected by a trustee or debtor-in-possession in any bankruptcy or insolvency proceeding involving the Assignor or (b) the Assigned Agreement is terminated as a result of any bankruptcy or insolvency proceeding involving the Assignor and, if within 60 days after such rejection or termination, the Assignee or its designated Qualified Transferee shall so request and shall certify in writing to PG&E that (i) it or such Qualified Transferee intends to perform the obligations of the Assignor as and to the extent required under the rejected or terminated Assigned Agreement and (ii) it or such Qualified Transferee is not a Sanctioned Person, PG&E will, subject to receipt of any and all regulatory approvals required for the new Assigned Agreement by the parties hereto, execute and deliver to the Assignee or such Qualified Transferee a new Assigned Agreement which shall be for the balance of the remaining term under the original Assigned Agreement before giving effect to such rejection or termination and shall contain the same conditions, agreements, terms, provisions and limitations as the original Assigned Agreement (except for any requirements which have been fulfilled by the Assignor and PG&E prior to such rejection or termination). References in this Consent to the "Assigned Agreement" shall be deemed also to refer to such new Assigned Agreement.

2.5 Payments to Designated Account. The Assignor and PG&E acknowledge and agree that all payments to be made by PG&E to the Assignor (if any) under the Assigned Agreement shall be made in lawful money of the United States of America in immediately available funds, to the following account:

Bank:	<input type="text"/>
ABA:	<input type="text"/>
A/C Name:	<input type="text"/>
A/C No.:	<input type="text"/>
Ref:	<input type="text"/>
Attn:	<input type="text"/>

or to such other person or entity and/or at such other address as the Assignee may from time to time specify in writing to PG&E. In making such payments, PG&E shall be entitled to rely conclusively on instructions that it may receive from time to time from the Assignee without any duty to make inquiry into the authority of the Assignee to give such instructions or the authenticity of any signatures placed upon such instructions.

3. Representations and Warranties. PG&E hereby represents and warrants to the Assignee that, as of the date of this Consent:

3.1 The execution and delivery by PG&E of the Assigned Agreement and this Consent, and the performance by PG&E of its obligations under the Assigned Agreement and this Consent, have been duly authorized by all necessary corporate action, and do not and will not violate any provision of any law, regulation, order, judgment, injunction, consent, approval or similar matters or breach any material agreement presently in effect with respect to or binding upon PG&E.

3.2 All government approvals necessary for the execution and delivery by PG&E of the Assigned Agreement and this Consent, and the performance by PG&E of its obligations under the Assigned Agreement and this Consent, have been obtained and are in full force and effect.

3.3 This Consent and the Assigned Agreement have been duly executed and constitute legal, valid and binding obligations of PG&E, enforceable against it in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency or similar laws of general application relating to the enforcement of creditors' rights generally or by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law, or by principles of public policy.

3.4 To the knowledge of PG&E, the Assignor is not in default under any material covenant or obligation under the Assigned Agreement, and no events have occurred that, with the giving of notice or the passage of time, would constitute a default by the Assignor under the Assigned Agreement, and the Assigned Agreement is in full force and effect and has not been amended.

3.5 Except as may be set forth in the reports of PG&E filed with the U.S. Securities and Exchange Commission, there is not pending or, to the knowledge of PG&E, threatened against PG&E or any of its affiliates any legal proceedings that could materially adversely affect its ability to perform its obligations under the Assigned Agreement or this Consent.

4. Damages Limitation. **NO PARTY SHALL BE LIABLE TO ANY OTHER PARTY UNDER THIS CONSENT FOR ANY CONSEQUENTIAL, EXEMPLARY, PUNITIVE, REMOTE, OR SPECULATIVE DAMAGES OR LOST PROFITS.**

5. Miscellaneous.

5.1 This Consent shall be binding upon the successors and permitted assigns of each party and shall inure, together with the rights and remedies of the Assignee hereunder, to the benefit of the successors and permitted assigns of the parties hereto, including the Secured Parties and their respective permitted successors, transferees and assigns.

5.2 No amendment or waiver of any provisions of this Consent or consent to any departure by any party hereto from any provisions of this Consent shall in any event be effective unless the same shall be in writing and signed by the Assignee and PG&E.

5.3 This Consent shall be governed by, and construed under, the laws of the State of California applicable to contracts made and to be performed in such State and without reference to conflicts of laws. The parties hereto agree that any legal action or proceeding arising out of this Consent may be brought in the courts of the State of California, in and for the County of Alameda, or of the United States of America for the Northern District of California. By execution and delivery of this Consent, the parties hereto accept, for themselves and in respect of their property, generally and unconditionally, the jurisdiction of the aforesaid courts. The parties hereto irrevocably consent to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified airmail, postage prepaid, to the Assignee, PG&E and the Assignor, as the case may be, at their respective addresses for notices as specified herein and that such service shall be effective five (5) Business Days after such mailing. Nothing herein shall affect the right to serve process in any other manner permitted by law or the right of the Assignee or PG&E to bring legal action or proceedings in any other competent jurisdiction. The parties hereto hereby waive any right to stay or dismiss any action or proceeding under or in connection with any or all of this Consent or the transactions contemplated hereby brought before the foregoing courts on the basis of *forum non-conveniens*.

5.4 EACH OF PG&E, THE ASSIGNEE AND THE ASSIGNOR HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS CONSENT AND AGREEMENT.

5.5 This Consent may be executed in one or more counterparts with the same effect as if such signatures were upon the same instrument. This Consent may be delivered by facsimile transmission.

5.6 All notices to be given under this Consent shall be in writing and shall be delivered personally, sent by certified mail return receipt requested or registered first-class mail, postage prepaid, or sent by electronic mail, or courier to the intended recipient at its address as set forth on the signature pages below, and except as otherwise provided in Section 2.5, all payments to be made under this Consent shall be made by wire transfer of immediately available funds or check representing immediately collectible funds to the account or address of the intended recipient as set forth on the signature pages hereto, unless the recipient has given notice of another address or account for receipt of notices or payments.

5.7 This Consent shall terminate in its entirety upon the indefeasible payment in full in cash of all obligations of the Assignor under the [Note Purchase Agreement]. The Assignee agrees to give prompt written notice to the Assignor and PG&E of the occurrence of such event.

5.8 The captions or headings at the beginning of each Section of this Consent are for convenience only and are not a part of this Consent.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, each of PG&E, the Assignee and the Assignor has duly executed this Consent and Agreement as of the date first above written.

PACIFIC GAS AND ELECTRIC
COMPANY

By: _____
Name:
Title:

Pacific Gas and Electric Company
[_____]
[_____] , CA [_____]
Attention: [_____]
Email: [_____]

with copies to:

Pacific Gas and Electric Company
[_____]
[_____] , CA [_____]
Attention: [_____]
Email: [_____]

and

Jenner & Block LLP
1155 Avenue of the Americas
New York, NY 10036
Attention: Raunaq Kohli, Counsel to Pacific
Gas and Electric Company
Email: rkohli@jenner.com

CITIZENS PACIFIC TRANSMISSION
LLC

By: _____

Name:

Title:

Citizens Pacific Transmission LLC
2 Seaport Lane, Suite 5C
Boston, MA 02210
Attention: Chief Executive Officer
Email: psmith@citizensenergy.com

with copies to:

Duncan & Allen LLP
1730 Rhode Island Avenue, N.W., Suite 700
Washington, D.C. 20036
Attention: Counsel to Citizens Energy
Corporation
Email: amb@duncanallen.com

and

Hemenway & Barnes
75 State Street
Boston, Massachusetts 02109-1899
Attention: Stephen Kidder
Email: skidder@hembar.com

[]

By: _____

Name:

Title:

[]

[]

[]

Attn: []

Email: []

Exhibit B

OPTION PERIOD 1 INVESTMENT TRANCHE

(attached)

Option Period 1 Investment Tranche¹

	Project Name	Estimated Project Cost	Estimated Citizens Percentage Interest ²	Estimated Project Rent
1	Rio Oso: Install 230kV MPAC (Modular Protection, Automation, and Control building)	\$26,007,302.20	45.309%	\$11,783,660.07
2	Rio Oso: Installed 230kV BAAH/GIS	\$100,002,565.00	45.309%	\$45,310,206.47
3	Gates: 500kV T-Line	\$29,458,986.90	45.309%	\$13,347,585.42
4	Gates: 500kV Dynamic Voltage Support	\$38,281,171.10	45.309%	\$17,344,832.77
5	Monta Vista: Install 230kV MPAC	\$24,742,308.90	45.309%	\$11,210,503.70
6	Table Mountain: Modify 500kV Series Caps 1&2	\$56,930,705.20	45.309%	\$25,794,758.44
7	Arco 230kV Control Building NU	\$14,438,115.20	45.309%	\$6,541,772.01
8	Tesla 500kV: Replace CB 542 and CB 642	\$9,906,525.60	45.309%	\$4,488,552.07
9	Q1277 Tesla Substation RNU (Reliability Network Upgrade)	\$6,198,760.60	45.309%	\$2,808,599.19

Estimated Total Project Rent: \$138,630,470.14

¹ Subject to adjustment by PG&E pursuant to Section 3.4(d).

² Not to be greater than 49.9% for any Project.