

**FORM OF
PACIFIC GAS AND ELECTRIC COMPANY
CUSTOMER CREDIT TRUST AGREEMENT**

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FORM OF CUSTOMER CREDIT TRUST AGREEMENT

THIS CUSTOMER CREDIT TRUST AGREEMENT is made as of [•] by and between Pacific Gas and Electric Company, a California corporation (“Company”), and [•] (“Trustee”).

WHEREAS, the Company, through a special purpose entity, is issuing recovery bonds (the “Bonds”) to fund costs and expenses related to certain wildfires that occurred in 2017 and other costs (“Financing Costs”) associated with the issuance of the Bonds;

WHEREAS, the principal, interest and related costs of the Bonds will be recovered by the collection of rates and other charges (the “Fixed Recovery Charges”) from certain existing and future consumers (the “Consumers”) of electricity in the Company’s service territory;

WHEREAS, the Company has received Commission authorization to comply with the requirement that the issuance of the Bonds be neutral on average to ratepayers by issuing a credit to the affected Consumers (the “Customer Credit”) in connection with the Fixed Recovery Charges;

WHEREAS, the Company is establishing the grantor trust hereunder to serve as the source of funding for the Customer Credit; and

WHEREAS, in the calendar year 2021 the Company intends to make a contribution, or series of contributions, to such grantor trust in an aggregate amount not to exceed \$2.0 billion (the “Initial Contribution”).

NOW, THEREFORE, in consideration of the mutual promises herein contained, the Trustee hereby agrees to receive the Initial Contribution from the Company to initially fund the grantor trust hereunder; and

TO HAVE AND TO HOLD, the Initial Contribution and such additional contributions as may be made from time to time as provided herein, together with the investments and reinvestments thereof and any income, earnings and appreciation thereon (hereinafter collectively called “Trust”) onto the Trustee;

IN TRUST NEVERTHELESS, for the uses and purposes and upon the terms and conditions hereinafter set forth.

I. DEFINITIONS, PURPOSE AND NAME

1.01. Definitions. As used in this Agreement, the following terms have the following meanings:

- (1) “Act” means the Uniform Principal and Income Act from time to time in effect in the State of California, and on the date hereof set forth in California Probate Code Section 16300 *et seq.*
- (2) “Additional Contributions” means any contribution, other than the Initial Contribution, made by the Company to the Trust.

- (3) “Agreement” means this Customer Credit Trust Agreement, as the same may from time to time be amended, modified, or supplemented.
- (4) “Authorized Representative” means, with respect to the Company, the Chief Executive Officer, President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or Chief Financial Officer or any other person designated as an Authorized Representative of the Company by a Certificate of the Company filed with the Trustee; and with respect to the Committee, the members of the Committee, or any other person designated as an Authorized Representative of the Committee by a Certificate of the Committee filed with the Trustee.
- (5) “Board of Directors” means the Board of Directors of the Company, as duly elected from time to time.
- (6) “Certificate” or “Certification” means a written Certificate signed by two Authorized Representatives of the Company for a Certificate of the Company, or two Authorized Representatives of the Committee for a Certificate of the Committee.
- (7) “Code” means the Internal Revenue Code of 1986, as the same may be amended from time to time.
- (8) “Committee” means the Customer Credit Trust Committee established pursuant to Article III.
- (9) “Contributions” means the Initial Contribution and all Additional Contributions (if any).
- (10) “CPUC” means the California Public Utilities Commission, as defined and set forth in Section I of Article XII of the California Constitution, or its successor.
- (11) “CPUC Approval” means a Tier 2 advice letter filed by the Company with, and approved by, the CPUC.
- (12) “CPUC Order” means an order or resolution issued by the CPUC after the Company, the Committee, the CPUC staff, the Trustee, and other interested parties have been given notice and an opportunity to be heard. The order may be issued with or without hearing or by the CPUC advice letter procedure or comparable procedure.
- (13) “Investment Manager(s)” means the fiduciary specified in the Investment Manager Agreement(s):
 - (a) that has been retained by the Committee to manage, acquire, or dispose of any asset belonging to the Trust;
 - (b) that is:

- (i) registered as an investment adviser under the Investment Advisers Act of 1940,
 - (ii) a bank, as defined in the Investment Advisers Act, or
 - (iii) an insurance company qualified to perform services described in subsection (a) above, under the laws of more than one state; and
- (c) that has acknowledged, in writing, that it is fiduciary with respect to the Trust, that is qualified to act under subsection (b) above, and has agreed to be bound by all of the terms, provisions, and covenants of this Agreement.
- (14) “Investment Manager Agreement(s)” means the agreement(s) between the Committee and one or more investment managers selected by the Committee, which agreement governs the management of the assets of the Trust and will be subject to CPUC Approval.
- (15) “Shortfall” means, with respect to any Customer Credit Period, the amount by which the Customer Credits issued in such period exceeds the amount available in the Trust for reimbursement to the Company of such Customer Credits.

The following terms are defined elsewhere in this Agreement, as indicated below:

Bonds	Recitals	Fundamental Provisions	2.08(3)(a)
Company	Preamble	Initial Contribution	Recitals
Consumers	Recitals	Investment Policy	5.01(1)
Customer Credit	Recitals	Reimbursable Trust Expenses	2.01(1)
Customer Credit Period	2.01(2)(b)	Trust	Recitals
Financing Costs	Recitals	Trustee	Preamble
Fixed Recovery Charges	Recitals	Unaffiliated Members	3.01(2)
Fundamental Approval	2.08(3)(b)		

1.02. Authorization. Each of the Trustee and the Company hereby represents and warrants that it has the full legal authority and is duly empowered, to enter into this Agreement; and it has taken all action necessary to authorize the execution of this Agreement on its behalf by the signatories hereto .

1.03. Trust Purpose. The exclusive purpose of the Trust is to hold and invest its assets in order to distribute funds to the Company for the purpose of reimbursing the Company for issued Customer Credits.

1.04. Establishment of Trust. The Trust is established by this Agreement.

1.05. Name of Trust. The Contributions received by the Trust from the Company, the investments and reinvestments thereof and any income, earnings and appreciation thereon shall constitute the “Pacific Gas and Electric Company Customer Credit Trust”.

II. DISPOSITIVE PROVISIONS

After payment of the expenses described in Section 6.01 hereof, the Trustee shall distribute the Trust as set forth in this Section 2.

2.01. Distributions from the Trust. The Trustee shall make distributions to the Company from the Trust in accordance with the following procedures (and, in the case of Section 2.01(1), only upon CPUC Approval).

(1) Distributions to the Company for Expense Reimbursement. Requests by the Company for reimbursement for any cost or expense of the Trust incurred by the Company, including (w) tax liabilities incurred by the Company in respect of the income earned on, or in respect of, the Trust, (x) amounts payable to the Trustee for compensation pursuant to Section 4.03, (y) amounts payable to the Trustee in respect of the indemnity provided in Section 4.08, and (z) reimbursement of out-of-pocket expenses of the Trustee otherwise properly incurred in performing its duties in accordance with this Agreement (collectively, “Reimbursable Trust Expenses”), shall be submitted by the Company to the Trustee and shall include:

- (a) the amount of the Reimbursable Trust Expense;
- (b) reasonable detail regarding the nature of such Reimbursable Trust Expense; and
- (c) a Certificate of the Company certifying that the Reimbursable Trust Expense is an actual cost or expense of the Trust incurred by the Company.

- (2) Reimbursement of the Company for Customer Credits. Requests for payments to the Company for reimbursement of Customer Credits shall be submitted by the Company to the Trustee and shall include:
 - (a) the aggregate amount of the Customer Credit reimbursement being sought;
 - (b) the measurement period for the Customer Credits (the “Customer Credit Period”) included in such reimbursement;
 - (c) a report setting forth in reasonable detail the Customer Credits credited to the Consumers during such Customer Credit Period;
 - (d) whether any of such Customer Credit reimbursement amount is attributable to a Shortfall in a prior Customer Credit Period and, if so, the amount of such Shortfall and reasonable detail thereof; and
 - (e) a Certificate of the Company certifying that the Customer Credit reimbursement being sought represents actual Customer Credits credited during the applicable Customer Credit Period (or multiple Customer Credit Periods, in the case of a Shortfall).
- (3) Distributions upon Termination. Upon the termination of the Trust in accordance with the terms of this Agreement, the Trustee shall make distributions to the Company pursuant to Section 2.07.

2.02. Additions to Trust; Substitutions. From time to time after the Initial Contribution and prior to the termination of the Trust, the Company may make, and the Trustee shall accept, Additional Contributions, in all cases to satisfy the purpose of the Trust as set forth in Section 1.03. The Company shall have the right to substitute other assets for Trust assets if such substituted assets are of equivalent value, confirmation of which equivalent value shall be subject to CPUC Approval (and the Company shall furnish to the CPUC information regarding the relative values of such substituted assets and the Trust assets being replaced).

2.03. Distribution of Income.

- (1) Principal and Income. All questions relating to the ascertainment of income and principal and the allocation of receipts and disbursements between income and principal shall be resolved by the Trustee in accordance with the terms of the Act.
- (2) Income on Current Collections. As of the end of each accounting period of the Trust, the undistributed income of the Trust shall, for purposes of all subsequent accounting periods, be treated as Trust principal.

2.04. No Transferability of Interest in Trust. The interest of the Company in the Trust is not transferable by the Company, whether voluntarily or involuntarily, nor is such interest or the assets of the Trust subject to the claims of creditors of the Company.

2.05. Resolution of Disagreements. If any disagreement arises between the Company, the Committee, and/or the CPUC regarding the Trust, the disagreement shall be submitted to the CPUC for resolution by issuance of a CPUC Order after notice and an opportunity to be heard, as provided in the California Public Utilities Code, has been given to the Company, the Committee, the CPUC, the Trustee, and any interested parties. The CPUC, on its own motion, may raise and consider any issue with regard to the Trust, and any such issue raised on the CPUC's own motion shall be resolved as provided above. Pending resolution of the disagreement, the Trustee shall act in accordance with the Committee's direction. Nothing in this Agreement shall be construed to limit the rights of the Company, the Committee, the CPUC, the Trustee or any other interested party under the California Public Utilities Code or other applicable laws or regulations.

2.06. Termination of Trust. The Trust shall be irrevocable and will terminate (in whole or in part) upon the earliest of:

- (1) receipt by the Trustee of a Certificate from the Committee stating that the Bonds have been repaid in full, the Financing Costs have been paid in full and the Fixed Recovery Charges have ceased;
- (2) the twentieth anniversary of the date of the death of the survivor from among a class consisting of all of the descendants of John D. Rockefeller, late of New York, New York, born on or prior to January 1, 1987;
- (3) CPUC Approval of the termination of the Trust; and
- (4) at any such time as the CPUC may order the Committee to terminate the Trust.

2.07. Distribution of Trust Upon Termination. Upon termination of the Trust, the Trustee shall assist the Investment Manager in liquidating the assets of the Trust, and thereupon distribute the then-existing assets of the Trust (including accrued, accumulated, and undistributed net income) less final Trust expenses (including taxes) to the Company, of which distributed amount the Company shall further distribute twenty-five percent (25%) to the Consumers.

2.08. Alterations and Amendments.

- (1) The Trustee and the Company understand and agree that modifications or amendments may be required to this

Agreement from time to time to effectuate the purposes of the Trust.

- (2) This Agreement may be amended by majority approval of the Committee; provided that amendment of any of the Fundamental Provisions shall require Fundamental Approval.
- (3) For purposes of this Agreement:
 - (a) “Fundamental Provisions” means Section 1.03 (Purpose), Article 2 (Dispositive Provisions), Section 3.01(1) (Committee Members), and Section 3.03(1) (Acts of Committee).
 - (b) “Fundamental Approval” means (y) the super-majority approval of at least four (4) members of the Committee (which super-majority must include the approval of all three (3) Unaffiliated Members) and (z) CPUC Approval.
- (4) Notwithstanding anything herein to the contrary, (a) no amendment which affects the specific rights, duties, responsibilities, or liabilities of the Trustees shall be made without its consent and (b) no amendment of this Agreement shall be effective prior to the Trustee receiving notice thereof.

2.09. No Authority to Conduct Business. The purpose of the Trust is limited to the matters set forth in Section 1.03 hereof, specifically, and there is no objective to carry on any business unrelated to the Trust purposes set forth in Section 1.03 hereof, or divide the gains therefrom. For the avoidance of doubt, the Trust is not intended to be a business trust.

III. THE COMMITTEE

3.01. Members.

- (1) The Committee shall consist of five (5) members. The members shall be nominated by the management of the Company, and their nomination shall be confirmed by the Board of Directors of the Company. No more than two of the members of the Committee shall be employees, officers, or directors of the Company (or family members of any of the foregoing), or otherwise be affiliated with the Company in any capacity except as members of the Committee.

- (2) The names of the nominees shall be furnished to the CPUC in writing within ten (10) days of their nomination. The Company shall furnish the CPUC with a resume of their background and qualifications. The three (3) nominees who are not affiliated with the Company (the “Unaffiliated Members”) shall be confirmed or rejected by the CPUC within 60 days of their submittal. For the Unaffiliated Member nominees, the Company shall furnish to the CPUC a statement in writing affirming that such nominees are not employees, officers, directors (or family members of the foregoing), or otherwise affiliated with the Company and providing sufficient additional information to determine the existence of any conflict or potential conflict of interest. Each Unaffiliated Member nominee shall furnish the CPUC with a declaration that such nominee has no financial or other interest that would conflict with the discharge of their responsibilities as a Committee member. Ownership of less than \$1,000 of Company’s stock and/or being a customer of the Company in the ordinary course of business and/or having routine business relationships such as providing normal banking services shall not be regarded as creating such a conflict or an affiliate relationship.
- (3) If at any time and for any reason there are insufficient Unaffiliated Members to permit the Committee to obtain a quorum, the CPUC, at the request of the Company, may issue an order allowing the Committee to function for a limited period of time with more than two (2) members who are employees, officers and/or directors of the Company. Should the CPUC issue such an order, it shall prescribe in that order the limited period of time during which the Committee may be composed of more than two (2) members who are officers, employees and/or directors of the Company, and it shall prescribe a time by which the Company must submit the names of new Unaffiliated Member nominees for confirmation by the CPUC. The Committee shall not function with more than two (2) members who are officers, employees and/or directors of the Company except upon such order of the CPUC, and then only within the period of time prescribed in the order of the CPUC.

3.02. Term.

- (1) The term of each Committee member shall be five (5) years; provided, however, that any member may be

removed by the CPUC in its sole discretion at any time. Initial appointments of Committee members may be for less than a five-year term in order to establish staggered membership terms among the members of the Committee.

- (2) The Company shall notify the Trustee and the Investment Manager(s) of all appointments and replacements of Committee members in writing signed by an Authorized Representative of the Company.
- (3) The initial Unaffiliated Members (as approved by the CPUC) are: [•], [•] and [•], to serve for terms of [•], [•] and [•] years, respectively. The initial affiliated members of the Committee are: [•] and [•], to serve for terms of [•] and [•] years, respectively.¹

3.03. Acts of Committee.

- (1) Each member of the Committee shall have one vote and, other than with respect to any amendment of the Fundamental Provisions, the Committee shall act by majority decision.
- (2) It shall require a minimum of four (4) members of the Committee to constitute a quorum in order for the Committee to act.
- (3) Votes of members of the Committee shall be recorded on all matters voted on or decided by the Committee. Full minutes of Committee meetings shall be maintained and provided to the Commission quarterly.
- (4) The Committee shall be subject to the authority of the CPUC.

3.04. Duties and Powers of the Committee.

- (1) The Committee shall direct and manage the Trust and perform all duties attendant thereto, including:
 - (a) the appointment of trustees and investment managers and the execution of whatever contracts, agreements, or other documents it deems necessary to manage and invest the Trust assets;
 - (b) so long as the principal terms of the Trust are consistent with those set forth herein, determination of the

¹ CPUC Approval of the Unaffiliated Members to be obtained prior to execution of this Trust Agreement.

jurisdiction and structure of the Trust (including the reorganization or reconstitution of the Trust in a different jurisdiction or as a statutory trust as distinguished from a common law trust); and

(c) protection and enforcement of the rights to the Trust assets vested in the Trust and the Trustee by any method deemed appropriate, including, without limitation, by judicial proceedings or otherwise.

- (2) The Committee may retain the services of such professional advisors, legal counsel, and administrative support as it deems necessary to carry out its responsibilities hereunder. The reasonable fees and/or compensation of any such assistance the Committee may desire to retain shall be regarded as appropriate Trust administration expenses payable pursuant to Section 6.01.
- (3) The Committee may adopt policies and procedures governing its direction and management of the Trust, so long as such policies and procedures do not contravene the purpose of the Trust as set forth herein or otherwise conflict with or violate the provisions of this Agreement.

3.05. Committee Reports. The Committee shall submit a written report to the CPUC quarterly. At the discretion of the CPUC, the report shall either be (i) confidential and submitted to the CPUC by the Committee under the provisions of Section 583 of the Public Utilities Code or applicable successor provision or (ii) made publicly available. The report shall also be served on the service list of Application 20-04-023. The report shall include, at a minimum:

- (1) Starting and ending balance of the Trust for the period covered by the report;
- (2) The dates and amounts of the distributions to the Company from the Trust in respect of Customer Credits;
- (3) The dates and amounts of the distributions to the Company from the Trust in respect of Reimbursable Trust Expenses, including reasonable detail regarding the nature thereof; and
- (4) An itemized accounting of the Trust administration expenses and the basis therefor.

3.06. Compensation.

- (1) Each Unaffiliated Member shall be entitled to reasonable fees and/or compensation for their services hereunder. At the time an Unaffiliated Member nominee's name is furnished to the CPUC, the Company shall furnish to the CPUC a statement in writing setting forth all proposed fee and/or compensation arrangements with such nominee. The fee and/or compensation arrangements shall be subject to CPUC Approval. The fee and/or compensation arrangements for the initial Unaffiliated Members have been approved by the CPUC.²
- (2) If the fee and/or compensation arrangements with any Unaffiliated Member should be changed for any reason whatsoever, within ten (10) days of such change, the Company shall furnish to the CPUC a statement in writing fully describing the new fee and/or compensation arrangements, and such changes shall be subject to CPUC Approval.
- (3) Each Committee member shall be reimbursed for all reasonable and documented travel and business expenses, excluding the costs of maintaining a home office or other office and first class or private air transportation, incurred in connection with the performance of their duties under this Agreement.
- (4) Fees and/or compensation paid to Unaffiliated Members and reasonable expenses of the members of the Committee pursuant to Section 3.06(3), including premiums for liability insurance, if applicable, shall be regarded as appropriate Trust administration expenses payable pursuant to Section 6.01.

3.07. Committee May Limit Trustee Actions. The Trustee shall not take any act or participate in any transaction which would violate the terms and conditions of any instructions provided by a Certificate of the Committee so long as the terms and conditions of the Certificate are consistent with this Agreement.

3.08. Authorized Representative. The Committee shall promptly notify the Trustee of the selection and appointment of any Authorized Representative of the Committee. The Trustee shall have no duty to inquire into or investigate the continued authority of such person to act as an Authorized Representative of the Committee. The Committee shall provide the Trustee with written notice of the termination of any of its Authorized Representatives' authority.

² CPUC Approval of the compensation for Unaffiliated Members to be obtained prior to execution of this Trust Agreement.

IV. TRUSTEE

4.01. Designation and Qualification of Trustee and any Successor Trustee(s).

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- (1) The Company by this Agreement has appointed corporate fiduciary named herein having all requisite corporate power and authority to act as the sole Trustee. The Trustee shall act in accordance with the directions provided to it by the Committee under the terms of this Agreement. At any time during the term of the Trust, the Committee shall have the right to remove the Trustee acting hereunder and appoint another qualified corporation as a successor Trustee upon thirty (30) days' notice in writing to the Trustee, or upon such shorter notice as may be acceptable to the Trustee. In the event that the Trustee or any successor Trustee shall: (a) become insolvent or admit in writing its insolvency; (b) be unable or admit in writing its inability to pay its debts as such debts mature; (c) make a general assignment for the benefit of creditors; (d) have an involuntary petition in bankruptcy filed against it; (e) commence a case under or otherwise seek to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law, statute, or proceeding; or (f) resign pursuant to Section 4.02, the Trustee or successor Trustee, as applicable, shall cease to act as a fiduciary of the Trust and the Committee shall appoint a successor Trustee. Any successor Trustee shall qualify by a duly acknowledged acceptance of the Trust, delivered by such successor Trustee to the Company, the Committee, and the CPUC. Upon acceptance of such appointment by the successor Trustee, the Trustee shall assign, transfer and pay over to such successor Trustee the monies, properties and other assets then constituting the Trust. Any successor Trustee shall have all the rights, powers, duties and obligations herein granted to the Trustee.
- (2) If for any reason the Committee cannot or does not act in the event of the resignation or removal of the Trustee as provided herein, the Trustee may apply to the CPUC for the appointment of a successor Trustee. Any expenses incurred by the Trustee in connection therewith shall be deemed to be an appropriate Trust administration expense payable in accordance with Section 6.01 hereof.

- 4.02. Resignation. The Trustee or any successor Trustee may resign and be relieved as Trustee at any time without prior application to or approval by or order of

the CPUC or of any court by a duly acknowledged instrument, which resignation shall be delivered to the Company and the Committee by the Trustee not less than sixty (60) days prior to the effective date of the Trustee's resignation or upon such shorter notice as may be acceptable to the Company and the Committee.

- 4.03. Compensation. The Trustee shall be entitled to compensation from the Trust in accordance with the fee schedule attached hereto as Schedule I, which schedule may be updated from time to time by the mutual agreement of the Committee and the Trustee.
- 4.04. Accounts. The Trustee shall present financial statements to the Company and the Committee on a quarterly basis (within forty-five (45) days following the close of each calendar quarter), or at such other frequency as the Committee shall from time to time require. The Trustee shall provide copies or extracts of these financial statements to the CPUC as soon as available. The financial statements shall show the financial condition of the Trust, including income and expenses of the Trust for the period.
- 4.05. Tax Returns and Other Reports; Tax Treatment of Trust.
 - (1) The Trustee, the Committee, and the Company shall cooperate in the preparation of tax returns or other reports as may be required from time to time and, subject to the limitations contained in Section 6.15, may employ independent certified public accountants or other tax counsel to prepare or review such returns and reports. The Trustee shall present to the Company, the Committee and the CPUC on a periodic basis (as reasonably requested by the Company, the Committee or the CPUC) a report setting forth all investments purchased by the Investment Manager(s). The Trustee shall promptly advise the Company, the Committee and the CPUC if any of the investments, in the Trustee's opinion, may constitute a violation of the restrictions on investment of trust assets set forth in Section 5.01(4) hereof.
 - (2) The parties to this Agreement intend that (a) the Trust be classified for U.S. federal and California income tax purposes as a grantor trust under Subpart E, Part I of Subchapter J of the Code, and not as a trust or association taxable as a corporation or other separate entity and (b) the Company be treated as the sole grantor of the Trust for such purposes. The powers granted and obligations undertaken pursuant to this Agreement shall be construed so as to further such intent, and all provisions of this Agreement shall be construed, and the Trust shall be administered, in

a matter consistent with Subpart E, Part I of Subchapter J of the Code. To the extent the Trust is not treated as a grantor trust for U.S. federal income tax purposes, the parties to this Agreement intend that the Trust be treated as disregarded as separate from the Company for such purposes, and shall not file any elections or take any other action or fail to take any action that would result in the Trust being treated otherwise.

4.06. Liability.

- (1) The Trustee shall be liable for the acts, omissions or defaults of its own officers and employees. The Trustee shall not be liable for the acts, omissions or defaults of its agents provided any such agents were selected with reasonable care and the performance and status of the agent is monitored with reasonable care throughout the duration of the agency relationship. The Trustee shall not be responsible for any losses resulting from the deposit or maintenance of securities or other property (in accordance with market practice, custom, or regulation) with any recognized foreign clearing facility, book-entry system, centralized custodial depository, or similar organization. Except where the Trustee exercises its investment discretion as provided in this Agreement, the Trustee shall not be liable for the acts or omissions of any Investment Manager(s) acting hereunder.
- (2) Pursuant to Section 6.07 hereof, the Trustee is prohibited from doing any act or knowingly engaging in any transaction that would violate the terms and conditions of any instructions provided by written Certificate of the Committee, or contravening any provisions of this Agreement. Upon receipt of a Certificate of the Committee giving the Trustee notice of either (a) instructions of the Committee to the Trustee, or (b) acts or transactions the Committee believes constitute a violation by the Trustee of the provisions of this Agreement, the Trustee shall follow the instructions of the Committee, and/or cease and desist from the acts identified in such Certificate as violating the provisions of this Agreement. To the extent the Trustee fails to follow the instructions of the Committee, or continues with any act identified in such Certificate from the date of receipt of such Certificate, the Trustee (and not the Trust) shall be liable for all consequences flowing from any failure to follow the Committee's instructions, and/or flowing from any

violation by the Trustee of the provisions of this Agreement. Notwithstanding the foregoing, the Trustee (and not the Trust) shall be liable for all consequence flowing from any violation by the Trustee of the provisions of this Agreement, regardless of whether notice thereof was provided by the Committee. Further, the Trustee shall be liable for its violation of this Agreement and its bad faith, negligence or willful misconduct in connection with this Agreement, including in connection with the exercise or nonexercise of any powers and discretions delegated pursuant to the provisions of this Agreement.

- (3) Notwithstanding anything in this Agreement to the contrary, the Trustee shall not be responsible or liable for its failure to perform under this Agreement, or for any losses to the Trust resulting, from any event beyond the reasonable control of the Trustee, its agents or subcustodians. This provision shall survive the termination of this Agreement.

- 4.07. Indemnity of Trustee. The Company shall indemnify and hold harmless the Trustee from all claims, liabilities, losses, damages and expenses, including reasonable attorneys' fees and expenses, incurred by the Trustee in connection with this Agreement, except as a result of the Trustee's violation of this Agreement or its own bad faith, negligence or willful misconduct. This provision shall survive the termination of this Agreement.

V. INVESTMENTS

- 5.01. Appointment of Investment Manager(s).

- (1) The Committee may appoint one or more Investment Managers to direct the investment of all or part of the Trust, which investments shall be made in accordance with the terms of the applicable Investment Manager Agreement(s) and the existing investment policies and procedures applicable to the Company's nuclear decommissioning trusts, which policies and procedures may be updated from time to time by the Committee (provided that any amendment thereof shall require CPUC Approval) (the "Investment Policy"). The Committee shall also have the right to remove any such Investment Manager.
- (2) The appointment of the Investment Manager(s) shall be made in accordance with any procedures specified by the Committee. The Committee shall provide notice of any

such appointment by Certification to the Trustee, which notice shall specify the portion, if any, of the Trust with respect to which the Investment Manager(s) has been designated.

- (3) The Investment Manager(s) shall certify in writing to the Trustee that it is qualified to act in the capacity provided under the Investment Manager Agreement, shall accept its appointment as such Investment Manager(s), shall certify the identity of the person or persons authorized to give instructions or directions to the Trustee on its behalf, including specimen signatures, and shall undertake to perform the duties imposed on it under the Investment Manager Agreement. The Trustee may continue to rely upon all such certifications unless otherwise notified in writing by the Committee or the Investment Manager(s), as the case may be.
- (4) The Investment Manager(s) shall have the power, subject to the terms of the applicable Investment Manager Agreement, to invest and reinvest all or any part of the Trust, including any undistributed income therefrom, in accordance with the Investment Policy. In all cases, however, the investments must be sufficiently liquid to enable the Trust to fulfill the purposes of the Trust and to satisfy obligations as they become due.

5.02. Direction by Investment Manager(s).

- (1) The Investment Manager(s) designated by the Committee to manage any portion of the Trust shall have authority, subject to the Investment Policy and to the terms of the applicable Investment Manager Agreement, to manage, acquire, and dispose of the assets of the Trust, or a portion thereof as the case may be. The Investment Manager(s) is authorized to invest in the securities meeting the requirements of Section 5.01(4) and pursuant to the Investment Policy. The Investment Manager(s) shall have the power and authority, exercisable in its sole discretion at any time, and from time to time, to issue and place orders for the purchase or sale of portfolio securities directly with qualified brokers or dealers. The Trustee, upon proper notification from an Investment Manager, shall execute and deliver the appropriate trading authorizations. Written notification of the issuance of each such authorization shall be given promptly to the Trustee by the Investment Manager(s), and the Investment Manager(s) shall cause

the execution of such order to be confirmed in writing to the Trustee by the broker or dealer. Such notification shall be proper authority for the Trustee to pay for portfolio securities purchased against receipt thereof and to deliver portfolio securities sold against payment therefor, as the case may be.

- (2) The authority of the Investment Manager(s) and the terms and conditions of the appointment and retention of the Investment Manager(s) shall be the responsibility solely of the Committee, and the Trustee shall not be deemed to be a party to or to have any obligations under any agreement with the Investment Manager(s). Any duty of supervision or review of the acts, omissions or overall performance of the Investment Manager(s), shall be the exclusive responsibility of the Committee, and except as provided in Section 4.05 herein, the Trustee shall have no duty to review any securities or other assets purchased by the Investment Manager(s), or to make suggestions to the Investment Manager(s) or to the Committee with respect to the exercise or nonexercise of any power by the Investment Manager(s).
- (3) Unless the Trustee participates knowingly in, or knowingly undertakes to conceal an act or omission of an Investment Manager(s) knowing such act or omission to be a breach of the fiduciary responsibility of the Investment Manager(s), the Trustee shall be under no liability for any loss of any kind which may result by reason of any action taken by it in accordance with any direction of the Investment Manager(s). In any event, the Trustee shall be under no liability for any loss of any kind by reason of changes in value of the investments purchased, sold, or retained by the Investment Manager(s), nor for the risk or diversification of the portfolio, nor for the turnover of the investments, nor for any other aspect of portfolio for which an Investment Manager(s) has been appointed.

VI. TRUSTEE'S GENERAL POWERS

The Trustee shall have, with respect to the Trust, the following powers, all of which powers are fiduciary powers to be exercised in a fiduciary capacity and in the best interests of the Trust and the beneficiaries thereof, and which are to be exercised as the Trustee, acting in such fiduciary capacity, in its discretion, shall determine and, except as otherwise provided, which are intended in no way to limit the powers of the office, namely:

- 6.01. Payment of Expenses of Administration. To pay, from the Trust assets, all ordinary and necessary expenses and other incidental costs incurred in connection with the Trust or in the discharge of the Trustee's fiduciary obligations under this Agreement including, but not limited to, Committee member(s) fees and expenses, the fees and/or compensation of any professional advisors, legal counsel or administrative support hired by the Committee as provided in Section 3.04, expenses and insurance policy premiums as provided in Section 3.06 and the costs and expenses of any audit of the Trust; provided that to the extent the foregoing amounts exceed \$500,000 in the aggregate in any twelve month period, CPUC Approval shall be required.
- 6.02. Extension of Obligations and Negotiations of Claims. To renew or extend the time of payment of any obligation, secured or unsecured, to or by the Trust, for as long a period or periods of time and on such terms as the Trustee shall determine, and to adjust, settle, compromise, and arbitrate claims on demands in favor of or against the Trust upon such terms as the Trustee may deem advisable, subject to the procedures contained in 2.01.
- 6.03. Registration of Securities. To hold any stocks, bonds, securities, and/or other property in the name of a nominee, in a street name, or by other title-holding device, without indication of trust.
- 6.04. Location of Assets. To keep any property belonging to the Trust at any place in the United States.
- 6.05. Delegation of Ministerial Powers. To delegate to other persons such ministerial powers and duties as the Trustee may deem to be advisable.
- 6.06. Powers of Trustee to Continue Until Final Distribution. To exercise any of such powers after the date on which the principal and income of the Trust shall have become distributable and until such time as the entire principal of, and income from the Trust shall have been actually distributed by the Trustee (it is intended that the distribution of the Trust will occur as soon as possible upon termination of the Trust, subject, however, to the limitations contained in Sections 2.06 and 2.07 hereof).
- 6.07. Discretion in Exercise of Powers. To do any and all other acts which the Trustee shall deem proper to effectuate the powers specifically conferred upon it by this Agreement, provided, however, that the Trustee may not do any act or knowingly engage in any transaction which would:
- (1) Contravene any provision of this Agreement; or
 - (2) Violate the terms and conditions of any instructions provided by written Certificate by the Committee.

- 6.08. Trustee Reimbursement; Foreign Exchange Settlement. If the Trustee advances cash or securities for any purpose authorized under this Agreement, or in the event that the Trustee shall incur or be assessed taxes, interest, charges, expenses, assessments, or other liabilities in connection with the performance of this Agreement, except such as may arise from its own negligent action, negligent failure to act or willful misconduct, any property at any time held for the Trust or under this Agreement shall be security therefor and the Trustee shall be entitled to collect from such property sufficient cash for reimbursement, and if such cash is insufficient, dispose of the assets of the Fund held under this Agreement to the extent necessary to obtain reimbursement. To the extent the Trustee advances funds to the Trust for disbursements or to effect the settlement of purchase transactions, the Trustee shall be entitled to collect from the Trust reasonable charges established under the Trustee's standard overdraft terms, conditions and procedures. The Trustee may settle transactions for foreign exchange or foreign exchange contracts.

VII. TRUSTEE'S MANAGEMENT OF THE TRUST

The Trustee has the authority and responsibility to manage the Trust assets, but recognizes the authority of any Investment Manager(s) appointed by the Committee to invest and reinvest the assets of the Trust pursuant to Investment Manager Agreement(s) and as provided in Section 5.02 of this Agreement, and agrees to cooperate with such Investment Manager(s) as deemed necessary to accomplish these tasks. Notwithstanding the foregoing, the Trustee shall, without the written authorization of the Committee, invest cash balances, if any, in an investment account on a daily basis to the extent reasonable. Upon the written authorization of the Committee from time to time, the Trustee shall have the following powers, all of which are fiduciary powers to be executed in a fiduciary capacity and in the best interest of the Trust and the beneficiaries thereof, and which are to be exercised by the Trustee in its discretion, acting in such fiduciary capacity:

- 7.01. Preservation of Principal. The Trustee shall hold and manage the assets of the Trust in a manner designed to maximize and preserve the income and principal of the Trust for the purposes of the Trust.
- 7.02. Settlements. Settlements of transactions may be effected in trading and processing practices customary in the jurisdiction or market where the transaction occurs. The Company acknowledges that this may, in certain circumstances, require the delivery of cash or securities (or other property) without the concurrent receipt of securities (or other property) or cash and, in such circumstances, the Trustee shall have no responsibility for nonreceipt of payment (or late payment) by the counterparty.
- 7.03. Management of Trust.
- (1) The Trustee shall have the power to sell, exchange, partition, or otherwise dispose of all or any part of the Trust

at public or private sale, without prior application to, or approval by, or order of any court, upon such terms and in such manner and at such prices as the Trustee shall determine; to modify, renew or extend bonds, notes or other obligations or any installment of principal thereof or any interest due thereon and to waive any defaults in the performance of the terms and conditions thereof; and to execute and deliver any and all bills of sale, assignments, bonds or other instruments in connection with these powers, all at such time, in such manner and upon such terms and conditions as the Trustee may deem expedient to accomplish the purposes of the Trust as set forth in Section 1.03.

- (2) Notwithstanding anything contained in this Agreement to the contrary, the Trustee may not authorize or carry out any investment which would violate the restrictions on investment of Trust assets as set forth in Section 5.1(4) and nothing in this Section VII shall be construed as authorizing the Trustee to carry on any business or to divide the gains therefrom.

- 7.04. Disposition of Investments. When required to make any payments under Sections 2.01 or 6.01 hereof, the Trustee shall sell investments at the best price reasonably obtainable, or present investments for prepayment, but only upon written direction from the Committee. The Trustee shall have no liability, except for its own bad faith, negligence or willful misconduct, with respect to any sale or prepayment of an investment directed by the Committee or an Investment Manager or made by an Investment Manager through a broker-dealer.

VIII. MISCELLANEOUS

- 8.01. Headings. The section headings set forth in this Agreement and the Table of Contents are inserted for convenience of reference only and shall be disregarded in construction or interpretation of any of the provisions this Agreement.
- 8.02. Interpretation. Any word contained in the text of this Agreement shall be read as the singular or plural and as the masculine, feminine, or neuter as may be applicable or permissible in the particular context. Unless otherwise specifically stated, the word “person” shall be taken to mean and include an individual, partnership, association, trust, company, or corporation. The word “including” when used herein means “including, but not limited to,” and the word “include” when used herein means “include, without limitation”.

- 8.03. Parties Interested Herein. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon, or to give to, any person, other than the Company, the Committee, the Trustee and the CPUC any right, remedy or claim under or by reason of this Agreement, or any covenant, condition or stipulation contained herein.
- 8.04. Severability of Provisions. If any provision of this Agreement or its application to any person or entity or in any circumstances shall be invalid and unenforceable, the application of such provision to persons and in circumstances other than those as to which it is invalid or unenforceable and the other provisions of this Agreement, shall not be affected by such invalidity or unenforceability.
- 8.05. Form and Content of Communications. The names of any person authorized to act on behalf of the Company or the Committee shall be certified, with the specimen signature of such person, in a Certificate delivered to the Trustee by the Company and the Committee, as applicable. Until appropriate written evidence to the contrary is received by the Trustee, it shall be fully protected in relying upon or acting in accordance with any Certificate or other written notice, instruction, direction, certificate, resolution, or other communication believed by it to be genuine and to be signed and/or certified by any proper person, and the Trustee shall be under no duty to make any investigation or inquiry as to the truth or accuracy of any statement contained therein. Until notified in writing to the contrary, the Trustee shall have the right to assume that there has been no change in the identity or authority of any person previously certified to it hereunder.

- 8.06. Delivery of Notices Under Agreement. Any notice required by this Agreement to be given to the Company, the Trustee or the Committee shall be deemed to have been properly given when mailed, postage prepaid, by registered or certified mail, to the person to be notified set forth below:

If to the Company:

PACIFIC GAS AND ELECTRIC COMPANY
Attention: [•]
77 Beale Street, Room 805
San Francisco, California 94106

If to the Trustee:

[•]
Attention: [•]
[•]
[•]

If to the Committee:

Pacific Gas and Electric Company
Attention: Customer Credit Trust Committee
[•]
[•]

The Company, the Committee or the Trustee may change that address by delivering notice thereof in writing to the other persons as set forth in this Section 8.06.

- 8.07. Successors and Assigns. Subject to the provisions of Sections 2.04 (with respect to the Company) and 4.01 (with respect to the Trustee), this Agreement shall be binding upon and inure to the benefit of the Company, the Trustee and their respective successors, assigns, personal representatives, executors and heirs.
- 8.08. Governing Jurisdiction. The Trust is a California trust and all questions pertaining to its validity, construction, and administration shall be determined in accordance with the laws of the State of California as if executed in and to be wholly performed within the State of California.
- 8.09. Accounting Year. The Trust shall operate on an accounting year which coincides with the calendar year, January 1 through December 31.
- 8.10. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the

signatures thereto and hereto were upon the same instrument.

- 8.11. Approval. This Agreement shall be effective when approved by the CPUC and signed by all parties.

IN WITNESS WHEREOF, the Company and the Trustee have caused this Agreement to be duly executed by their respective authorized representatives.

[TRUSTEE],
a **[form of business and state of**
registration]

PACIFIC GAS AND ELECTRIC
COMPANY,
a California corporation

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Schedule I
Trustee Fee Schedule

(See attached.) [TBD]

(END OF ATTACHMENT A)